**Executive summary**
The Minister of Manpower (MoM) has recently issued a new regulation (No. 16 year 2015 dated 29 June 2015) concerning foreign manpower utilization. The purpose of the new regulation is to better manage the employment of foreign workers and maintain equality of opportunity for Indonesian workers.

Based on the new regulation, there are changes to the requirements and procedures of foreign manpower utilization that need to be attended to by the sponsoring companies in Indonesia.

**Background**
The previous MoM regulation is considered no longer compatible with recent developments of the employment environment in Indonesia and therefore requires refinement.

The new regulation indicates new requirements for Indonesian employers which include the following:

- Minimum ratio of Indonesian employees to foreign employees for Indonesia employers
- Requirement to obtain work permits or *Izin Mempekerjakan Tenaga Kerja Asing* (IMTA) for foreign workers
- Foreign manpower utilization Compensation Fund payments are in Indonesian Rupiah

**Ratio requirement**
Based on the new regulation, a company that employs one foreign worker should employ at least ten local workers.

This provision does not apply to foreign workers who are:

- Members of the Board of Directors and Board of Commissioners, or members of the management and supervisors of Indonesian Foundations (Yayasan)
- Foreign workers employed in urgent and/or emergency work
- Foreign workers employed in temporary jobs
- Foreign workers employed for entertainment as relates to art and sports (“impresariat”).

**Requirement to obtain work permits for foreign workers**

- The following additional requirements will now be introduced for foreign workers:
  - Foreign workers who have worked in Indonesia for more than six months are required to register for a Tax ID Number.
  - Foreign workers are required to have insurance from an Indonesian insurance company.
- Foreign workers who have worked in Indonesia for more than six months are required to be registered in the national social security program.
- The IMTA is mandatory for both resident and non-resident members of Board of Directors, members of Board of Commissioners of Indonesian companies or members of the management and supervisors of an Indonesian Foundations (Yayasan).
The MoM will issue an IMTA for temporary work in the following situations:

- Providing counselling and training in the creation and innovation of technological industry with the purpose of enhancing the quality and design of industrial products as well as in foreign cooperation for Indonesia
- Making a commercial movie, permission for which has been granted by the authorized institution
- Making a speech or giving a lecture
- Attending meetings held at a head office or representative office in Indonesia
- Performing audit, production quality control, or inspection of branch offices in Indonesia
- On-the-job training
- One-time work (i.e. a project with a clearly defined period of activity)
- Work related to machine installation, electricity, after sales service, or products still in the period of market testing

The period of validity of an IMTA for temporary work is up to one month, except for certain temporary work where the IMTA is granted for up to six months. The IMTA cannot be extended.

The documents required to obtain a temporary IMTA are Foreign Manpower Utilization Plan (RPTKA) approval; proof of an insurance policy from an Indonesian insurance entity; and copy of passport indicating Izin Tinggal Kunjungan granted based on a visa issued by the Indonesian Embassy/Consulate General overseas where entry is sponsored by an employer.

Foreign manpower utilization Compensation Fund payments are in Indonesian Rupiah

The employer of foreign workers is required to make an advance compensation payment of USD100 per month for each foreign worker. In accordance with recent Bank Indonesia regulations, the compensation payment must be converted to, and paid in, Indonesian Rupiah.

Reporting and monitoring of the use of foreign workers

Employers are required to make a written report on the use of foreign workers, detailing the progress of the transfer of their speciality knowledge to Indonesian employees. This report should be prepared on a semi-annual basis and/or when a foreign worker’s assignment ends.

Monitoring of employers in this regard will be performed by the Manpower Monitoring Officer on a regular basis in line with the stipulated regulations. Failure to comply with the regulations will result in revocation of the IMTA.

Next steps

Employers should ensure they are compliant with the new regulations, specifically:

- Prepare for the processing of the compensation payment to be converted to IDR
- Prepare for securing work and stay permits for members of Board of Directors and Board of Commissioners.

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