

WageIndicator Working Paper

New Minimum Wages in Indonesia in 2026

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Abstract

In Indonesia, as of 1 January 2026, the statutory minimum wages across all provinces were renewed, implying a drastic reform. Now, these wages are calculated based on demands both as regards contribution to economic growth and as regards a decent standard of living. Starting in 2025, a refined system with a huge number of sectoral minimum wages has come into being. This was agreed by social partners and approved by the provincial Wage Councils, thereby introducing an element of collective bargaining. As a result, sectoral wages have lifted minimum wage levels in provinces with a relatively low provincial wage.

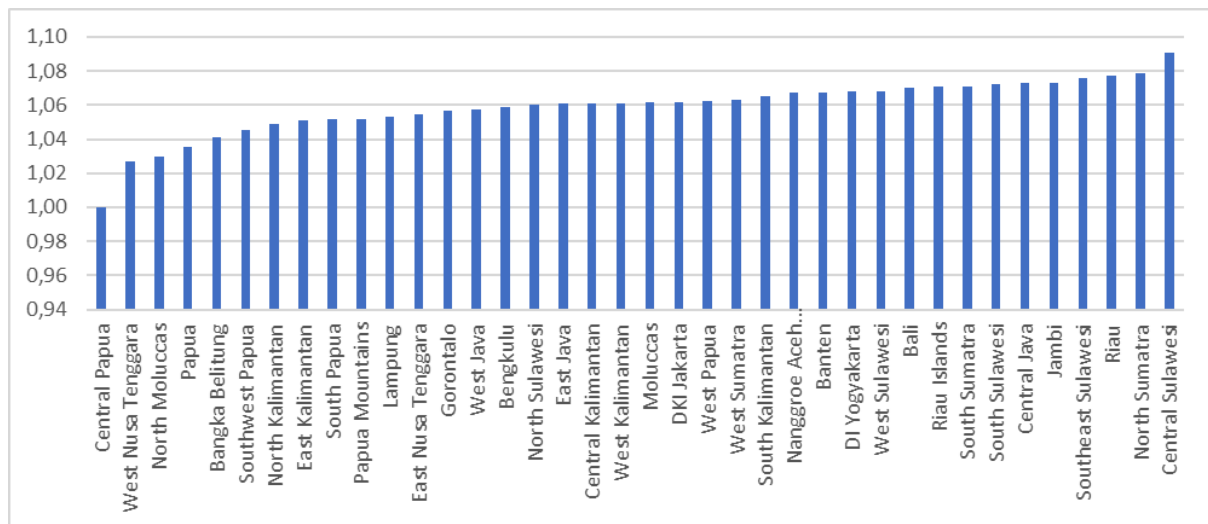
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Indonesia Minimum Wages

As of 1 January 2026, Indonesia renewed the statutory minimum wages across all provinces. As the renewal was a drastic reform, it is worth discussing the new minimum wages in greater detail in this paper. The mean provincial minimum wages increased from Rp 3,315,762 per month in 2025 to Rp 3,508,467 in 2026. This is an increase of almost 6 per cent, though there are substantial differences across provinces. In Central Papua, the provincial rate did not increase (0 per cent), while the increase was 9 per cent in Central Sulawesi (Graph 1)

Graph 1: Increase in provincial minimum wage in 38 provinces in Indonesia between 2025 and 2026 (in percentages).

Source: WageIndicator Minimum Wage Database (MWDB), Indonesia, accessed 1 Feb 2026



History

From 2001 on, the WageIndicator Minimum Wage Database (MWDB) has collected MW rates for Indonesia. In this country, the WageIndicator team collects its information from the official regional offices, because these are quicker in their updates and more complete with written decisions than the Ministry of Manpower, BPS (Statistics Indonesia) or other state institutions that have minimum wage data available. In all provinces, the minimum wages are updated annually in November or December and then become effective on

January 1. However, decision-making in some years or in some regencies, cities, or sectors is not yet finalised even by the effective date.

Following the decentralisation of administrative power to the regions decided upon in 2000-2001, as part of the Reformasi movement, Indonesian provinces defined a provincial minimum wage rate. According to our database, this form of decentralisation materialised in each year from 2001 on. By then, this was the case for 23 provinces, but the number of provincial minimum wages increased to 32 in 2006. More provinces adopted a provincial minimum wage while also new provinces were defined, as the country enlarged its number of provinces from 34 to 38 in 2022.

Regency minimum wages

It was not until 2015 that four regencies, among which Bekasi Regency and Karawang Regency, and four cities, among which Tangerang City and Surabaya City, agreed on so-called district minimum wages: minimum wages higher than the provincial rate. Already by 2018, the number of such district minimum wages had exploded to almost 200, while in the years to follow, their number grew further to over 550 (Graph 1).

By 2026, all 38 provinces have a provincial minimum wage, while only 10 of them do not have additional geographical or sectoral rates. In this decentralisation process, 'needs', or the cost of living, became an essential component in determining the value of each minimum wage. Following regulations in 2003 and 2005, the policy goal became to increase the minimum wage until it reached the *Kebutuhan Hidup Layak* (KHL), or 'Decent Standard of Living'. The Indonesian process of a growing number of geographically dispersed minimum wages is rather similar to, for example, the minimum wage setting process in the USA. In the latter country, cities and states set higher rates than the national minimum wage, mainly because the cost of living in their jurisdictions requires higher wages.

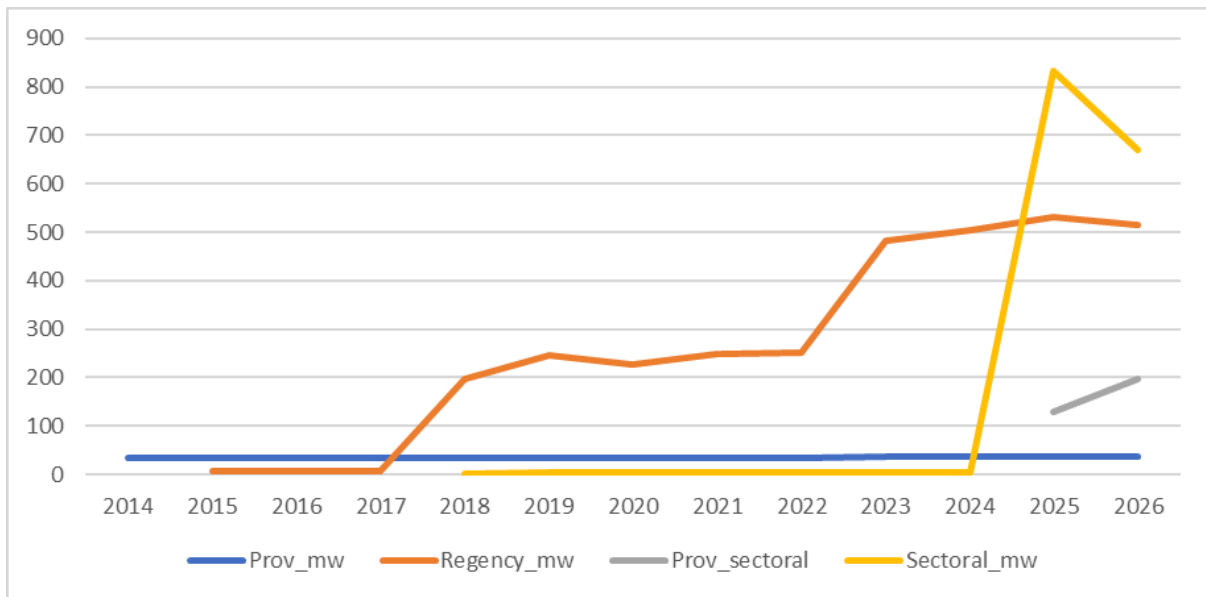
Sectoral minimum wages

Next to the geographical dispersion, in Indonesia, a dispersion by sector of industry can be observed. In this process, the Wage Councils played a major role. These Councils consist of representatives of government, employers, and trade unions, with academics added. Until 2015, they lacked any official administrative guidance. The first sectoral minimum wages were defined in 2018 for Agriculture, Forestry, and Fishing Industry in Lebak Regency and for Private Hospital Activities in Medan City, and in 2019 for Forestry and Wood in Tarakan City (North Kalimantan). Since Government Regulation No. 78 of 2015 on Wages, Indonesian minimum wages have formally been calculated based on economic growth and inflation. This formula was later updated through the Job Creation Law (No. 11/2020) and Government Regulation 36/2021 on Wages, by eliminating the Decent Living Needs. It was not until the Constitutional Court decision as of 2023 (No. 168/PUU-XXI/2023) and reinforced by the Ministry of Manpower Regulation Number 16 of 2024 on the Determination of the 2025 Minimum Wage, that the minimum wage returned to being calculated not only based on economic growth but also based on a decent standard of living.

In the next year, 2025, the number of sectoral minimum wages exploded from three to no less than 978 rates. However, in 2026 their number decreased to 870 (Graph 2), mainly because industries with similar productions joined the minimum wage setting in the same regency/city (Table 1) or province (Table 2). The latter movement resulted in an increase in the number of sectoral provincial minimum wages from 128 to 198 (Table 3). In conclusion, the official demand 'contribution to economic growth' resulted a year later in a refined system with a huge number of minimum wages, whereby the number of sectoral minimum wages outnumbered the number of provincial and district level wages. This minimum-wage setting was agreed by social partners and approved by the provincial Wage Council, thereby introducing an element of collective bargaining into the geographically defined minimum-wage setting.

Graph 2: Number of Minimum Wage rates in Indonesia, 2014-2026

Source: WageIndicator Minimum Wage Database (MWDB), Indonesia, accessed 1 Feb 2026

**Table 1 Example of combining the distribution of a sectoral minimum wage: Surabaya City, East Java, monthly rates in Rp, 2025-2026**

Source: WageIndicator Minimum Wage Database (MWDB), Indonesia, accessed 1 Feb 2026

City/Regency	Industry	2025 rate	2026 rate
Surabaya City	Industry of Household Electrothermal Equipment	5,284,267	
Surabaya City	Industry of Household Electrical Equipment	5,284,267	
Surabaya City	Industry of Non-Electrical Household Heating and Cooking Equipment	5,284,267	5,444,909
Surabaya City	Industry of Household Equipment and Equipment from Glass	5,284,267	

Table 2 Example of broadening the distribution of a provincial sectoral minimum wage, West Kalimantan, monthly rates in Rp, 2025-2026

Source: WageIndicator Minimum Wage Database (MWDB), Indonesia, accessed 1 Feb 2026

Minimum Wages	2025 rate	2026 rate
2 Province - Agriculture, Forestry, and Fisheries Sector - Palm Oil Fruit Plantation	2,884,500	3,062,552
Bengkayang Regency - Agriculture, Forestry, and Fisheries - Palm Oil Fruit Plantation	3,300,000	
Ketapang Regency - Agriculture, Forestry, and Fisheries - Palm Oil Fruit Plantation	3,500,000	

Minimum Wages	2025 rate	2026 rate
2 Province - Agriculture, Forestry, and Fisheries Sector - Palm Oil Fruit Plantation	2,884,500	3,062,552
Landak Regency - Agriculture, Plantation and Fishery - Palm Oil Fruit Plantation	3,146,553	

Table 3 Number of sectoral and provincial sectoral rates in Indonesia, 2025 and 2026

Source: WageIndicator Minimum Wage Database (MWDB), Indonesia, accessed 1 Feb 2026

TABLE 3	2024	2025	2026
Total rates	543	1530	1422
Sectoral rates	0	978	870
Of which Provincial sectoral rates	0	128	198

Comparing minimum wage rates

When focusing on the minimum wage rates applied, we restrict our analysis to 2026, because a comparison with rates of earlier years needs a refined control for the regional cost of living, which we do not have available. A large difference in provincial rates can be observed between provinces, ranging from the lowest rate in West Java (Rp 2,317,601) to the highest rate in DKI Jakarta (Rp 5,729,876), with the latter being almost two-and-a-half times higher. Comparisons between the district and the provincial rates reveal that in 27 of the 38 provinces, the mean district rate is less than 5 per cent higher than the provincial rate, and in most of the remaining provinces, less than 10 per cent. Remarkably, in West Java, the province with the lowest provincial rate, the mean district rates are 64 per cent higher than the provincial rate.

A comparison of the mean sectoral minimum wages to the provincial and district wages shows that in both West and East Java, the sectoral minimum wages are at least two times higher than those at the provincial level. When comparing the sectoral to the district level wages, it turns out that the former are 60 per cent higher in East Java and 20 per cent higher in West Java (Graph

3). In three provinces - Banten, West Kalimantan, and Riau Islands - the mean sectoral wages remain some 5 per cent below the mean district wages and 20 to 22 per cent higher than the mean provincial sectoral wage. Thus, the sectoral wages in particular lift minimum wage levels in provinces with a relatively low provincial wage.

Graph 3 Provincial, mean district, mean provincial sectoral and mean sectoral minimum wages, monthly rates in Rp, 2026

Source: WageIndicator Minimum Wage Database (MWDB), Indonesia, accessed 1 Feb 2026

