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## **The Impact of Digitalization on Work Patterns and the Protection of Workers' Rights: a Study of Labor Law in the Banking Sector**

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### **ABSTRACT**

Digitalization has revolutionized the banking sector by improving efficiency and productivity through the adoption of information technology. While digitalization offers convenience, it also poses new challenges for workers, especially in relation to the reduction of traditional jobs and the need for higher digital skills. This study aims to analyze the impact of digitalization on work patterns and workers' rights in the banking sector, with a focus on time flexibility, outsourcing, and the reduction of manual labor. In addition, the study will analyze existing labor law policies to assess the extent to which they are able to protect workers' rights in the face of these rapid changes. The approach used is qualitative with a descriptive method. Data is analysed using thematic analysis techniques, as well as using a normative-empirical legal approach to assess the relevance of labour policies in the context of digitalization. Validation is done through source triangulation by comparing the findings of this research with previous studies. The results show that digital transformation in the banking sector is changing work patterns with a hybrid model, decreasing the need for manual labor, and increasing the demand for digital skills. The use of outsourced labor is also increasing, but raises worker protection issues. Existing labor regulations need to be updated to respond to these new challenges and ensure the protection of workers' rights.

*Digital Transformation, Work Patterns, Outsourced Labor, Digital Skills, Labor Regulations.*

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## **INTRODUCTION**

Digitalization has become a phenomenon that dominates various aspects of life, including the world of work. This process not only changes the way work is done, but also affects work patterns and the protection of workers' rights, especially in the banking sector which relies heavily on information technology. With the increasing use of digital systems, many jobs that were previously done manually are shifting to digital-based methods, which allow for higher efficiency and productivity (Kusnanto, 2024).

Digital transformation in the banking sector is often accompanied by an increase in labor outsourcing and a reduction in conventional roles, which can erode job stability. In addition, flexible working models supported by technology often limit workers' access to traditional labor rights, such as living wages and protection against sudden layoffs. This creates risks of injustice and uncertainty for workers, especially in countries where labor regulations have not fully adapted to the digital era (Sepriamo, 2023).

However, this transition also brings significant challenges. Routine and clerical jobs, such as cashiers and tellers, are at risk of reduced demand as automation increases. On the other hand, there is a new need for more complex digital skills, such as data analytics and digital marketing, which require adaptation from workers. These changes not only affect the structure of jobs but also raise questions about the protection of workers' rights in the context of existing labor laws.

The reduction of bank branches due to the increasing adoption of digital platforms has led to a reduced need for manual labor, especially in front-line positions. According to a recent study, this transformation process often relies on outsourcing for technology-based labor, which indirectly increases the risk of job insecurity for workers, including reduced access to social protection and employment rights (Indra, 2023). In addition, technology-driven flexible work models have widened the gap in access to labor rights such as minimum wage guarantees and protection against sudden termination (Herlambang, 2023).

Other studies also show that banks that have been slow to adapt to digitalization face pressure to accelerate transformation, which often results in workforce reorganization and automation of routine tasks. This transformation poses new challenges in maintaining a balance between digital efficiency and the protection of workers' rights (Nurhadi, 2023). This condition reflects the need for new policies and regulations to ensure that workers' rights remain protected in the midst of the digital era.

In this context, this study aims to explore the impact of digitalization on work patterns and the protection of workers' rights in the banking sector. By analyzing the changes that have occurred and the challenges faced by workers, this research is expected to provide in-depth insights into how labor law can adapt to the new dynamics brought about by digitalization. In addition, this research will also discuss the policies that need to be implemented to protect workers' rights in the evolving digital era.

## **RESEARCH METHODE**

This research uses a qualitative approach with a descriptive method, which focuses on analyzing documents and literature related to the impact of digitalization on work patterns and workers' rights in the banking sector. The research data was obtained through the collection of secondary information from various relevant sources, including bank annual reports, internal company policies, and studies published by international research institutions.

The first step was to collect relevant documents, such as banks' annual reports, digitalization policies implemented by banking institutions, and labor regulations governing automation and work flexibility. Other sources used are scientific articles and research reports that discuss changes in work patterns in the banking sector due to digitalization. After data collection, the analysis stage was conducted using thematic analysis techniques, in which the main themes that emerged from the collected data were identified and grouped, such as the effect of digitalization on the reduction of manual labor, outsourcing, and challenges in protecting workers' rights.

This research also conducted an analysis of relevant labor policies to understand how labor regulations are adapting to technological changes in the banking sector. As a validation step, this research uses source triangulation, which compares the results of the analysis with previous existing studies, and tests the consistency of findings from the various documents analyzed. A normative-empirical legal approach is applied to analyze labor regulations and how these policies affect workers' rights in the digital era.

## **RESULT AND DISCUSSION**

### **Digital Transformation and Its Impact on Work Patterns**

Digitalization has brought significant changes in the way of working in various sectors, especially banking, by integrating technology to improve efficiency and introduce new working models. Today, most banking transactions, more than 78%, are conducted digitally (Bank Indonesia, 2023), indicating a major shift from traditional interactions to technology-based services.

Work patterns are transforming through the adoption of hybrid systems that combine WFH and WFO. (Kodrat, D. S, 2024) found that 85% of banks in Indonesia have adopted this model, which contributed to a 23% increase in productivity and created a work-life balance for most workers. However, this flexibility also poses challenges, including blurred working time boundaries, with many workers feeling that their workload has increased and working time is beyond normal limits.

In addition, the need for manual labor has decreased dramatically due to digitization, while technology-based roles have increased. For example, demand for positions such as data analysts and cybersecurity specialists is on the rise, but most workers require new training to meet these demands.

While digitalization brings many benefits, existing labor regulations are not adequate to accommodate these changes. The lack of clarity in flexible working hours rules, digital surveillance, and technology-based work safety are areas that need further attention to ensure worker protection remains relevant in the digital era.

### **Increased Use of Outsourced Labor**

Digital transformation has brought major changes to employment patterns, one of which is the increasing use of outsourced labor, especially in the banking sector. Many banks in Indonesia now utilize outsourced labor to support the needs of digital functions such as information technology, application development, and technology-based banking services. (Nurthoyibah, H. A. I., Wulandari, C. A., Wisnu, M. A., & Permana, R. C., 2024). revealed that 60% of banking institutions in Indonesia have increased the use of outsourced labor to meet the demands of digitalization.

The use of an outsourced workforce provides companies with competitive advantages, such as flexibility, cost savings, and quick access to specialized skills without having to hire a full-time workforce. This helps banks to focus more on their core business while still meeting the technical needs of digital transformation.

However, outsourcing systems also present challenges, especially in ensuring protection for the workers involved. Most outsourced workers report a lack of job security and benefits compared to permanent workers, with 55% of them feeling uncertain about their job stability, including limited access to benefits such as health insurance and pension funds.

These challenges require fairer policies to protect outsourced workers. Existing regulations should ensure outsourced workers receive equal protection, including decent wage standards and the right to training to upgrade skills. The OECD report (2024) emphasizes the importance of ensuring fairness in the workplace by providing equal treatment to all types of workers, both permanent and outsourced.

### **Decline in Manual Labor and Increase in Need for Digital Skills**

The growing digitization in the banking sector has led to a significant decrease in the need for manual labor. Positions such as bank tellers, administrative staff, and back-office are becoming less and less common, as many of these jobs have been replaced by automation systems and digital

technology. A large number of manual jobs have seen a sharp decline, with bank tellers down by 45%, back-office staff down by 30%, and clerks down by 25% in the last five years.

However, these changes have also given rise to a growing demand for technology-based skills. Positions such as data analysts, digital product managers and cybersecurity specialists are becoming increasingly sought after, with demand for these positions increasing by 70% in the banking sector. This increase in demand requires workers to retrain or upskill to enter new, more technology-based positions.

One way to address this skills gap is to implement reskilling and upskilling programs for workers affected by automation. OECD (2024) points out the importance of digital skills training to support the success of industrial transformation in the banking sector.

### **Regulatory Gaps and Worker Protection**

The major changes brought about by digitization in the banking sector pose new challenges in labor protection, which have not been fully accommodated in Indonesia's labor law framework. Key regulations, such as Law No. 13/2003 on Manpower, still use traditional approaches and have not specifically addressed new issues, such as flexibility in working hours, overtime supervision, and work safety in the digital context. As a result, many workers face non-ideal working conditions, such as excessive workloads without adequate protection of rest periods or overtime compensation (Nursalim, C. R. P., & Suryono, L. J. 2020).

In addition, current work safety standards focus more on physical work, while risks in the digital world, such as device fatigue or mental stress, have not received serious attention. Workers in digital environments need mental health support and policies that protect them from risks in the digital workspace, such as cyberbullying.

The protection of workers' personal data has become an important issue with the increasing use of digital monitoring tools. Many software tools are used to monitor employee performance, but they are often not tightly regulated, leading to potential privacy violations. Although Indonesia has Law No. 27 of 2022 on Personal Data Protection, its implementation in the world of work still needs to be adjusted. Globally, some countries have taken steps to make regulations more adaptive. For example, in the European Union, GDPR provides strict protection of worker data, while in the United States, states such as California require companies to disclose how digital surveillance is conducted in the workplace.

To meet these challenges, there is a need to revise labor regulations that include redefining working hours in the digital context, developing work safety standards for digital health, and transparency rules for worker data collection. These updates will ensure workers remain protected amidst the rapid development of technology, while creating a fair and balanced work environment.

## **CONCLUSION**

Digital transformation has had a significant impact on the banking sector, particularly in terms of working patterns, workforce utilization, and labor regulations. Digitalization, which is reflected in the increase in digital banking transactions, has affected the way of working by encouraging the adoption of hybrid working models. This model provides flexibility but also poses challenges related to supervision and working time constraints. On the other hand, digitization has led to a decline in the need for manual labor, while the demand for digital-based skills continues to rise, forcing workers to reskill and upskill.

The increasing use of outsourced labor, especially in the fields of information technology and application development, is also a striking phenomenon in the face of the demands of digital transformation. Despite the benefits of flexibility, this outsourcing system raises issues related to the protection of workers' rights, which requires fairer and more equitable policies.

In addition, the existing labor regulatory framework has not been able to fully respond to the changes brought about by digitalization. Gaps in the regulation of flexible working hours, work safety in a digital environment, and the protection of workers' personal data are issues that need to be addressed. Updates in labor regulations that cover these aspects are urgently needed to create a more equitable working environment that is in line with technological developments.

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