

Government Regulation No. 36/2021 on Wages (Minimum Wages)
Amended by Government Regulation No. 51/2023

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1. Introduction

On 2 February 2021, the government introduced Government Regulation No. 36 of 2021 on Wages (“ GR 36/2021”). This Regulation 36/2021 serves as a framework that covers a wide range of aspects relating to wages (e.g., components, classification, minimum wage, and wage protection).



The Government has now issued Government Regulation No. 51 of 2023, which partially amends Government GR 36/2021 (“GR51/2023”). It came into effect on 10 November 2023 and aims to update the calculation of minimum wages. This may have a positive impact on workers.

2. What’s new?

(1) Personal Scope

According to Art. 24.1 of GR 36/2021, the minimum wage applies to workers/laborers with a work period of less than one year. In addition, the GR51/2023 introduced a paragraph stating that workers/laborers with a work period of less than 1 (one) year with certain qualifications required in the position may be granted a wage greater than the minimum wage (Art. 24.1a).

(2) Updated Formula for Minimum Wage

According to Art. 25.1 of the GR51/2023, the minimum wage still consists of a provincial minimum wage and a district/city minimum wage.

Art. 26.1 of the GR51/2023 states that provinces or districts/cities must adjust their minimum wages annually. This adjustment should incorporate certain variables, i.e., economic growth, inflation, and a certain index (Art. 26.2 of the GR51/2023). (Said index is newly featured under the GR51/2023 and symbolized as “ α ” in the following calculation formula.)

For the calculation of minimum wages, Art. 26.4-8 of the GR51/2023 introduces an updated formula:

$$UM_{(t+1)} = UM(t) + \text{Adjustment Value to } UM_{(t+1)}$$

$$\text{Adjustment Value to } UM_{(t+1)} = \{\text{Inflation} + (\text{PE} \times \alpha)\} \times UM_{(t)}$$

Symbols	Remarks
$UM_{(t+1)}$	Forthcoming minimum wage
$UM_{(t)}$	Minimum wage for the current year
Inflation	Provincial inflation rate, as calculated based on changes in the consumer price index for the September period of the current year against the consumer price index for the



	September period of the previous year (in percent).
PE	Regional economic growth rate
α	Variable within the Value range: 0.10-0.30

The abovementioned index shall be determined based on the contribution of the workforce to the economic growth of the province or district/city. The determination may be made by the provincial or district/city wage board. (Art. 26.3 and 26.6-8)

If the Adjustment Value to $UM_{(t+1)}$ is lower than or equivalent to zero, the applicable minimum wages will be the same as the current year's (Art. 26.9 of the GR51/2023). Moreover, Art. 26B of the GR51/2023 states that minimum wage value calculation results should be rounded up by one rupiah unit.

(3) Alternative Formula for Minimum Wage Adjustment Value

If the current year's minimum wage in a province or district/city reaches a certain threshold, Art. 26A of the Amending Regulation provides an alternative adjustment value formula.

$$\begin{aligned} & \text{Threshold} \\ & = \frac{\text{average household consumption}}{\text{average number of working household members in the province or district/city}} \\ & > UM_{(t+1)} \end{aligned}$$

The alternative formula reads as follows:

$$\text{Adjustment Value to } UM_{(t+1)} = PE \times \alpha \times UM_{(t)}$$

If the economic growth ("PE") is negative, the value of the following year's minimum wage shall be set equal to the value of the current year's minimum wage (Art. 26A.5 of the GR51/2023).

(4) Determination of Minimum Wage

According to Article 27.1, Article 29, and Article 35.2 of the GR51/2023, the Governor is responsible for determining and announcing the provincial minimum wage by November 21st of each year. The district/city minimum wage must be announced by November 30th of the current year.

3. Conclusion

With GR51/2023, the government has introduced a new formula for the calculation of minimum wages. This formula includes a certain index ranging from 0.10 to 0.30, which could lead to a slight but instant increase in minimum wages. However, after a new minimum wage was pronounced in the capital, workers went on strike in West Java province and other areas, demanding a 15% increase in the minimum wage.



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Koji Umai spent more than 7 years working at a law firm in Japan where he was involved in various corporate affairs. He also had previous experiences handling international matters in civil affairs, real-estate, insolvency, and criminal cases.

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Yusuke has extensive and long-time experience in overseas matters, especially in Southeast Asia, Indonesia, and Malaysia. He handles a wide range of international construction agreements, sales and purchase agreements, dispute resolution, and pullout of business. Working in a major Japanese plant and engineering company, he has experience in numerous overseas plant construction matters, mainly involving negotiating a plant construction agreement (EPC Agreement) in South-East Asia and in concluding various types of contracts for major general trading companies. He graduated from University of Pennsylvania Law School, LL.M, USA and joined OAL in January 2023.

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