Leks Summary of

CONSTITUTIONAL COURT’S REVIEW ON INDONESIA LABOR LAW

Compilation of Various Decisions
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ON INDONESIA LABOR LAW
COMPILATION OF VARIOUS DECISIONS
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The labor law in Indonesia has been promulgated since 2003, and therefore, the law has been operative for around 13 years. From its promulgation, the labor law was intended to protect workers’ fundamental rights, by also considering the interest of the employer. One can say that it tends to favor the worker than the employer.

During 13 years of labor law’s applicability to date, there are many claims addressed to Constitutional Court (CC) to review a provision or some provisions of the labor law. When reading the compilation of CC’s decisions, one can see that many provisions reviewed by the CC are more beneficial to the worker than to the employer. That is the fact. Moreover, it is surprisingly important that the law on CC was promulgated at the same year with labor law, an important step of Indonesia’s legal system. The establishment of CC promoted the claims over provisions of labor law.

Since the CC’s decisions are not issued at the same time, and claimed by various different parties, it is very helpful for the user, legal practitioner, or for any party who would like to understand labor law in Indonesia to realize that some provisions in the law have been amended or even removed. Accordingly, a compilation of various CC’s decisions on provisions of labor law becomes imperative. Even though a further claim to CC may occur, one can use this compilation as reference or guidance to have a better understanding over labor law. This reference is highly crucial for a legal practitioner especially when a lawyer has to give a legal opinion to his client.

This compilation is not perfect. If the readers have input or suggestions over this compilation, please feel free to send it to query@lekslawyer.com. We will use the input to make this compilation better and more beneficial to the readers.

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The Law Number 13 of 2003 ("Labor Law") has several times become object of the judicial review against the Indonesia Constitution of 1945 ("UUD 1945") by the Constitutional Court of Indonesia ("MK"). From several requests of the judicial review of the Labor Law on MK, there are at least 9 (nine) decisions by MK which partially or fully granted the request of judicial review over Labor Law.

As a result, there are 19 (nineteen) alterations in the Labor Law within 15 (fifteen) articles, as follows:
1. Article 59 paragraph (7), Article 65 paragraph (8) and Article 66 paragraph (4);
2. Article 65 paragraph (7) and Article 66 paragraph (2) letter (b);
3. Article 95 paragraph (4);
4. Article 96;
5. Article 120 paragraph (1);
6. Article 120 paragraph (2);
7. Article 120 paragraph (3);
8. Article 155 paragraph (2);
9. Article 158;
10. Article 159;
11. Article 160 paragraph (1);
12. Article 164 paragraph (3);
13. Article 169 paragraph (1) letter (c);
14. Article 170 and Article 171; and
15. Article 186.
1. **Article 59 Paragraph (7), Article 65 Paragraph (8) and Article 66 Paragraph (4)**

**Provision**

**Article 59 paragraph (7)**
Any work agreement for a specified period of time that does not fulfill the requirements as set out in paragraph (1), paragraph (2), paragraph (4), paragraph (5) and paragraph (6) shall, by law, become a work agreement for an unspecified period of time.

**Article 65 paragraph (8)**
If the provision as set out in paragraph (2), and paragraph (3), are not met, then by law, status of an employment relationship of the employee/worker with the outsourcing company is assigned to an employment relationship with the employing company.

**Article 66 paragraph (4)**
If the provision as set out in paragraph (1), point a, b, and d of paragraph (2), and paragraph (3) are not met, then by law, the status of an employment relationship between the employee/worker and the outsourcing company is assigned to become an employment relationship between employee/worker and employing company.

**Consideration**
There is a problem on legal certainty regarding who is authorized to determine and decide the fulfillment of the requirements. To ensure its legal certainty, MK decided to stipulate requirements over that provision. According to MK, the word “by law” is violating UUD 1945 and is legally null and void, if the word “by law” is not construed as the worker/employee may ask for a legalization of examination note by a labor inspecting officer to the District Court on conditions:

1. a bipartite negotiation has been implemented but it does not reach any resolution, or one of the party rejects the negotiation; and
2. examination by labor inspecting officer has been made in accordance with the prevailing laws.
Decision

Word “by law” in Article 59 paragraph (7), 65 paragraph (8), and 66 paragraph (4) of the Labor Law are declared violating UUD 1945 and are legally null and void as long the word “by law” is not construed as “The worker/employee may ask for a legalization of examination note by a labor inspecting officer to the District Court on conditions:

1. a bipartite negotiation has been implemented but it does not reach any resolution, or one of the party rejects the negotiation; and
2. examination by labor inspecting officer has been made in accordance with the prevailing laws.”

Interpretation

The word “by law” in Article 59 paragraph (7), 65 paragraph (8), and 66 paragraph (4) must be construed as “The worker/employee may ask for a legalization of examination note by a labor inspecting officer to the District Court on conditions:

1. a bipartite negotiation has been implemented but it does not reach any resolution, or one of the party rejects the negotiation; and
2. examination by labor inspecting officer has been made in accordance with the prevailing laws.”
2. **ARTICLE 65 PARAGRAPH (7) AND 66 PARAGRAPH (2) LETTER (B)**

Provision

**Article 65 paragraph (7)**
The employment relationship as set out in paragraph (6) may be based on an employment agreement for an unspecified period of time or an employment agreement for a specified period of time if it meets the requirements set out in Article 59.

**Article 66 paragraph (2) letter (b)**
The applicable employment agreement in an employment relationship as set out in point (a) above is an employment agreement for a specified period of time fulfilling requirements set out in Article 59 and/or an employment agreement for an unspecified period of time made in writing and signed by both parties.

Consideration
To protect the right of every worker/employee which may be removed, therefore the transfer of protection action for worker/employee is used. Accordingly, the word “employment agreement for a specified period of time” is conditional upon the transfer of protective action over rights of worker/employee, where their work object is existed, even though there is a replacement of company that implements some of work to other company through a written agreement or through an outsourcing provider company.

Decision
The word “employment agreement for a specified period of time“ in Article 65 paragraph (7) and Article 66 paragraph (2) capital (b) are declared violating UUD 1945, and are legally null and void as long as in that employment agreement, the transfer of protective action of rights of worker/employee where their work object is existed is not required, even though there is a replacement of company that implements some of work to other company through a written agreement or through an outsourcing provider company.

Interpretation
The word “employment agreement for a specified period of time“ as set out in Article 65 paragraph (7) and Article 66 paragraph (2) letter (b) must require the transfer of protective action of rights of worker/employee where their work object is existed, even though there is a replacement of company that implements some of work to other company through a written agreement or through an outsourcing provider company.
3. **ARTICLE 95 PARAGRAPH (4)**

**Provision**
If the company is declared bankrupt or liquidated based on prevailing laws and regulations, the worker/employee’s remuneration and other rights shall take precedence.

**Consideration**
When company is declared bankrupt the payments of the debts are implemented with the priority level in accordance with the prevailing laws. MK considers the prevailing laws must protect the rights of the worker/employee and to give legal certainty that the worker/employee’s remuneration and other rights shall take precedence over all types of creditors.

**Decision**
Article 95 paragraph (4) is declared violating UUD 1945, and is legally null and void, as long as it is not construed as the payment of the company’s worker/employee’s remuneration shall take precedence over all types of creditors, including separatist’s receivable, state’s receivable, auction house’s receivable, public institutions established by the government. While the payment of other rights of worker/employee shall take precedence over all types of creditors, including state’s receivable, auction house’s receivable, public institutions established by the government, except separatist’s receivable.

**Interpretation**
Article 95 paragraph (4) must be construed as the payment of the company’s worker/employee’s remuneration shall take precedence over all types of creditors, including separatist’s receivable, state’s receivable, auction house’s receivable, public institutions established by the government. While the payment of other rights of worker/employee shall take precedence over all types of creditors, including state’s receivable, auction house’s receivable, public institutions established by the government, except separatist’s receivable.
4. **ARTICLE 96**

**Provision**
Any claim for the payment of the worker/employee’s remuneration and all other claims for payments arising from an employment relationship shall expire after the lapse of 2 (two) years since the emergence of right.

**Consideration**
MK considers that remuneration and any kind of payments arising from an employment relation are the right of the worker/employee and should be protected as long as the worker/employee did not do any harm to the employer. Accordingly, remuneration and any kind of payments arising from an employment relationship cannot be waived due to the lapse of certain period. They are personal right and cannot be revoked by anyone, whether by an individual or by the provisions of laws and regulations. Therefore, MK stipulates that Article 96 of the Labor Law is violating UUD 1945 and is not legally binding.

**Decision**
Article 96 is declared violating UUD 1945 and is legally null and void.

**Interpretation**
The worker/employee may claim for remuneration and any kind of payments to the employer without limit of 2 (two) years since the emergence of right. This provision will have to adhere to expiry provision under Indonesia Civil Code, namely, 30 (thirty) years.
5. **ARTICLE 120 PARAGRAPH (1)**

**Provision**
If there are more than 1 (one) labor union in a company, the labor union that has the right to represent workers/employees in negotiating a collective work agreement with the employer is the one whose members are more than 50% (fifty percent) of the total number of all the workers/employees that work in the company.

**Consideration**
There are at least 3 (three) constitutional problems that arise, directly related to constitutional rights of people guaranteed and protected by UUD 1945, as follows:
(a) removing the constitutional right of labor union which has not joined the major labor union to struggle for their rights collectively and to represent the worker/employee;
(b) causing unfair treatment of law, between the labor union whose existence is recognized by the Labor Law, and other labor union whose existence is not recognized by the Labor Law; and
(c) removing the rights of worker/employee who has not joined the major labor union to obtain protection and fair treatment of law within the company.

The constitutional rights as mentioned above can only be guaranteed and protected if all labor unions are given the same opportunity in a fair and proportional manner, to negotiate with the employer within the company. Therefore, MK considers that Article 120 paragraph (1) of the Labor Law is violating UUD 1945.

**Decision**
Article 120 paragraph (1) is declared violating UUD 1945 and is legally null and void.

**Interpretation**
The threshold of more than 50% of members in a labor union in the company, to negotiate on collective work agreement, is no longer applicable.
6. **ARTICLE 120 PARAGRAPH (2)**

**Provision**
If the requirement as set forth in paragraph (1) is not fulfilled, the labor unions in the company may form a coalition until the coalition gets the support of workers amounting more than 50% (fifty percent) of the total number of workers/employees in the company to represent workers/employees in the negotiation with the employer.

**Consideration**
The consequence of the provision in Article 120 paragraph (2) is the same as the consequence of the provision in Article 120 paragraph (1), namely, both of them equally may remove the constitutional rights of the labor union or the coalition of labor unions whose members are less than 50% (fifty percent) of total company’s worker/employee.

**Decision**
Article 120 paragraph (2) is declared violating UUD 1945 and is legally null and void.

**Interpretation**
Any labor union, with or without coalition, can be represented in the negotiation with the employer without considering the threshold of 50%.
7. **ARTICLE 120 PARAGRAPH (3)**

**Provision**
In case what is stipulated under paragraph (1) or paragraph (2) is not fulfilled, the trade/labor unions shall form a negotiating team whose members shall be determined proportionally to the number of members that each trade/labor union has.

**Consideration**
To fulfill the constitution principles and to avoid violation of constitutional rights, such as proportional fairness, to guarantee and protect the right of union of worker/employee, and the right of worker/employee which is guaranteed and protected by UUD 1945, every union of worker/employee in one company has the right to represent its worker/employee union proportionally to negotiate with the employer. Because of that, according to MK, Article 120 paragraph (3) is not violating UUD 1945. Nevertheless, since the provision of Article 120 paragraph (3) is related to Article 120 paragraph (1) and (2), and Article 120 paragraph (1) and (2) have been declared violating UUD 1945 and are not legally binding, to avoid the confusion over substance and its obscurity, MK decided to declare that Article 120 paragraph (3) is not violating UUD 1945 with condition. The conditionally constitutional decision for Article 120 paragraph (3), besides the consideration mentioned above, is to avoid the vacuum of law if the Article 120 paragraph (3) is declared as violating UUD 1945 and is not legally binding. MK considers that the lawmaker soon needs to conduct legislative review over the Article 120 paragraph (3), by inserting more proportional provision according to MK’s decision.

**Decision**
Article 120 paragraph (3) of the Labor Law is declared conditionally constitutional, as long as:
(a) the word “In case what is stipulated under paragraph (1) or paragraph (2) is not fulfilled” is deleted and Article 120 paragraph (3) becomes “The trade/labor unions shall form a negotiating team whose members shall be determined proportionally to the number of members that each trade/labor union has.”; and
(b) that provision set out in point (a) above is construed as, “if there are more than one trade/labor unions, then the total labor unions that may represent a worker/employee in negotiation with the employers in the company is maximum 3 trade/labor unions or their coalition having its minimum members of 10% of the total worker/employee in the company.”

Article 120 paragraph (3) is also declared as not legally binding, as long as:
(a) the word “In case what is stipulated under paragraph (1) or paragraph (2) is not fulfilled” is not deleted; and
(b) that provision above is not construed as “if there are more than one trade/labor unions, then the total labor unions that may represent a worker/employee in negotiation with the employers in the company is maximum 3 trade/labor unions or their coalition having its minimum members of 10% of the total worker/employee in the company.”

**Interpretation**

Article 120 paragraph (3) should be read as: “The trade/labor unions shall form a negotiating team whose members shall be determined proportionally to the total members that each trade/labor union has.” The provision must be construed as “if there are more than one trade/labor unions, then the total labor unions that may represent a worker/employee in negotiation with the employers in the company is maximum 3 trade/labor unions or their coalitions having its minimum members of 10% of the total worker/employee in the company.”
8. **Article 155 Paragraph (2)**

**Provision**
As long as decision by the institute for the resolution of industrial relation disputes has not been determined, either the employers or the worker/employee must keep on performing their obligations.

**Consideration**
To assure legal certainty, the word of “has not been determined” is declared violating UUD 1945 and is legally null and void as long as it is not construed that “has not been determined” means a decision that has not reached a permanent legal force.

**Decision**
The word “has not been determined” in Article 155 paragraph (2) is declared violating UUD 1945, and is legally null and void, as long as it is not construed as a decision that has not reached a permanent legal force.

**Interpretation**
Article 155 paragraph (2) should be read as “As long as decision by the institute for the resolution of industrial relation disputes has not been determined (a decision that has not reached its permanent legal force), either the employers or the worker/employee must keep on performing their obligations.”
9. **ARTICLE 158**

**Provision**

(1) An employer may terminate the employment relationship with a worker/employee if the worker/employee has committed the following grave wrongdoings:

(a) fraud, stealing, and embezzling goods and/or money of the company;  
(b) giving false or falsified testimony that causes damages to the company;  
(c) drunk, drinking alcohols, consuming and/or distributing narcotics, psychotropic substances and other addictive substances in the working environment;  
(d) committing immoral action or gambling in the working environment;  
(e) attacking, molesting, threatening, or intimidating co-worker of employer in the working environment.  
(f) inducing co-worker or employer to do illegal actions.  
(g) carelessly or intentionally destroying or neglecting the property of the employers exposed to danger, causing damages to the company;  
(h) carelessly or intentionally letting co-worker or employer in danger in the work place;  
(i) unveiling or leaking company’s secrets that should be kept confidential unless for the interest of the State; or  
(j) doing other actions within the working environment, which is threatened by criminal imprisonment of 5 (five) years or more.

(2) The grave wrongdoings as set out in paragraph (1) must be supported with the following evidences:

(a) the worker/employee is caught red-handed;  
(b) the worker/employee admits that he/she has committed a wrongdoing; or  
(c) other evidence in the form of reports of events made by the authorities at the company and confirmed by no less than 2 (two) witnesses.

(3) Workers/employees whose employment is terminated because of reasons as set out in paragraph (1) may receive compensation pay for entitlements left unused as set forth in paragraph (4) of Article 156.

(4) Workers/employees as set out in paragraph (1) whose duties and functions do not directly represent the interest of the employer, aside from the compensation pay as set forth in Article 156 paragraph (4) is given separation money where its amount and procedures or methods associated with the payment are as determined and stipulated in employment agreements, company regulations, or collective work agreement.
Consideration
Article 158 of the Labor Law gives right to employer to terminate the employment relationship if the worker/employee has committed grave wrongdoings without due process of law, but simply by a decision by the employer with supported evidences which their validity is not examined according to the prevailing procedural law. MK thus stipulates that Article 158 of the Labor Law is violating UUD 1945.

Decision
Article 158 is declared violating UUD 1945 and is legally null and void.

Interpretation
The employer is no longer able to use Article 158 as reasons to terminate employment relationship with the employees.¹

¹ This MK’s Decision is then followed up by Circular Letter of Ministry of Manpower and Transmigration Number SE.13/MEN/SJ-HK/I/2005.
10. **ARTICLE 159**

**Provision**
If the worker/employee does not accept the termination of his/her employment as set out in paragraph (1) of Article 158, the worker/employee may file a claim to the institute for resolution of industrial relationship dispute. Please see the full content of Article 158 paragraph (1) in point 4 above.

**Consideration**
Article 159 created unfair burden of proof for worker/employee, as a party that is economically weaker than the employer, where the worker/employee should be more protected than the employer. Other consideration, Article 159 causes confusion of thought by mixing the criminal proceeding with the civil proceeding inappropriately. Therefore, MK considers that Article 159 is violating UUD 1945.

**Decision**
Article 159 is declared violating UUD 1945 and is legally null and void.

**Interpretation**
The employer is no longer able to use Article 158 as reasons to terminate employment relationship with the employees.
11. ARTICLE 160 PARAGRAPH (1)

Provision
If the worker/employee is detained by the authorities because he or she is allegedly committing a crime not as reported by the employer, the employer is not obliged to pay the worker/employee’s remuneration but is obliged to provide assistance to employee’s family that is under the employee’s responsibility as follows:

a. for 1 (one) dependent, 25% of the worker/employee’s remuneration;
b. for 2 (two) dependents, 35% of the worker/employee’s remuneration;
c. for 3 (three) dependents, 45% of the worker/employee’s remuneration; and
d. for 4 (four) dependents or more, 50% of the worker/employee’s remuneration.

Consideration
MK considers that the elements of Article 160 contain discrimination, because the provision gives different treatment between the worker/employee who is detained not as reported and detained as reported by the employer. Therefore it is violating UUD 1945. Thus, Article 160 paragraph (1) as long the word “not as reported by the employer” is declared violating UUD 1945 and is legally null and void.

Decision
The word “not as reported by the employer” in Article 160 paragraph (1) is declared violating UUD 1945, and is legally null and void.

Interpretation
Article 160 paragraph (1) should be read as “If the worker/employee is detained by the authorities because he or she is allegedly committing a crime, the employer is not obliged to pay the of worker/employee’s remuneration but is obliged to provide assistance to employee’s family that is under the employee’s responsibility as follows…”
12. ARTICLE 164 PARAGRAPH (3)

Provision
The employer may terminate an employment relationship of their workers/employees because the company is closed not as a result of 2 (two) years consecutive losses or force majeure but because of efficiency, provided that the workers/employees are entitled to 2 times severance pay over the amount as stipulated in Article 156 paragraph (2), 1 (one) time reward pay over the amount as stipulated under paragraph (3) of Article 156 and compensation pay as stipulated under paragraph (4) of Article 156.

Consideration
There is no rigid and clear explanation for the word “the company is closed” in the Labor Law, resulting on uncertainty of law regarding interpretation of the closed company since anyone can interpret it differently according to their interests. Therefore, the word “the company is closed” must be construed that the company is permanently closed not for temporary.

Decision
The word “the company is closed” in Article 164 paragraph (3) is declared violating UUD 1945, and is legally null and void, as long as it is not construed as the company is permanently closed not for temporary.

Interpretation
Article 164 paragraph (3) should be read as “The employer may terminate an employment relationship of their workers/employees because the company is (permanently not for temporary) closed not as a result of 2 (two) years consecutive losses or force majeure but because of efficiency…”
13. **ARTICLE 169 PARAGRAPH (1) LETTER (C)**

**Provision**
A worker/employee may make an official request to the institute for the resolution of industrial relation disputes to terminate his/her employment relationship with his/her employer if:
(c) The employer has not paid remuneration at a prescribed time for three months consecutively or more.

**Consideration**
To assure legal certainty, this provision must be construed as a worker/employee may apply an official request to terminate an employment relationship to the institute for the resolution of industrial relation disputes if the employer does not pay employee’s remuneration at a prescribed time for three months consecutively or more, even though the employer pays remuneration in a timely manner afterward.

**Decision**
Article 169 paragraph (1) letter (c) is declared violating UUD 1945, and is legally null and void, as long as it is not construed as “a worker/employee may apply an official request to terminate an employment relationship to the institute for the resolution of industrial relation disputes if the employer does not pay employee’s remuneration at a prescribed time for three months consecutively or more, even though the employer pays remuneration in a timely manner afterward.”

**Interpretation**
Article 169 paragraph (1) letter (c) should be read as “A worker/employee may make an official request to the institute for the resolution of industrial relation disputes to terminate his/her employment relationship with his/her employer if:
(c) The employer has not paid remuneration at a prescribed time for three months consecutively or more (even though the employer pays remuneration in a timely manner afterward).”
14. ARTICLE 170 AND ARTICLE 171

Provision

Article 170
Any termination of employment relationship that is carried out without compliance to provisions in Article 151 paragraph (3) and Article 168 except Article 158 paragraph (1), Article 160 paragraph (3), Article 162, and Article 169 is declared null and void by law and the employer is obliged to re-employ the worker/employee and pay all the remuneration and entitlements which the worker/employee should have received.

Article 171
If workers/employees whose employment is terminated without the determination by the institute for the resolution of industrial relation disputes as set out in Article 158 paragraph (1), Article 160 paragraph (3) and Article 162 and the employee/worker cannot accept the termination of their employment, the workers/employees may file a claim to the institute for the resolution of industrial relation disputes no later than 1 (one) year since the date of termination.

Consideration
Article 158 is declared violating UUD 1945 and is legally null and void by the decision of MK, so that other provision related to Article 158, as in Article 170 and Article 171 are declared violating UUD 1945 and are legally null and void.

Decision
Article 170 as long as the word “except Article 158 paragraph (1)” is declared violating UUD 1945 and legally null and void and Article 171 as long as the word “Article 158 paragraph (1)” is declared violating UUD 1945 and is legally null and void.

Interpretation
Article 170 should be read as “Any termination of employment relationship that is carried out without compliance to provisions in Article 151 Paragraph (3) and Article 168, Article 160 paragraph (3), Article 162, and Article 169 is declared null and void by law…”

Article 171 should be read as “If workers/employees whose employment is terminated without the determination by the institute for the resolution of industrial relation disputes as set out in Article 160 paragraph (3) and Article 162, and the employee/worker cannot accept the termination of their employment…”
15. **ARTICLE 186**

**Provision**

(1) Anyone violating provisions as in paragraph (2) and paragraph (3) of Article 35, Article 93 paragraph (2), Article 137, and Article 138 paragraph (1) is subject to imprisonment at least 1 (one) month and 4 (four) years maximum and/or fine of at least Rp 10,000,000 (ten million Rupiah) and Rp 400,000,000 (four hundred million Rupiah) maximum; and

(2) The criminal offense as set out in paragraph (1) is categorized as a misdemeanor.

**Consideration**

The provision is considered restricting the worker/employee right to strike. Therefore, to protect the worker/employee’s right to strike, word “Article 137 and Article 138 paragraph (1)” is declared violating UUD 1945 and is legally null and void.

**Decision**

Article 186 as long as the word “Article 137 and Article 138 paragraph (1)” is declared violating UUD 1945, and is legally null and void.

**Interpretation**

Article 186 paragraph (1) should be read as “Anyone violating provision as in paragraph (2) and paragraph (3) of Article 35, and Article 93 paragraph (2) is subject to imprisonment at least 1 (one) month…”
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