

# Employee Rights after a Job Termination

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Indonesian Law Number 13 of 2003 on Manpower (the “**Manpower Law**”) stipulates 4 (four) types of compensation upon termination of indefinite employment contract i.e. Severance Pay (*Uang Pesangon*), Reward Pay (*Uang Penghargaan Masa Kerja*), Compensation Pay For Entitlements (*Uang Penggantian Hak*) and Separation Pay (*Uang Pisah*).

Employer should take into account 2 (two) components of salary to in calculating the compensation precisely i.e. basic salary and all forms of fixed allowances that are provided to the employee and their families. For the daily-wage worker, a one-month wage shall be equal to 30 (thirty) times a one-day wage. The following is reasons for termination and calculation of each compensation:

Reasons For Termination	Compensation
Employee commits breach of employment contract, collective employment contract or company regulation	1 time SP, 1 time RP and CPFE
Employer commits violation towards employee	2 times SP, 1 time RP and CPFE
Employee marries other employee on the same company (as determined by the company)	1 time SP, 1 time RP and CPFE
Employer suffered losses for two consecutive years or occurrence of force majeure	1 time SP, 1 time RP and CPFE
Employer does business efficiency	2 times SP, 1 time RP and CPFE
Consolidation, merger, change of company status or management and employee is not willing to continue working relationship	1 time SP, 1 time RP and CPFE
Consolidation, merger, change of company status or management and employer terminates employment contract	2 times SP, 1 time RP and CPFE
Company is declared bankrupt	1 time SP, 1 time RP and CPFE
Employee passes away	2 times SP, 1 time RP and CPFE
Employee is lost to follow-up for 5 (five) consecutive days or more and noticed two times properly	CPFE and Separation Pay
Employee has been sick for more than 12 months	2 times SP, 2 times RP and CPFE
Retirement age	Further stipulated in Article 167
Employee is detained for more than 6 months	1 time RP and CPFE
Employee is detained and found guilty	1 time RP and CPFE

Note:

**SP** = Severance Pay **RP** = Reward Pay **CPFE** = Compensation Pay For Entitlements

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Calculation of Severance Pay, Reward Pay, Compensation Pay For Entitlements and Separation Pay based on working period are as follow:

### 1. Severance Pay

Article 156 paragraph (2) of the Manpower Law provides the calculation of severance pay as follows:

Working Period (WK) (in years)	Severance Pay (Salary per Month)
WK < 1 year	1 time
1 year <= WK < 2 years	2 times
2 years <= WK < 3 years	3 times
3 years <= WK < 4 years	4 times
4 years <= WK < 5 years	5 times
5 years <= WK < 6 years	6 times
6 years <= WK < 7 years	7 times
7 years <= WK < 8 years	8 times
WK => 8 years	9 times

### 2. Reward Pay

The calculation of reward pay is regulated in Article 156 paragraph (3) of the Manpower Law as follows:

Working Period (WK) (in years)	Reward Pay (Salary per Month)
3 years <= WK < 6 years	2 times
6 years <= WK < 9 years	3 times
9 years <= WK < 12 years	4 times
12 years <= WK < 15 years	5 times
15 years <= WK < 18 years	6 times
18 years <= WK < 21 years	7 times
21 years <= WK < 24 years	8 times
WK => 24 years	10 times

### 3. Compensation Payment for Entitlements

The component of Compensation Payment for Entitlements include:

- Annual leaves that have not expired and have not been taken;
- Costs or expenses for transporting the employee and his or her family back to the point of hire;
- Compensation for housing allowance, medical and health care allowance is determined at 15% (fifteen percent) of the severance pay and or reward for years of service pay for those who are eligible;

### 4. Separation Pay

This pay shall be agreed between the employer and the employee in the employment contract, company regulations or collective employment contract.

**T**he Manpower Law preserves the minimum employee rights after a job termination, while any potential dispute on compensation should be settled through Indonesian Relations Dispute Settlement.