

Update on the Regulation of Wages

May 2026

GR 49/2025 is the second amendment to Government Regulation No. 36 of 2021 regarding Wages (“**GR 36/2021**”) and serves as the implementation of the Constitutional Court Decision No. 168/PUU-XXI/2023, in which the Central Government must adjust several wage provisions, particularly those related to minimum wages, the role of wage councils, and wage structures and scales.

The key points of GR 49/2025 are as follows:

- a. **Involvement of Regional Governments and Wage Councils in Determining Wage Policies** – the Central Government must now involve regional governments and wage councils in determining wage policies.
- b. **Wage Structure and Scale** – to establish and implement a wage structure and scale, a company must take into account employee classification, position, length of service, education, and competency.
- c. **Adjustment to the Minimum Wage Formula** – GR 49/2025 reinstates the formula for calculating minimum wage adjustments as stipulated under GR 36/2021. However, GR 49/2025 increases the value of the specific index denoted as “ α ” (alpha) to fall within the range of 0.50 to 0.90 (from the previous range of 0.10 to 0.30). The value of the symbol α is to be determined by the provincial wage council or district/city wage council by considering:
 - i) the balance between the interests of workers/laborers and the company; and
 - ii) the comparison between the minimum wage and the need for a decent living.
- d. **Reintroduction of Sectoral Minimum Wages** – Provincial Sectoral Minimum Wage (*Upah Minimum Sektoral Provinsi/UMSP*) and Regency/City Sectoral Minimum Wage (*Upah Minimum Sektoral Kabupaten/UMSK*) have been reinstated to accommodate specific sectors with higher productivity levels, certain risks, or special characteristics.



- e. **Clarification of the Prioritization Level of “Other Unpaid Rights of Workers/Laborers” in Companies Declared Bankrupt or Liquidated** – In the event of bankruptcy or liquidation, wages and other unpaid rights of workers/laborers constitute debts that must be paid first and take priority over all creditors, including preferred creditors, but still except to property security holders.

Our employment team will be happy to discuss any questions you might have. Please contact Partner, Made Barata (mb@mkklaw.net) for further information.