Wage Digitization in Egypt’s Garment Sector:
Impact for Business, and for Female and Male Workers at Lotus Garments Group
The majority of the Egyptian garment industry’s 1.5 million workers, 50% of whom are female, are unbanked, and are paid in cash. This presents a great risk for employers, who face theft or fraud in the transportation and distribution of cash wages. It’s also inefficient, and it’s disempowering for workers, especially women, who have less control over their wages when paid in cash.

Mastercard, Levi Strauss & Co and BSR’s HERproject have partnered since 2019 to pilot gender responsive wage digitization among workers at Lotus Garments Group, a clothing manufacturer in Egypt. Through the partnership, managers receive guidance and advice on planning, and digitizing their payroll while ensuring the specific needs of female workers are considered.

Building financial capability for workers, especially women, is vital part of wage digitization so they build the knowledge and confidence they need to accept, use and ultimately benefit from their new payroll accounts. Employees receive gender sensitive training including the technical aspects of how to use their new payroll accounts and associated financial services, as well as lessons on financial planning, budgeting savings and discussing finances with their families, designed to help them manage and control their money, building independence and resilience in the process.

This leads to benefits for workers and for business. By September 2021, 8,716 employees at Lotus Garments were being paid into digital accounts, increasing payroll efficiency and reducing production time losses on payday. Workers started using a range of financial products and services, including savings, and mobile financial services. Female workers reported an improved financial resilience which helped them during the COVID-19 pandemic. There also was a ripple effect, with workers sharing learning with their families and communities.
Wage Digitization increased payroll efficiency

Managers spend approximately 4 minutes per worker to count, batch and distribute cash wages. Wage digitization reduced payroll admin costs by 42% per month. The set-up costs (to support workers to open accounts) was covered within four months.

Workers are away from the production line for around 3 minutes to receive their cash wages. With 8,716 workers paid into accounts, this represents a saving of around 400 hours of production time each payday.

Digital payments have become a key tool for promoting financial inclusion in Egypt. As one of the largest garment factories with a workforce of more than 10,000 employees, we took the initiative to digitize wage payments and teach our employees to use their new payroll accounts. Working in cooperation with our business partners made this transition smoother for us.

One of the barriers to digitizing payroll was the lack of opportunity for workers to cash out wages on payday. There was only one ATM near the factory. We addressed this by arranging a mobile ATM on site for payday and the following few days. Managers staggered workers’ breaks to reduce demand on the ATM, and factory transport buses stopped at ATMs on the way home. The next step is to encourage workers to use more financial services, which will reduce their need to cash out on payday.

- TAMER EL-DESSOUKY, SUSTAINABILITY MANAGER, LOTUS GARMENTS GROUP
Garment workers increased their acceptance and adoption of digital wages

- By September 2021, 8,716 workers (31% female) were paid into accounts, around 83% of the workforce. For the vast majority of these workers this was their first bank account.

- Workers' average ATM withdrawal changed from withdrawing 100% of wages on payday to making 2 withdrawals per month. This shows growing trust from workers to leave a portion of the salary in their bank account.

- HOWEVER, 59% of women and 44% of men reported sharing their bank card with others, including colleagues, reducing control over their accounts.

- 100% of women and 87% of men surveyed in 2021 preferred to be paid digitally up from 25% (both men and women) in 2019. The main reasons cited were being able to save time on financial transactions, and being able to keep savings safely.

- 51% of workers share their bank card with others.

- 96% of workers preferred to be paid into accounts.
"In the beginning, I knew only how to withdraw money from an ATM, and I used my bank account in the same way as a cash envelope. I mean, once my salary was put on my account, I withdrew all my money. After the training sessions, I learned about the many services offered by my payroll account and other financial skills. Now I save part of my salary on my account and withdraw only the needed amount of money.

- AMAL FAHMY, GARMENT WORKER, PORT SAID, EGYPT"
Garment workers increased their access to formal financial services

- Women reported an increase in opening savings accounts following participation in HERfinance from 19% in March 2019 to 45% in February 2020, however there was no change for men. Men are seen as the primary wage earner and therefore their salaries are allocated to household expenses. Women as the ‘secondary’ wage earner, are more likely to have their salaries allocated for saving.

- 36% of women surveyed in February 2020 preferred to keep savings in their bank account, compared to 15% surveyed in March 2019.

- 80% of workers who participated in HERfinance Peer Educator training would recommend banking services to others.

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- 1,200 workers opened Smart Wallets, during the program. The most popular transaction reported was paying bills online.

- In August 2021, 71% of women reported having a smart phone, and 29% a feature phone. In comparison 100% of men reported having a smart phone.
After [HERfinance] training, I understood the benefits of using a debit card and how to use it for purchasing, and the bonus system when paying by the card. [I also learned about] smart wallet and its uses for paying bills, transferring money, and [airtime] top-up. I also leave some money in my account to save.

- ALI IBRAHIM, GARMENT WORKER, PORT SAID, EGYPT
Workers improved financial resilience which helped them manage during the first year of COVID-19

During 2019, the first year of the HERfinance program, women reported increased financial resilience following participation in training. This helped them in 2020 to manage during the COVID-19 lockdown and the temporary suspension of Lotus Garments Group operations.

- In February 2020, 45% of women reported saving monthly up from 23% following participation in HERfinance training. There was a decrease seen for men – going from 44% to 36%. Men are considered to be the primary wage earner, and their salary is allocated to household expenses ahead of saving, whereas women are seen as the secondary wage earner and more likely to be able to save part of their salary.

- In February 2020, 63% of female workers reported confidence about financial emergencies (up from 53%). Men’s confidence remained similar going from 54% to 52%.

- 55% of workers reported that savings skills helped them to manage during the pandemic. 35% of them said budgeting was especially relevant.

- 73% of female workers and 83% of male workers believe having a bank during the crisis made a difference. They shared that bank accounts allow them to control and manage their wages more easily and pay their bills.
I receive my wage through an account. It is safe, useful and saves time and effort. I am using my bank account for saving too. I’ve been using what I learned [from HERfinance training] to follow up on my expenses and build a budget. I think this knowledge on saving and financial planning was especially useful during the COVID-19 crisis.

- MARWA, GARMENT WORKER, PORT SAID, EGYPT
Lowest paid workers: men report increased financial resilience, women remain vulnerable

The adoption rate of digital wages varied across Lotus Garments Group, with lowest paid workers needing more support to access and use payroll accounts. Therefore, in 2021 HERfinance decided to explicitly target this group which led to a deeper penetration of digital wage adoption across the workforce.10

Male workers who had previously put less effort on savings, shared that the COVID-19 pandemic demonstrated the importance of saving. 60% of men reported saving most months mainly for financial emergencies for unexpected emergencies.

60% of men reported saving monthly

60% of women reported being unable to save due to family and personal expenses

52% of men reported confidence to handle a financial emergency

39% of women reported confidence to handle a financial emergency

60% of female workers reported being unable to save due to family and personal expenses, especially married women. Only 37% of female workers reported saving most months, especially for expected expenses such as medical bills and household items.

As a result of increased ability to save, 52% of male workers reported they were confident to manage unexpected costs, of which half said they were very confident to handle a financial emergency.

39% of female workers reported they were confident to manage unexpected costs, of which two thirds said they were very confident to handle a financial emergency.
Change in attitude around financial decision making

Both men and women changed their attitudes around financial decision making, including in the lowest paid worker group at Lotus Garments Group targeted in 2021:

- 65% point change in men agreeing that financial decisions should be made jointly
- 29% point change in women starting to decide what to do with their salary
- 37% point increase in men agreeing that women should have equal rights to financial services

- 78% of women, and 86% of men increased agreement that financial decisions should be made jointly up from 42% and 21% respectively. They identified long term financial planning as the main benefit of jointly decision making.
- 81% of women reported making decisions about how to spend their salary following participation in HERfinance training compared to 52% in February 2021.
- 73% of men agreed they believe that women should have equal rights to financial services, compared to 36% in February 2021. 74% of women believe that women should have equal right to access financial services, compared to 53% following participation in HERfinance
Being paid into an account has many advantages - my money is safe because I reduce the risk of theft and loss. I also reduce unnecessary expenses. It’s aligned with the current trend of digital payments, especially for government fees, university tuition, and health costs where it is mandatory to pay by card. I taught my mother how to use a card and an ATM. I convinced some of my family members to open a bank account and told them all advantages of digital services.

- JEHAN, GARMENT WORKER, PORT SAID, EGYPT
The following resources developed with Mastercard Center For Inclusive Growth and Levi Strauss Foundation are readily available online:

**Digital Wages and Financial Capability Resources**

**HERfinance Digital Wages Toolkit for Managers**
Sets out best practice and guidance for managers to transition towards digital payroll in a responsible and efficient manner. Available online in Arabic and English. For offline access, can be downloaded from Google Playstore.

**HERproject YouTube Channel**
Digital Wages videos and animation, developed with QuizRR, can be used during training, or shown on their own – such as in factory canteens. Playlists are available in Arabic.

**HERfinance Posters**
A set of six posters with information about financial services and management. Available online in Arabic.

**HERfinance Tech Learning Tool for Workers**
Developed in collaboration with QuizRR, uses engaging films, quizzes, and animation to support workers to increase their knowledge of financial services, improve financial health and build their digital literacy. Available online in Arabic and English.
References


2 The business benefit was calculated by Lotus Garments Group using the HERproject Business Benefit Analysis tool

3 HERproject conducted 204 worker surveys: 50 worker surveys in March 2019 (23 women, 27 men); 47 surveys in February 2020 (22 women, 25 men); 54 surveys in February 2021 (40 women, 14 men) and 53 surveys in August 2021 (38 women and 15 men)

4 Transaction data provided by CIB in May 2021

5 HERproject worker survey conducted in February 2020 with 47 workers (22 women, 25 men)

6 Smart Wallet data provided by CIB in September 2021

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For more information about HERfinance, please visit HERfinance Resource Hub, for insights, information and engaging tools that support financial capability and wage digitization in global supply chains.