

The Influence of Globalization and Digitalization on Wage Policy

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Abstract: Globalization and digitalization have become two major phenomena that affect the dynamics of employment in various countries, including Indonesia. This development brought significant changes in the structure of the labor market, patterns of Labor Relations as well as mechanisms for determining wages. This study aims to analyze the influence of globalization and digitalization on wage policy and its implications for legal protection for workers. The method used is normative legal research with legislation approach and conceptual approach by reviewing various labor related regulations and relevant legal literature. The results show that globalization promotes increased labor competition and job market flexibility, while digitization brings new work models such as the gig economy and platform based work that affect conventional wage systems. This condition has the potential to cause uncertainty and inequality in wages if not balanced with adaptive and responsive policies. Therefore, it is necessary to reformulate wage policies that are able to accommodate global changes and technological developments and still ensure the protection of workers rights in accordance with the principles of justice, legal certainty and social welfare.

Keywords: Digitalization, Employment, Globalization, Legal protection, Wage policy.

Introduction

Globalization and digitization are two inseparable phenomena in the development of the modern world that have brought significant changes in various aspects of life, including in the field of employment. Globalization is characterized by the increasingly open flow of trade, investment and labor mobility across countries, while digitization is characterized by the use of information and communication technologies in various economic activities. These two phenomena simultaneously affect the structure of the labor market, patterns of labor relations as well as mechanisms for determining wages (Schwab 2016).

In the context of globalization, labor competition is no longer local, but has expanded to the international level. This leads to increased competition between workers, both from within the country and abroad, which ultimately has an impact on pressure on wage levels (Baldwin 2016). Companies tend to look for lower cost labor to increase competitiveness, potentially leading to the practice of race to the bottom in the wage system.

Meanwhile, digitalization has spawned a major transformation in the world of work through the emergence of various new job models, such as the gig economy and platform

based work. In this system, labor relations become more flexible and are not always based on conventional labor agreements (Prassl 2018). Workers often have the status of partners or freelancers, so they do not receive the same protections as formal workers, including in terms of wage certainty and Social Security.

The changes also have an impact on the increasingly complex wage determination mechanism. In the digital work system, wages are no longer solely determined based on working time or position, but also based on performance, ratings and algorithms used by digital platforms (De Stefano 2016). This poses its own challenges in labor law, as such mechanisms are often not transparent and difficult to monitor.

In Indonesia, the regulation on wages has basically been regulated in Law No. 13 of 2003 on employment as amended into law No. 6 of 2023 on job creation. The regulation affirms that every worker is entitled to a decent wage in order to meet the needs of a decent life (Husni 2016). However, these provisions are still oriented towards formal labor relations and have not fully accommodated the development of globalization and digitization that have given rise to new forms of labor relations.

This condition poses challenges in the legal protection of workers, especially related to certainty and fairness in the provision of wages. The vagueness of the status of labor relations in the digital economy as well as the high flexibility of the labor market can reduce the bargaining position of workers, thus potentially causing inequality in the wage system (Standing 2011).

Therefore, there is a need for wage policy reform that is adaptive and responsive to the development of globalization and digitalization. The policy must be able to accommodate changes in the structure of the labor market and new models of labor relations, while still ensuring the protection of workers rights in accordance with the principles of justice, legal certainty and social welfare. Thus, labor law in Indonesia is expected to be able to answer the challenges of the times and remain relevant in facing global dynamics.

Formulation Of The Problem

Based Introduction that has been described above, then formulate the problem as follows:

1. How do globalization and digitalization affect wage policy?
2. What are the implications of globalization and digitalization on legal protection for workers in wage aspects?

Dicussion

The influence of globalization and digitalization on wage policy

Globalization and digitalization have become two major forces reshaping the economic structure and labor market globally, including in Indonesia. These two phenomena not only affect production and distribution patterns, but also have a significant impact on wage policies implemented by the state and companies (Schwab 2016).

In the perspective of globalization, the openness of international markets has increased the mobility of capital and labor across countries. This condition encourages tighter competition in the labor market, where companies are required to reduce production costs, including labor costs, in order to maintain competitiveness (Baldwin 2016). As a result, wage

policies are often directed towards cost efficiency which in some cases can depress the wage level of workers, especially in labor intensive sectors.

The phenomenon of globalization has also given rise to the practice of relocating industries to countries with lower wage levels (offshoring). This has an impact on wage policies in developing countries, including Indonesia, which tends to adjust wage standards to remain attractive to foreign investment (Rodrik 2011). This condition has the potential to create a race to the bottom, which in turn can reduce the protection of workers.

On the other hand, digitization brings no less significant structural changes in wage policy. The use of digital technology has given birth to new work models such as the gig economy and platform based work, where work relationships become more flexible and not tied to traditional work patterns (Prassl 2018). In this system, workers are often paid on a task based or output based basis, rather than based on time worked as in conventional systems.

Digitalization also encourages the use of algorithm based management systems in determining worker wages and incentives. Digital platforms use data and artificial intelligence technology to assess worker performance in real time which is then used as a basis in determining compensation (De Stefano 2016). While these systems increase efficiency and productivity, there is a risk of nontransparency as well as potential algorithmic bias that can be detrimental to workers.

In addition, digitization leads to an increasingly sharp segmentation of the labor market. High skilled workers in technology tend to earn higher wages, while low skilled workers face the risk of stagnation or even a decrease in wages (Standing 2011). This widens the income gap and poses new challenges in the formulation of equitable wage policies.

In the context of Indonesia, wage policies regulated through legislation basically aim to ensure decent wages for workers. However, the dynamics of globalization and digitalization require policy adjustments to remain relevant to the Times. Regulations that are too rigid have the potential to inhibit job market flexibility, while regulations that are too loose can reduce protection for workers (Husni 2016).

Therefore, an adaptive and balanced wage policy between economic interests and social protection is needed. These policies must be able to accommodate the flexibility offered by globalization and digitalization, while still ensuring the principles of fairness, transparency and legal certainty in the provision of wages. Thus, the influence of globalization and digitization on wage policy is not only seen as a challenge, but also as an opportunity to carry out labor law reforms that are more responsive to changing times.

The findings indicate that wage inequality in the digital economy is influenced not only by market dynamics and technological developments but also by communication asymmetries between employers, digital platforms, and workers. Employers and platform operators generally possess greater access to information regarding wage structures, pricing mechanisms, algorithmic management systems, performance indicators, and labor demand forecasts. In contrast, workers often have limited access to information concerning how wages are calculated, how tasks are allocated, and how platform algorithms influence compensation. This unequal distribution of information creates an imbalance in bargaining

power, making it difficult for workers to evaluate whether their remuneration reflects fair labor standards and actual work contributions. As a result, communication asymmetry becomes a structural factor that contributes to wage disparities within digitally mediated employment relationships.

Implications of globalization and digitalization on legal protection for workers in wage aspects

Globalization and digitalization have brought fundamental changes in labor relations that have a direct impact on legal protection for workers, especially in the aspect of wages. Globalization characterized by economic openness and increased capital mobility has encouraged companies to improve efficiency, including in the management of labor costs (Schwab 2016). This condition often has implications for the emphasis on workers wages in order to maintain competitiveness in the global market.

In this context, legal protection of workers is becoming increasingly important, given the tendency to imbalance bargaining power between workers and employers. Globalization can weaken the position of workers because companies have alternatives to move their business activities to countries with lower wage standards (Rodrik 2011). This has the potential to reduce the effectiveness of the national wage policy in ensuring the welfare of workers.

Meanwhile, digitalization has changed the shape of work relationships through the emergence of flexible work models such as the gig economy and platform based work. In this model, workers are often not categorized as permanent workers but as partners or freelancers and therefore do not obtain adequate legal protection including in terms of wage certainty and Social Security (Prassl 2018). This condition poses a serious challenge in labor law because the existing regulations are generally still oriented to formal labor relations.

This indicates that the emergence of the Gig Economy and platform-based work systems has transformed not only employment patterns but also the way workers interact with employers through communication technologies and algorithmic management. In many digital labor platforms, decisions regarding task allocation, performance evaluation, incentive distribution, and account suspension are largely determined by algorithms that are not fully transparent to workers. As a result, workers often have limited information regarding the criteria used to assess their performance and determine their earnings. This lack of transparency may affect workers' perceptions of procedural fairness, as important employment-related decisions are communicated through automated systems with minimal opportunities for explanation, negotiation, or appeal.

Furthermore, algorithmic management may influence workers' perceptions of job security. The possibility of sudden changes in platform policies, fluctuating income, automated sanctions, or account deactivation creates uncertainty regarding the continuity of employment. Although communication technologies enable efficient coordination between platforms and workers, they may also reinforce power imbalances when workers have limited access to information and decision-making processes. Therefore, the findings suggest that labor law reform in the digital era should not only address employment status and wage protection but also promote transparency in algorithmic management and

establish effective communication mechanisms that enhance workers' perceptions of fairness, accountability, and job security within platform-based employment relationships.

Another implication of digitization is the use of algorithm based systems in determining wages. Digital platforms use data to assess the performance of workers and determine the amount of compensation received (De Stefano 2016). While these systems can improve efficiency, there is a risk of lack of transparency and unfairness due to algorithmic bias. Workers often do not have access to information on how their wages are calculated, making it difficult to object or claim their rights effectively.

In the perspective of Indonesian labor law, the protection of workers wages is part of the normative rights guaranteed by the state. Regulation regarding wages has been regulated in Law Number 13 of 2003 concerning manpower as amended into law Number 6 of 2023 concerning Job Creation which confirms that every worker has the right to earn a decent income for humanity (Husni 2016). However, the regulation does not yet comprehensively regulate workers in sectors of the digital economy that have different characteristics of labor relations.

In addition, aspects of legal protection are also related to the principles of justice and non discrimination in the provision of wages. In practice, the use of digital technology has the potential to strengthen the wage gap between high and low skilled workers (Standing 2011). This suggests that without appropriate policy interventions, globalization and digitalization can weaken legal protections for vulnerable groups of workers.

On the other hand, Indonesia already has legal instruments that can support the protection of workers in the digital era, such as Law Number 27 of 2022 on personal data protection. This regulation is relevant in the context of the use of worker data by digital platforms, but has not specifically regulated its implications for the wage system (Shidarta 2021). Therefore, an integration between data protection policy and labor law is needed to provide more comprehensive protection.

Thus, the implications of globalization and digitalization on the legal protection of workers in the aspect of wages indicate a complex challenge. On the one hand, both phenomena promote job market efficiency and flexibility, but on the other hand have the potential to weaken legal protections for workers. Therefore, adaptive and responsive legal reform is needed to ensure that the development of the global economy and digital technologies remain in line with the principles of justice, legal certainty and social welfare.

Conclusion

1. Globalization and digitization have a significant influence on wage policy in the employment system. Globalization encourages increased labor competition and capital mobility which has an impact on adjusting wage policies towards efficiency, even potentially causing race to the bottom practices in wage standards. Meanwhile, digitalization has changed the mechanism of wage determination through the emergence of new work models such as the gig economy and platform based work, which tend to prioritize flexibility but often ignore the certainty and protection of wages for workers. In addition, the use of technology and algorithms in determining wages raises issues

related to transparency, accountability and the potential for bias that can harm workers. The combination of globalization and digitalization is also widening the wage gap between workers, especially between high and low skilled labor. In this context, wage policies in Indonesia face the challenge of maintaining a balance between the need for economic flexibility and the protection of workers rights.

2. Globalization and digitalization have not only changed the structure of the economy and the labor market, but also shifted the paradigm of legal protection in labor relations, especially in the aspect of remuneration. Wage policies that were previously based on formal labor relations are now faced with a new reality characterized by flexibility, uncertainty and the increasing role of technology in determining the value of work. The implications of the changes suggest that legal protections for workers are likely to be degraded, especially for workers in the informal sector and digital economy who are not adequately covered in the existing regulatory framework. In addition, the use of algorithm based systems in wage determination reinforces information asymmetry between workers and employers, potentially leading to structural inequities in labor relations. Thus, it can be affirmed that globalization and digitization demand a transformation of labor law that is not only reactive, but also proactive in anticipating technological developments and the dynamics of the global job market.

Recommendation

1. Reformulation of wage policy is needed to accommodate the impact of globalization and digitalization, including by expanding the scope of legal protection for workers in the informal sector and the digital economy.
2. Wages must not only ensure formal legal certainty, but must also promote substantive justice, especially for vulnerable groups of workers affected by globalization and digitalization.

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