



Company Regulation and Collective Labor Agreement

Company Regulations (CR or locally known as Peraturan Perusahaan) and Collective Labor Agreements (CLA or locally known as Perjanjian Kerja Bersama) are common terms in labor sector. Both CR and CLA regulate the rules or the determination of rights and obligations for the company and its employees. However, in employment law, CR and CLA are two different things. The difference between these two regulations must be understood so that business runs smoothly and safely.

Following are differences between CR and CLA:

A. Definition

Based on Article 1 Number 20 of Law Number 13 Year 2003 concerning Manpower (**“Labor Law”**) CR are regulations made in writing by employers that contain work requirements and company rules and regulations. Meanwhile, based on Article 1 Number 21 of the Labor Law, CLA is an agreement as the result of negotiations between a trade union/labor union or several trade union/labor unions that are registered with the agency responsible for manpower affairs and an employer, or several employers. or group of employers that contains the terms of work, rights and obligations of both parties.

B. Drafter

The CR is drafted only by employers based on the definition of CR on Article 1 Number 20 of Labor Law. While CLA, based on Article 1 Number 21 of labor Law, is drafted by employers and labor unions.

C. Negotiation Team

The CR do not regulate negotiations, including the negotiating team. While the CLA is regulated in Article 22 and Article 23 of Ministry of Manpower Regulation Number 28 Year 2014 concerning Procedures for Making and Enacting Company Regulations and Making and Registering Collective Labor Agreements (**“MoM Reg No. 28/2014”**). In determining the negotiating team for the making of the CLA, the employer and the trade/labor union shall appoint a negotiating team according to need with the condition that each of them is at maximum of 9 (nine) persons with full authority (Article 22 of MoM Reg No. 28/2014). Members of the negotiating team for making the CLA representing the trade union/labor union must be workers/laborers who are still bound by the working relationship in the company (Article 23 of MoM Reg No. 28/2014).



D. Obligation

Based on Article 108 of Labor Law, CR are statutorily required for any company with 10 (ten) or more employees unless the company is party to a collective labor agreement (Article 111 paragraph (4) *jo.* Article 116 paragraph (1) of Labor Law).

E. Number of Regulation

According to Article 3 paragraph (1) of MoM Reg No. 28/2014, in 1 (one) company, there should only consist of 1 (one) CR that apply for all workers/laborers in related company whether it is Definite-term workers or Indefinite-term workers. Same for CLA, based on Article 15 paragraph (1) of MoM Reg No. 28/2014 in 1 (one) company, there should only be 1 (one) CLA that apply to all workers/laborers whether it is Definite-term workers or Indefinite-term workers.

F. Agreement of Both Parties

When employers drafting the CR, employers are not required to obtain an agreement from workers/labor, but employers need to pay attention to suggestions and considerations from representatives of workers/laborers in the company concerned (Article 110 paragraph (1) of Labor Law). While the CLA is the opposite of the CR. In making a CLA, as regulated under Article 116 of Labor Law, there must be an agreement between the two parties, between the employer and the worker/laborer, which is carried out by deliberation.

Please be note that both CR and CLA must be legalized by the Ministry of Manpower ("MoM") and may remain in effect up to a maximum of two (2) years. The Labor Law (Article 111) simply states that the CR should at a minimum contain provisions regarding:

- a) The rights and obligations of the employer;
- b) The rights and obligations of the employees;
- c) Working conditions, i.e., rights and obligations of the parties not stipulated by laws and regulations;
- d) Enterprise discipline and rules of conduct; and

G. Expiration and Renewal

As already mentioned above that the validity period of CR is a maximum of 2 (two) years and must be updated after the expiration date (Article 111 paragraph (3) of Labor Law). During the validity period of the company regulations, if the trade union/labor union in the company wishes to negotiate a CLA, then the employer is obliged to serve them (Article 111 paragraph (4) of Labor Law).

As for the CLA, based on Article 123 of Labor Law, it is valid for a maximum of 2 (two) years and can be extended for at maximum of 1 (one) year based on written agreement between the employer and the trade union/labor union.



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