



Client Alert June 2026

Outsourcing reform: What employers need to know about compliance and worker protections

[Minister of Manpower Regulation Number 7 of 2026 on Outsourcing Services](#)

Background

On 30 April 2026, the Minister of Manpower issued Regulation Number 7 of 2026 on Outsourcing Services (Permenaker 7/2026). This regulation is a follow-up to Constitutional Court Decision Number 168/PUU-XXI/2023, which highlighted the need to impose limitations on outsourcing practices that may undermine workers' rights, and introduces significant changes to outsourcing practices in Indonesia, specifically by limiting the fields and types of work that may be outsourced.

Compared to the previous framework under Law Number 13 of 2003 on Manpower (as amended by Law Number 6 of 2023 on Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law) in conjunction with Government Regulation Number 35 of 2021 on Temporary Employment Contract (*Perjanjian Kerja Waktu Tertentu (PKWT)*), Outsourcing, Working Hours and Breaks, and Termination of Employment, which generally provided broader flexibility and did not impose limitations on the types of work that may be outsourced, Permenaker 7/2026 introduces more detailed provisions concerning the implementation of outsourcing arrangements, protection of workers' rights, and additional compliance obligations for companies. With clearer supervision and compliance standards now in place, companies should ensure that their existing outsourcing practices are aligned with the new regulatory requirements to minimize potential employment-related risks going forward.

This Client Alert highlights the key issues that companies should consider in relation to the major changes introduced under Permenaker 7/2026, namely: (i) types of work permitted for outsourcing; (ii) registration of outsourcing agreements by outsourcing companies; (iii) expansion of parties' responsibilities and obligations for securing workers' rights; and (iv) transition period.

Types of work permitted for outsourcing

Among the various changes introduced by Permenaker 7/2026, this aspect constitutes one of the most significant changes as it introduces stricter limitations on outsourcing practices by limiting outsourcing to six categories of supporting services, namely:

- Cleaning services;
- Food and beverage services;
- Security services;
- Driver and employee transportation services;
- Operational support services; and
- Supporting services in the mining, oil and gas, and electricity sectors.

In relation to operational support services, it is worth noting that there is currently no official definition or clear limitation defining the scope of the category. This may create room for interpretation in practice. Accordingly, companies should carefully assess whether a particular activity may be classified as a supporting service or instead form part of their core business activities.

Registration of outsourcing agreements by outsourcing companies

One of the key changes introduced under Permenaker 7/2026 is the requirement to register outsourcing agreements. The new regulation sets out the procedures for registering outsourcing agreements, starting from the submission of the registration application to the issuance of proof of registration. Furthermore, it provides for suspension measures that may be imposed by officials of the Ministry of Manpower in the event of non-compliance.

Expansion of parties' responsibilities and obligations

Permenaker 7/2026 also expands the regulatory framework governing the responsibilities and obligations of parties involved in outsourcing arrangements. Previous regulations primarily focused on outsourcing companies' obligations relating to worker protection, wage payment, employee welfare, working conditions, protection in the event of a transfer of outsourced work, and dispute settlement. Under this regulation, these obligations are addressed in a more detailed and structured manner.

An outsourcing company holding a business license in the outsourcing sector is now required to:

- Implement occupational health and safety and environmental standards;
- Register outsourcing agreements with the relevant manpower office; and
- Commence business activities no later than one year after the issuance of the business license.

In addition, Permenaker 7/2026 places greater responsibility on user companies. User companies are now required to ensure that the outsourcing company fulfills all rights and protections of outsourced workers in accordance with the applicable laws and regulations, regardless of supervision by labor inspectors (*Pengawas Ketenagakerjaan*). In other words, outsourcing compliance is no longer solely the

responsibility of the outsourcing company, but has also become a direct compliance concern for user companies.

Companies should also note that failure by an outsourcing company to comply with the above obligations may result in administrative sanctions under the prevailing risk-based business licensing regulations.

Transition period

The new regulation provides a transition period for companies to align their existing outsourcing practices with the new regulatory framework. Existing outsourcing agreements will remain valid until the expiry of their respective terms. However, both outsourcing companies and user companies are required to adjust the types and scope of outsourced work within the timeframe stipulated under the regulation, namely within two years from the issuance of Permenaker 7/2026, which falls on 30 April 2028.

Our Comments

Permenaker 7/2026 aims to provide greater legal certainty in Indonesia's outsourcing practices by introducing several significant changes, ranging from limitations on the types of work that may be outsourced and outsourcing agreement registration requirements to expanded responsibilities of the parties involved. In light of these developments, companies that currently engage in or plan to implement outsourcing arrangements should review and evaluate their existing outsourcing practices to ensure compliance with the new regulatory requirements and minimize potential employment-related risks and administrative sanctions.

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