

Constitutional Court's Landmark Decision Reshapes Indonesian Manpower Law

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Indonesia's Constitutional Court has issued a decision that significantly alters various aspects of the Manpower Law. Key changes include requiring court approval for disputed terminations, capping fixed-term contracts at five years, revising wage calculations, and prioritizing Indonesians over foreigners for job vacancies.

Handed down on 31 October 2024, the Constitutional Court's Decision No. 168/PUU-XXI/2023 ("Decision") invalidates and amends 20 provisions in the Manpower Law cluster within the omnibus law on Job Creation.¹

Issued in response to a case filed by labor unions and private employees, the Decision also orders the House of Representatives to pass a new manpower law within two years to streamline manpower provisions spread across different laws and align them with the latest amendments.

The Decision addresses long-standing concerns over employee protection versus business flexibility, clarifying provisions that had multiple interpretations and adding new ones. Companies should understand the changes and their impact on managing employees.

For a detailed matrix listing the Decision's key points and their potential impact on employers, download the PDF file.

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