



# Enforcement of Labor Laws in Relation to Banking Digitization

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**Abstract.** The advancement of digital information and technology has brought significant changes to the banking sector, including the utilization of digital aspects and Artificial Intelligence (AI). This has influenced consumer behavior and transaction patterns towards digital directions, prompting banks to transform into digital banking. The rise of digital transactions in Indonesia has shown remarkable growth. In Indonesia itself, digital transactions surged substantially from 2017 to 2020. Electronic money transactions also witnessed a significant increase in 2021. However, the issue that arises is that this banking digitization also brings about disruptive impacts or fundamental changes to employment, which in turn demands adjustments in the enforcement of labor law to ensure the workforce's comfort and security. In this context, this research aims to analyze the enforcement of labor law related to banking digitization with the objective of providing comfort and security for the workforce. The research employs a normative juridical method (legislative approach) conducted by examining various data sources related to the research issue. The research findings suggest that banks need to establish Collective Labor Agreements with both labor unions and direct employees. These agreements should be supported by periodic supervision and evaluation. Thus, mutually beneficial agreements between banks and employees can be achieved. Through fair and transparent agreements as legal frameworks, it is hoped that the banking workforce can better navigate changes and feel valued.

**Keywords:** employee rights, banking digitization, employment law

## 1. Introduction

The advancement of information technology and digitalization has brought about fundamental transformations in nearly all aspects of human life, including the realm of business and industry. One sector that has experienced a significant impact from this digital revolution is the banking sector. The presence of information technology has shifted the traditional banking paradigm and ushered in a new era known as digital banking. Digital banking encompasses the integration of technology in almost every aspect of banking services, spanning from financial transactions to human resource management [1].

In the context of digital banking, the utilization of Artificial Intelligence (AI) and digital systems has opened new opportunities for companies to optimize

operational efficiency, enhance customer experiences, and expand market reach [1]. However, behind these positive potentials, these dramatic changes also bring forth a number of significant challenges, especially in the realm of labor law enforcement.

Banking digitization carries implications for organizational structure, operations, and the roles of employees within the company [2]. The implementation of technology often leads to restructuring, automation, and even job reduction [3]. This transformative process creates new dynamics in the relationship between companies and their employees. While technology brings progress, it also raises concerns about job sustainability, employee welfare, and the fulfillment of their rights [4].

In the context of Indonesia, where the banking sector is experiencing rapid growth and adapting to the digital revolution, it is essential to ensure that these changes do not violate the rights and protections of workers. Enforcement of labor law becomes increasingly crucial to ensure that banking digitization proceeds fairly, sustainably, and respects the rights of the workforce.

Banking digitization, as a fundamental transformation in the financial industry involving the use of information technology and artificial intelligence, has significantly reshaped the working landscape in the banking sector. These changes impact not only operational and business aspects but also have profound effects on employment relationships [5]. On the other hand, digital technology threatens the existence of traditional banking, which emphasizes manual transactions, potentially leading to procedural cutbacks and workforce reduction. Such transformation needs to occur swiftly due to the disruptive era, where time becomes an essential variable determining a company's sustainability [6]. Pressure to adopt digitization in the banking sector is further fueled by changes in business ownership, now dominated by the millennial generation. This generation tends to prefer the convenience of online transactions through digital platforms.

Based on the research findings of Winasis and Riyanto, concerns among workers arise as the process of change unfolds. Workers' perceived risks regarding possible job reductions, decreased career opportunities, alongside diminished confidence due to changes in established work procedures, altered conditions, and other factors contribute to the level of worker comfort [7].

To afford of these changes, it is vital for banking companies to develop a balanced strategy between technology implementation and employee interests. Wise enforcement of labor law and appropriate regulatory adaptation are necessary to ensure that banking digitization benefits all parties, including employees who contribute to the success of banking in this digital era.

## **2. Problem**

Based on the aforementioned background, the problem posed in this research is "How does the enforcement of labor law related to banking digitization ensure labor rights?"

### **3. Method**

The research method employed in this study is normative legal research. The approach utilized involves analyzing legal regulations (legislative approach) as well as analyzing relevant concepts (conceptual approach). To support the analysis of the issues at hand, a variety of legal sources are utilized as research data. Primary data sources encompass legislative regulations related to the subject under investigation. Additionally, secondary data sources such as literature, legal journals, publications, and printed media are also utilized. Data collection and synthesis techniques are carried out through recording, comprehension, and in-depth review of both fundamental and supporting legal sources. A horizontal approach is employed to evaluate the content of relevant legislative provisions within the study's framework. This approach is implemented to ensure the efficient execution of the analysis regarding the research subject.

### **4. Discussion**

The influence of digitization on various sectors of the economy, including banking, has brought about significant changes in various aspects, including employment. These changes encompass how banking operates, the types of jobs required, and the skills needed by workers. Therefore, the enforcement of labor laws in the context of banking digitization becomes crucial to protect the rights of workers and ensure the sustainability of innovative banking businesses.

Digitization has transformed the landscape of work in the banking sector. Routine and manual tasks are being replaced by automation and technology, such as chatbots and online banking systems. This transformation is driven by advancing information and communication technology and the banking sector's efforts to enhance efficiency, accessibility, and customer experience [8].

Banking digitization involves the use of information technology, including cloud computing, artificial intelligence, data analytics, and digital banking applications, to automate processes, enhance customer experiences, and improve operational efficiency. This implies significant changes in the way banking operates and interacts with customers. However, it is important to understand that despite technology dominating these changes, the comfort and security of both employees and customers should always be a top priority.

In the pre-digitalization era, many routine and administrative tasks in the banking sector were carried out manually. However, with the emergence of digital banking systems, tasks like checking balances, fund transfers, bill payments, and data processing have been automated. ATMs, online banking systems, and mobile banking apps have replaced a significant portion of face-to-face interactions with bank tellers,

altering how customers access banking services. With the adoption of digital technology, banks collect large amounts of data from various sources. Jobs in data analysis and cybersecurity have become increasingly important to analyze transaction patterns, detect suspicious activities, and protect customer data from cyber threats. This opens up new opportunities for data experts and cybersecurity specialists in the banking industry.

Furthermore, digitization has brought about fundamental changes in the banking sector, which in turn affects the demand for worker skills. While many new opportunities arise, there is also the potential for job reductions due to automation. In some cases, job reductions may be necessary as banks adjust their operations due to digitization. This can lead to layoffs, especially for workers whose skills are not well-aligned with the new requirements. In facing these changes, it is crucial for workers to adapt to shifting skill demands and update their competencies. Governments, companies, and educational institutions also play a vital role in providing training and support to help workers navigate these changes. While digitization can bring significant benefits to banking, managing this transition must be done wisely, considering social and economic aspects.

One embodiment of the banking sector's adaptation to banking digitization related to employment is seen in PT Bank KB Bukopin Tbk (BBKP), which has signed a collective labor agreement for the period 2023 - 2025 with the Bank KB Bukopin Workers Union. This agreement reflects KB Bukopin's commitment to supporting and prioritizing the well-being of workers and the company's progress. The focus of this agreement is on improving working conditions, professional development, and increasing benefits for KB Bukopin workers. The Bank KB Bukopin Workers Union is committed to supporting the company in implementing a clean and integrated working environment [9].

Workers' rights during the digital banking transition are a crucial aspect that must be considered in the effort to address significant changes resulting from digitization. Alongside rapid technological transformation, workers have fundamental rights that need to be safeguarded and ensured for them to face these changes fairly and confidently [10]. One primary right of workers is the right to clear and transparent information regarding the changes that will occur due to digitization. Workers have the right to know how these changes will affect their positions, required skills, as well as implications for wages and other rights.

Furthermore, workers' rights during the digital transition also encompass the right to receive training and skill development. In an increasingly digitized banking environment, workers have the right to acquire the necessary training to adapt to new technology and perform more sophisticated tasks. This involves providing access to relevant internal or external training programs related to banking industry developments.

Additionally, workers' rights include the right to participate in decision-making related to digital changes. Workers should have an open channel of communication with company management to discuss changes, provide input, and influence decisions that can affect their positions. Workers also have the right to protection against unfair

termination due to digitization[11]. This protection includes the right to fair compensation and respectful treatment when they face layoffs as a result of operational changes induced by digitization. Moreover, workers' rights during the digital banking transition also involve the right to privacy and data security. Workers have the right to know how their personal data is managed and protected in an increasingly digitally connected work environment. Data protection is crucial to prevent misuse or unauthorized access to personal information [12].

Workers' rights during the digital transition should also include the right to flexibility in working hours, especially in workplaces that are increasingly adopting remote work concepts. Workers have the right to have working hours that suit their needs and responsibilities, while maintaining a balance between work and personal life [12]. Furthermore, the right to fair and transparent compensation is also a critical part of workers' rights during the digital transition. With the changes occurring, workers have the right to understand how these changes will affect their wages and compensation, as well as access information about applicable payment policies. It is also important for workers to have access to complaint mechanisms and protection in situations where they feel disadvantaged or their rights are not respected during the digital transition. These mechanisms ensure that workers have a channel to voice complaints or seek assistance in resolving arising issues [13]. In the digital banking transition, workers also have the right to be secure from the risk of unfair or unjustified job loss due to digitization. This protection involves efforts to avoid discrimination and ensure that layoff decisions are based on objective and transparent considerations.

Therefore, workers' rights during the digital banking transition encompass various aspects involving access to information, training, protection from unfair layoffs, data privacy, fair compensation, flexibility in working hours, the right to participate in decision-making, and complaint mechanisms. Enforcing these rights through fair regulations and company practices is crucial to ensure that digital changes in the banking sector proceed fairly and sustainably for all parties involved.

Strategies are needed to achieve a balance between the adoption of technology and the interests of banking employees, which is key to creating a sustainable, innovative, and fair work environment in the era of banking digitization. Here are some strategies that can be adopted to achieve a balance between the adoption of technology and the interests of banking employees:

- a. Consultation and Employee Engagement: Involving employees in the planning and implementation of new technology is essential. Employees can provide insights into how technology can be effectively applied to enhance performance and efficiency. Involving them in decision-making allows changes to be accommodated more effectively [14];
- b. Training and Skill Development: Providing continuous training and skill development opportunities for employees is a vital strategy [15]. By offering employees opportunities to enhance digital and technological skills, they will be better prepared to face changes and have more relevant roles within the organization;

- c. **Focus on Value-Added Work:** Technology can be used to automate routine and administrative tasks, allowing employees to focus on more strategic and value-added tasks [16]. This will not only enhance job satisfaction but also their overall contribution to the company;
- d. **Flexibility in Work:** Providing remote or flexible work options can help employees achieve a balance between work and personal life. Flexibility can help reduce stress and increase productivity;
- e. **Psychological Well-being:** Focusing on employees' psychological well-being is essential. Providing psychological support, conducting stress management programs, and ensuring reasonable workloads are efforts that can be made to maintain employees' mental well-being;
- f. **Transparency and Effective Communication:** Clear communication about technological changes, implementation goals, and their impact on employees is key. Transparency helps reduce anxiety and uncertainty;
- g. **Incentives and Recognition:** Encouraging innovation and performance improvement through incentives and recognition can motivate employees to actively contribute to technology development and implementation [17];
- h. **Measuring Impact and Balance:** Measuring the impact of technology on productivity, employee satisfaction, and business objectives is an important step to ensure that technology implementation provides the expected benefits while maintaining a balanced workplace;
- i. **Attention to Social and Ethical Aspects:** When implementing technology, it's important to consider social and ethical implications. Ensuring that technology does not harm employees or have negative societal impacts is a principle that must be upheld; and
- j. **Commitment to Fairness and Equality:** Ensure that technology implementation does not lead to disparities in opportunities and treatment among employees. Every employee should have equal access to opportunities, training, and rewards.

By implementing these strategies, companies can create a work environment that seamlessly integrates advanced technology with employee interests and well-being. This will help realize a successful digital transition that has a positive impact on all parties involved.

Prioritizing employee rights in banking digitalization is undeniably crucial. In an era where technology is constantly evolving and reshaping the landscape of the banking industry, companies must ensure that their employees feel respected, protected, and provided with opportunities for growth. This has significant implications across various aspects, ranging from employee well-being to productivity and ultimately to the overall success of the banking business. One compelling reason to prioritize employee rights is to safeguard their well-being. Employees are valuable assets in banking, as they are the ones who carry out day-to-day operations. If employees feel undervalued or that their safety is at risk, it can have

a detrimental impact on their well-being. Workers who feel secure in their jobs, work in an environment free from harassment or threats, are more likely to be happier and more productive. This creates a more positive working environment and aids in retaining high-performing employees.

Job satisfaction also plays a significant role in productivity. Employees who feel valued, heard, and provided with opportunities to develop in their roles tend to be more productive. They are engaged in their work and have higher motivation to achieve better results. Job satisfaction also has a positive impact on employee retention. Satisfied employees are more likely to stay with a company longer, which helps reduce recruitment and training costs for the bank. In a highly competitive industry like banking, retaining and attracting talent is key to success. By prioritizing employee rights, companies build a reputation as a desirable place to work. This can be appealing to new talent seeking opportunities in the banking sector. Companies that prioritize employee well-being are more likely to attract high-quality candidates. In addition to internal benefits, prioritizing employee rights is also essential for legal compliance and safeguarding a company's reputation. Violations of employee rights, such as discrimination or harassment, can lead to financially damaging legal claims. However, more than that, a company's reputation can be shattered if the public becomes aware that the company does not respect its employees. In the age of social media and online news, negative publicity can spread rapidly. Therefore, safeguarding employee rights is key to maintaining a positive reputation.

Many companies, including financial institutions, adopt corporate social responsibility (CSR) as an integral part of their culture. This includes responsibilities towards employees, customers, and the community. By prioritizing employee rights, companies fulfill one of the central aspects of their social responsibility. This creates the image of the company as an entity that cares about the well-being and rights of its employees, aligning with CSR values. Ignoring employee rights also risks increasing legal liabilities and unfair terminations. When employee rights are neglected, employees may feel that they have been treated unfairly. This can lead to legal claims and contentious terminations. Both of these situations can have negative financial and reputational consequences for the company. Improving the quality of service is another outcome of prioritizing employee rights. In the banking industry, employees often have direct interactions with customers. Empowered employees with protected rights are more likely to deliver high-quality service. They feel valued and satisfied in their jobs, which reflects in their interactions with customers. Customers are more comfortable dealing with high-performing employees who are content in their roles.

In addition to internal company benefits, employee rights are necessary to enable successful adaptation to rapid changes in the banking industry. In the era of banking digitalization, technology is constantly evolving and changing how banking operations function. Employee training, protection from unfair terminations, and effective communication are part of employee rights that help them adapt to these changes. Technological changes can create uncertainty and anxiety among employees. By prioritizing employee rights, companies can provide the support employees need to adapt to these changes. Furthermore, employee rights are essential in striking a wise balance between technological innovation and employee interests. In digital

banking, where technological efficiency and innovation are highly important, companies need to maintain a balanced approach that encourages technological innovation and protects employee rights. This includes providing training and support to help employees adapt to new technologies and ensuring that unfair terminations are avoided.

Employee rights are an integral part of the corporate social responsibility (CSR) concept. This includes responsibilities towards employees, customers, and the community. By prioritizing employee rights, companies fulfill one of the central aspects of their social responsibility. This creates the image of the company as an entity that cares about the well-being and rights of its employees, aligning with CSR values. In the era of digital banking, where technological changes happen rapidly, employee rights are key to creating a fair, sustainable, and innovative working environment. Prioritizing employee rights is an investment in employee well-being, productivity, and the company's reputation. It helps banking adapt to technological changes and creates an empowering work environment. In other words, employee rights are a solid foundation for a sustainable and successful digital banking landscape.

## 5. Conclusion

Facing the fundamental changes brought about by banking digitization, labor law enforcement plays a crucial role in ensuring the comfort and security of the banking workforce. The conclusion that can be drawn is that careful law application and enforcement are needed to ensure that workers' fundamental rights are well-preserved in the context of this transformation. Regulations that accommodate aspects such as skill training, data privacy protection, increased work flexibility, and fair incentives are key to creating a balance between technological advancement and employee well-being. Transparency in communicating changes, involving employees in decision-making, and continuously monitoring changes also play a very important role. By implementing adaptive and progressive labor law enforcement, we not only establish a solid foundation for sustainable growth in banking digitization but also provide rightful protection for the workforce. With this approach, employees can reap the benefits of these changes without sacrificing their comfort and security. This proves that in facing banking digitization, labor law enforcement focused on employee rights is essential to achieving a harmonious balance between technological development and labor protection.

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