

Digital Wages:

Positive Impact For
Women And Business

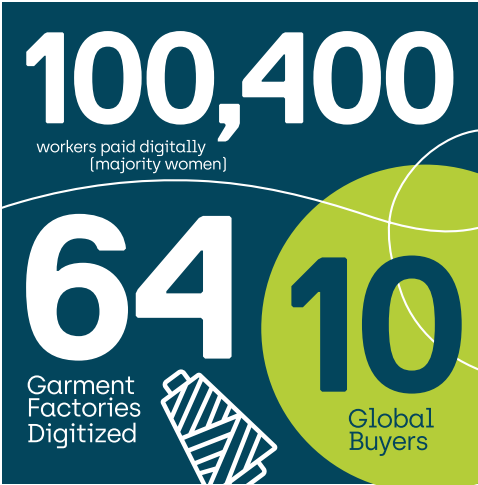
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As responsible businesses deepen their commitment to developing sustainable supply chains, new opportunities have arisen which can improve operations and benefit both businesses and workers. One such opportunity is to pay workers in ready-made garment (RMG) factories via digital wages, rather than in cash. In addition to increasing business efficiency, this operational change promotes financial inclusion and economic empowerment for women.

Currently, 230 million adults globally receive cash wages,¹ presenting risks and barriers to both businesses and workers. Employers can face theft or fraud in the transportation and distribution of cash wages; and workers must often stand in line to receive cash wages, which cuts into their productive or personal time. The use of cash also poses specific challenges for women, who are less likely to wield control over their money and who fear loss or theft of cash. In some societies, women are expected to hand over cash wages to a male family member.

The digitization of wages—in which employers switch from paying cash to paying directly into newly created digital accounts—presents a prime opportunity for global companies to advance financial inclusion and women’s empowerment at scale. Given the pace of technological growth, the time is right to make the transition to digital wages.

In 2015, HERproject, a collaborative initiative that strives to empower low-income women working in global supply chains, launched HERfinance Digital Wages Program in partnership with the Bill & Melinda Gates Foundation. The program was designed to help RMG factories in Bangladesh make the transition from cash to digital payrolls, with particular consideration of the needs of female workers.



From 2015 to 2020, HERfinance Digital Wages Program has supported more than 100,400 workers, the majority of which are women, to be paid digitally. It has worked with 64 RMG factories in Bangladesh, 10 global buyers², and implementation partners - Change Associates, MAMATA, Young Power in Social Action (YPSA).

Results

The program had a positive impact upon both factories and workers via increased efficiency, financial inclusion, and women’s economic empowerment.³

Efficiency

- **Administrative time spent on payroll cut by more than half:** The time that factory managers spent processing, counting, disbursing, and auditing payroll fell by 59 percent following wage digitization. Managers spent an average of 11.9 minutes per worker on cash payroll each month. This dropped to an average of 4.8 minutes per worker 12 months after digitization.
- **Worker production-time lost on payday cut by more than three-quarters:** The worker production-time factories lost on payday fell by 78 percent following wage digitization. Workers spent an average of 7.7 minutes each away from the production line when receiving their pay in cash. This dropped to 1.7 minutes, 12 months after digitization.

Financial Inclusion

- **1 in 2 women opened a mobile money account:** On average, women experienced a 50 percentage point increase in mobile money account ownership.
- **1 in 5 workers started saving regularly:** On average, there was a 21 percentage point increase in both male and female workers reporting that they save regularly.

Empowering Female Workers

Women feel more in control of their wages:

- **1 in 5 women started making joint decisions about the use of their salary:** There was a 19 percentage point increase in the share of women reporting that they discuss matters with others before making a joint decision on how to use their salary.
- **1 in 10 women stopped giving their salary to others:** The share of women reporting that they hand their salary to someone else to decide how to use it decreased by 10 percentage points.

Increase in women’s confidence about their future financial health:

- **1 in 8 women expressed an increase in confidence to meet expected expenses:** After entering the program, women were 17 percentage points more likely to report that they are confident they will be able to meet their family’s expected future expenses in the next two years.
- **1 in 8 women expressed an increase in confidence to meet unexpected expenses:** Following the program’s start, women were 17 percentage points more likely to report feeling confident that they can meet such unexpected costs as an emergency or family problem in the next two years.

Challenges and Recommendations

HERproject identified key learnings for gender-sensitive wage digitization in Bangladesh. For example, women may not have access to or experience in using mobile phones, which are needed to open digital payroll accounts. Women may also find it difficult to visit cash-out points, which they need in order to convert their digital wages into cash. Further challenges reflect the RMG industry’s limited experience in wage digitization and the unfamiliarity of mobile financial services providers with the payroll needs of factories and workers. Recommendations to address these and other challenges are included in the analysis of the program.

Based on the pilot, HERproject makes recommendations for a responsible transition from cash to digital wages. Factory managers need to engage the workforce via a training program specifically designed for women, who are less likely to have the education or confidence to adopt new technologies. Combined effort is needed to promote responsible wage digitization, requiring focused contributions from businesses, financial services providers, and development organizations.

Global Buyers can collaborate with their suppliers, make the business case for the transition to digital wages, help shoulder some of the costs, and ensure a successful transition by focusing on the needs of workers, especially those of women.

Financial services providers can prioritize expansion into a new market of financially excluded low-income people, particularly women, tailoring products and services to meet their needs.

Local organizations can provide direct support for workers to gain financial and digital literacy, ensuring that the needs of female workers are taken into consideration.

Development organizations can invest in unlocking market barriers, supporting the growth of financial services for low-income workers and championing gender issues within the market system.

If they collaborate, these organizations can support the growth of a responsible digital wages ecosystem and foster an inclusive, thriving market of products and services for low-income workers.

The responsible transition from cash wages to digital payments has the potential to transform business and society, increasing business efficiency and transparency while bringing more people into the formal economy and giving low-income workers—especially women—opportunities to improve their lives.

Acknowledgments

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Our NGO Partners:

Change Associates, MAMATA, Microfinance Opportunities, Young Power in Social Action (YPSA)

Our Company Partners:

BESTSELLER, bKash, Dimensions, Dutch-Bangla Bank Rocket, Fast Retailing, H&M, Inditex, Li and Fung, Lindex, Marks & Spencer, Target and The Children's Place

HERproject would also like to thank all of the male and female garment workers who shared their stories with us, and the management teams of the garment factories who gave us hospitality and honest feedback throughout the program.

Photo credit: BSR/Kamrul Hasan

References

¹ Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess (2018) *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC: World Bank.

² BESTSELLER, Dimensions, Fast Retailing, H&M, Inditex, Li and Fung, Lindex, Marks & Spencer, Target and The Children's Place.

³ Based on HERfinance Digital Wages survey data collected from 64 factories through 4,076 baseline surveys and 3,200 endline surveys; and HERfinance Business Benefit Data collected from 52 factories (paying in cash), and 15 factories approximately 12 months after wage digitization. All data analyzed by Microfinance Opportunities.

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

HERproject is a collaborative initiative developed and managed by BSR. It brings together global brands, their suppliers, and local NGOs to implement workplace-based interventions on health, financial inclusion, and gender equality. Since its inception in 2007, HERproject has worked in more than 800 workplaces across 14 countries, and has increased the wellbeing, confidence, and economic potential of more than 1,000,000 women and 620,000 men.

In 2012, BSR expanded the HERproject model to create HERfinance, which aims to leverage workplace programs promoting financial inclusion to unlock the full potential of women working in global supply chains around the world.