

Digital Wages:

Positive Impact For
Women And Business

March 2020



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Executive Summary

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 worked with 10 global buyers² and 75 RMG factories in Dhaka and Chittagong in Bangladesh, supported by 3 implementing partners—Change Associates, MAMATA and Young Power in Social Action (YPSA). By December 2019, 64 factories (representing 148,954 workers, 57 percent of them female) had adopted digital wages, and more than 100,400 workers were being paid via a bKash or Dutch-Bangla Bank Rocket payroll account.³ The program is on track to complete the digitization process in these factories by August 2020.

Results: The program had a positive impact upon both factories and workers via increased efficiency, financial inclusion, and women's economic empowerment.⁴

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.

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.



Using Digital Wages to Advance Financial Inclusion and Women's Empowerment



The Challenge of Cash-Based Systems

Globally, 1.7 billion adults, mostly women, are excluded from the formal financial sector.⁵ They lack access to such essential financial services as savings accounts, credit, and insurance that can help them provide for the future, build creditworthiness, invest in economic opportunities, and reduce risk. Notwithstanding steady progress toward financial inclusion, challenges persist, particularly in developing economies with wide gender gaps.

Some 230 million adult workers still operate in the informal economy and are paid in cash.⁶ Systems based on cash are unsafe and harder to manage. Workers who receive cash wages find it more difficult to save and budget for necessities, making them depend on risky, informal services. Women in particular are less likely to have control over their money and live in fear of losing their cash or having it stolen. In some societies, women must hand their cash wages to a male family member. Moreover, women in low-income jobs are often overlooked in financial inclusion efforts, and their needs are rarely accommodated by financial services providers.

For companies that employ low-income workers, paying in cash invites risk, non-compliance, and fraud. It's more expensive, too. It requires physical transport, security measures, and insurance, and counting and disbursing wages takes more human resources and time. Still, digital wages can present technological and social challenges as well, and these need to be recognized and addressed for successful digital adoption to take place.

A strong case can be made for financial inclusion programs that move people and businesses from transacting in risky, expensive

cash payments to using safer, more efficient, more transparent digital banking systems. Financial inclusion supports better savings patterns at the household level. Studies show that people who save are in a better position to support family health and education, are less vulnerable to disasters, and are better at making use of scarce resources.⁷ Financial inclusion also drives sustainable development, which is why financial inclusion is targeted in eight of the 17 UN Sustainable Development Goals (SDGs).⁸



Indeed, financial inclusion programs for low-income people are best created with gender in mind. Financial inclusion that takes gender considerations into account can deliver greater dividends by advancing female economic empowerment to build more inclusive economies. Given the persistent gender gap in financial inclusion, particularly in developing economies, it is essential to invest in

women's access to financial products and services: studies show that women who maintain financial accounts have more control over their finances and greater influence over household spending.⁹

Global business and development organizations thus face a critical opportunity. In the private sector, companies with supply chains in low-income countries, as well as financial services companies interested in deepening or expanding their markets, can benefit by advancing financial inclusion for workers mired in cash-based systems. Large donors and public-sector global institutions can help overcome the market barriers that prevent these workers, many of them female, from accessing formal financial products and services. Together, private and public investment can deliver myriad benefits: increased financial inclusion and empowerment for all workers, particularly women; greater efficiency, lower costs, and heightened transparency for business; and progress toward sustainable development.

A growing group of companies has been collaborating with suppliers on digital payment systems to deliver positive benefits to their own businesses, to those of their suppliers, and to the lives of people working in their supply chains. H&M, for instance, committed to digitization and became the first global fashion company to join the Better Than Cash Alliance (BTCA) in 2017.¹⁰ Also, in 2017, Marks & Spencer Group plc determined to pay digital wages to all workers in the company's first-tier food, clothing, and home manufacturing sites; in 2019, Marks & Spencer joined BTCA.¹¹ In India, Gap Inc, also a BTCA member, has managed to pay 95 percent of its factory workers digitally.¹²

The Digital Wages Solution and HERfinance Digital Wages Program

The digitization of wages, in which employers switch from paying workers cash to sending their pay directly into newly created digital accounts, presents a prime opportunity for global companies to advance financial inclusion at scale.

With salaries deposited automatically, formerly unbanked workers can conduct transactions safely and securely. These digital accounts can expand workers' access to more sophisticated financial services, including remittances, savings, merchant payments, and insurance. Women stand to benefit most from this transition—if given appropriate support and training. Compared with men, women have lower levels of financial literacy, limited access to mobile phones, less time to use financial services, and reduced mobility.

The pace of growth in digital technology makes this the right time to embrace digital wages. The global number of mobile subscribers has grown by 700 million since 2014; today, 1.7 billion women in low- and middle-income nations—about 80 percent of the women in those countries—own mobile phones.¹³ Moreover, mobile phones have given rise to a new generation of financial services which can be easier to access and use than traditional bank accounts.¹⁴

Bangladesh's RMG sector offers a prime opportunity to advance financial inclusion through digital wages. The country's 4,621 RMG factories employ approximately 4 million workers¹⁵—an estimated 60 percent of them female—and the majority is paid in cash. Many of these workers are excluded from the country's formal financial

system, and the rates are worse for women: only 36 percent of women in Bangladesh have formal financial accounts, versus 65 percent of men.¹⁶

In 2015, BSR launched HERfinance Digital Wages Program in partnership with the Bill & Melinda Gates Foundation to help Bangladesh's RMG factories shift from cash to digital payrolls. The program intended to demonstrate how a responsible transition in one sector in one country could increase women's access to formal financial services, enhancing their active use and control over these services by providing targeted financial education. It also aimed to demonstrate how the transition to digital wages could benefit business via increased transparency, efficiency, and savings.

HERfinance Digital Wages Program in Bangladesh built on BSR's long-running HERproject collaborative initiative, which works with international buyers, factories, farms, and local expert organizations that educate workers, especially women, about essential services—including health, family planning, and finance—while increasing their access to those services. HERfinance Digital Wages Program leveraged BSR's existing HERproject platform, which delivers peer-to-peer, workplace-based financial education and seeks to connect factory employees, in particular women, to financial services.

HERfinance Digital Wages Program comprised three parts:

Advocacy

The program worked directly with global buyers and their suppliers to make the case for digital wages. It focused on companies already involved with HERproject, those with an interest in financial inclusion, and those with a large footprint in Bangladesh. HERproject also organized in-person events in order to directly engage local supplier groups.

Digitization + Financial Literacy

To support a responsible transition to digital wages, the program worked closely with suppliers, introducing them to the two digital financial service providers-bKash and Dutch-Bangla Bank Rocket—who dominate the Bangladesh market.¹⁷ HERproject also connected suppliers with its implementation partners—Change Associates, MAMATA, and Young Power in Social Action (YPSA)—to provide HERfinance training to workers and factory management. Through the 12-month digitization process, the program provided in-person support for senior managers, human resources and compliance managers, production supervisors, finance and payroll administrators, and welfare officers at each factory. HERfinance peer-to-peer model was deployed to train workers: implementation partners trained a subset of the factory workforce, which then served as peer educators to train others.

Evaluation

HERfinance Digital Wages Program's final step was to evaluate its impact by examining the business and social benefits and obstacles in the digitization process to make a broad case for digitization. In addition to collecting data on workers, factories, and financial transactions, HERproject conducted one-on-one interviews and led focus groups consisting of factory managers and workers. It then worked with Microfinance Opportunities to analyze the data.

This report outlines the results, impacts, and lessons learned from HERfinance Digital Wages Program in Bangladesh. HERproject believes that lessons from this program can be used to scale up wage digitization outside Bangladesh and beyond the RMG sector. It hopes that global companies, development organizations, and other leaders in civil society will recognize this opportunity and commit to working collaboratively and at scale to support wage digitization and drive financial inclusion for more people, especially for women. These investments can transform business, society, and the lives of female garment workers.



Results

HERfinance Digital Wages Program in Bangladesh helped test and prove HERproject's theory that the digital wages transition, done responsibly, could transform business and society by promoting business efficiency and transparency in the supply chain, while advancing financial inclusion and empowering low-income workers, particularly women.

It demonstrated that a workplace-based program on financial inclusion and women's empowerment—when combined with strong engagement from brands, suppliers, and mobile financial service providers—can result in positive change for workers, especially women, as well as for suppliers in global supply chains. These workplace interventions allowed HERfinance Digital Wages Program to reach a large number of people with enhanced access to financial products and services, and provided critical information to support their

transition into the formal financial sector. The program also showed how it is possible to catalyze demand for financial products and services that are essential to low-income people's livelihoods. This, in turn, can mobilize the private sector to offer more relevant goods and to prioritize the well-being of workers. And since the majority of workers in the RMG sector are women, the program demonstrated how supply chain programs can help women participate more equally in the economy.

What follows is an analysis of HERfinance Digital Wages Program's results in three areas:



Business
Efficiency



Financial
Inclusion



Women's
Empowerment



Results

From 2015 to 2020, HERfinance Digital Wages Program worked with 10 global buyers¹⁸ and 75 RMG factories in Dhaka and Chittagong in Bangladesh, supported by 3 implementing partners-Change Associates, MAMATA and Young Power in Social Action (YPSA).



By December 2019, 64 factories (representing 148,954 workers, 57 percent of them female) had adopted digital wages, and more than 100,400 workers were being paid via a bKash or Dutch-Bangla Bank Rocket payroll account. The program is on track to complete the digitization process in these factories by August 2020.

Assessment Methodology

In each workplace, HERproject surveyed up to 100 randomly selected workers (male and female), as well as two factory managers, at the beginning and end of the program. It collected 4,076 baseline surveys and 3,200 end-line surveys by August 2019, which were analysed by research partner Microfinance Opportunities. Additional end-line surveys await collection and analysis.

These surveys helped the program comprehend changes in worker knowledge, access, and behavior as it related to financial inclusion, as well as the level of self-efficacy and self-esteem women feel in or outside the workplace. In addition to the surveys, HERproject conducted one-on-one interviews and focus groups with workers and factory managers.

HERproject also led quantitative research to assess its benefits to business in Bangladesh. It conducted business benefit surveys at baseline (54 factories), another six months after digitization started (23 factories), and again 12 months after digitization started (15 factories), which were analyzed by Microfinance Opportunities in January 2020. HERproject and Microfinance Opportunities also analyzed transaction data provided by bKash, from 651 workers in 6 factories collected 6 months after digitization, using Microfinance Opportunities "Follow the Money" algorithm in January 2020.



Increased Business Efficiency

In Bangladesh, 90 percent of wages across all sectors are still paid in cash;¹⁹ and around 75 percent of garment factories in Bangladesh report paying their workers in cash.²⁰ For these factories, the use of cash for wages is expensive, risky, and inefficient. For one thing, physically transporting cash frequently requires costly armored vehicles and heightens the risks of loss or theft. If transport is delayed and workers aren't paid on time, unrest can result. In addition to expenses associated with security and insurance, administrative time and staff are needed to count and disburse wages.

Unfortunately, few garment factories have calculated the true cost of relying on cash. On closer look, HERfinance Digital Wages Program learned that transporting cash along congested roads between banks and factories can take up to six hours, requiring the involvement of multiple managers. Research from Better Than Cash Alliance (BTCA)²¹ found that cash also costs factories significant time: workers at a 2,500-employee factory spend 750 hours each month away from the production line merely to receive cash wages. In the average factory, administrative employees spend 542 hours per month preparing salary sheets, counting money, and overseeing cash payments.

The program delivered a measurable increase in factory efficiency, reducing the amount of time required for the administrative responsibilities of managing cash and recouping time lost in production to workers' wage collection. Analysis has showed that it takes about six months for the increase in efficiency to appear.



↑ 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.

→ 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, which dropped to an average of 5.5 minutes per digitally paid worker after six months. This decreased to 4.8 minutes per worker 12 months after digitization.

For global companies with large supply chains, digital payments establish a record that workers are being paid properly and on time, and they demonstrate that suppliers are providing a transparent, efficient, and secure payroll process. The greater transparency afforded by wage digitization can also serve as an early indicator of potential financial issues that could affect factory performance, business continuity, and workers' livelihoods. Wage digitization can also help expose noncompliance, such as excessive production or delays in payments, and can expose fraud, including payments to "ghost workers."





Case Study

Geetha Powani

Alpha Clothing in Dhaka successfully digitized 1,128 workers (83 percent of its workforce) with support from HERfinance Digital Wages Program. Geetha Powani, Head of CSR at Alpha Clothing in Dhaka, explains that prior to wage digitization, the main problem was the risk of carrying cash from a bank in the center of Dhaka to the factory, which is located in an industrial area outside the city.



“

Like other factories, we had to hire a security company to carry the cash to the factory. Bringing the cash to the factory involved a lot of risk.

Geetha also highlights how the entire Human Resources and Administrative teams were involved in managing and distributing the cash on pay day.

“

It took one full day for two people from the factory head office and 10 people from the factory to count, pack, and distribute the wages in cash to 1,800 workers. This was a big waste of time for the HR and Admin teams.



Financial Inclusion

One of the main goals of HERfinance Digital Wages program is to drive financial inclusion, especially among women in a country with a gender gap in bank account ownership that is three times the average found in other low-income countries.

Only 41 percent of adults in Bangladesh own financial accounts.²² Adults in this strong cash culture have some of the lowest rates of borrowing (9 percent) and saving at a financial institution (9.9 percent). Furthermore, a 29 percentage point gender gap divides men and women when it comes to accessing financial accounts.

The program saw a prime opportunity to reach financially excluded adults through digital wages, in part because digital technology is on the rise in Bangladesh. In 2017, 29 percent of the population sent or received domestic remittances, and mobile phone usage stood at 83.4 percent.²³ HERproject believed that the RMG sector—in which the majority of workers are women, and most workers are paid in cash—represented a prime avenue to bring large numbers of unbanked people, especially women, into the formal financial system.

Moreover, the program found that it had caused a ripple effect: an Intermedia survey showed that in communities surrounding HERfinance digitized factories, even female non-garment workers became active mobile money account users at a higher rate than in areas around factories still paying cash wages (an 11 percentage point increase in active users, versus a 2 percentage point increase).²⁴ This ripple effect points to an incentive for financial services providers to continue investing in this market segment in and around the RMG industry.

1 in 2

women

opened a mobile
money account



1 in 5

workers
started saving
regularly



On average, there was a 21 percentage point increase in reports by both male and female workers that they save regularly.



On average, women experienced a 50 percentage point increase in mobile money account ownership.



Case Study

Moshrefa Banu

Moshrefa Banu, 25, is a quality inspector in the sewing section in a Dhaka factory. She is married and has a 5-year-old daughter who lives with Moshrefa's parents in her home village. Moshrefa recently opened her first digital account, which receives her wages.

“

It is much safer to use [mobile money]. It's convenient and it saves time. I used to be worried about walking with cash, especially on payday, and when sending money. I felt uncomfortable going to the agent and waiting in line because there were men there. I would get 'Eve teased.' Sometimes I received disturbing calls at night because people in the line would overhear my number when I told the agent. I had to pay an extra 20 taka to send the money; now it is free.



“

I didn't know how to use [mobile money] until we had the [HERfinance] training. Through this, we were able to learn how to use our account—cash out, top up airtime—and about savings. I can be more responsible with money now. Before, on payday, when I had cash in my pocket, I wanted to buy things on the way home. I won't be tempted now. Instead, I can save some of my wages in my mobile money account and can earn interest. My dream is to have my own house, and I am now saving for it.



Empowering Female Workers

Another main goal of HERfinance Digital Wages Bangladesh program has been to empower women. An estimated 60 percent of Bangladesh's 4 million garment workers are female, and they face restrictive gender norms that limit their engagement in financial matters, as well as access to education. This puts women in Bangladesh at a disadvantage when it comes to gaining the knowledge and skills to use financial products and services, especially mobile financial services.

Digital and financial inclusion enable economic empowerment and gender equality for women. Studies show that when women own bank accounts, they exercise more control over their finances and household spending.²⁵ According to the World Bank's Global Findex, its financial inclusion index, female ownership of bank accounts correlates with participation in the labor force.²⁶ Indeed, gender equality is one of the primary reasons that leading institutions recommend investments in financial inclusion. The UN Secretary-General's High-Level Panel on Women's Economic Empowerment lists access to financial services among seven drivers of women's economic empowerment and gender equality.²⁷ In its 2019 report for the G7, the Bill & Melinda Gates Foundation recommended investment in digital financial services to advance financial inclusion and gender equality across Africa.²⁸

The program's research underscored these findings: by increasing the number of women with mobile money accounts by 50 percentage points (see Financial Inclusion, above), the program gave women more control over their wages and finances. It also helped women participate more actively in financial decision-making at home. Many women reported feeling more confident, particularly when it came to meeting future financial needs or dealing with emergency expenses.

1 in 8
women have
Increased confidence
to meet
expected expenses



The share of women reporting that they handed their salary to someone else to decide how to use it decreased by 10 percentage points.

1 in 10
women
stopped giving
their salary to others



After 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 coming two years.

1 in 8
women have
Increased confidence
to meet
unexpected expenses



Women were 17 percentage points more likely to report after the program that they are confident they can meet such unexpected costs as an emergency or family problem in the next two years.

There was a 19 percentage point increase in the share of women reporting that they discuss how to use their salary with others and then make a joint decision.



1 in 5
women making
joint decisions
about the use
of their salary





Case Study

Sufiya Akhter

Sufiya Akhter, 23, works in a garment factory in Chittagong. She is married, with a 7-month-old son, Junaid. Sufiya started being paid digitally in 2018, when her factory joined HERfinance Digital Wages Program.

“

When I was paid in cash I didn't use to plan. If I wanted something and I had money, I would spend it, especially on clothes and cosmetics. But since I had a mobile money account, I stopped buying random things. I have a list, and if I can't buy something this month, then I will wait until next month. This helps me to save around 4,000 taka a month.

These savings proved vital when Sufiya experienced complications with her pregnancy and needed an emergency cesarean section.



“

I was told I had to deposit 8,000 taka before the operation. My husband was calling everyone to get the money. It was very stressful. But then I realized that I could use the savings on my [mobile money] account, and I shared my PIN code with him so he could cash-out from the agent. At 11 p.m. I had the operation. I was nervous, but the doctor said it would be OK, and it was.

My husband doesn't have my PIN code anymore. I change it every month. It's my money, and he trusts me. Recently, I started saving again so I can buy land and build a home for my family.



Challenges and Recommendations



Challenges and Recommendations

Learnings about Gender, the RMG Industry, and Mobile Financial Services in Payroll Digitization

HERfinance Digital Wages program has identified key insights and learnings for responsible, gender-sensitive wage digitization.

The following is a summary of the challenges which relate to gender barriers, the RMG industry and Mobile Financial Services and recommendations to overcome them.



Gender-Related Challenges and Recommendations

Women make up the majority of the world's 230 million adults who are paid in cash.²⁹ Most of these women are excluded from the formal financial system. In Bangladesh, the gender gap in bank account ownership is three times the average for other low-income countries. In 2017, only 36 percent of women in Bangladesh had formal financial accounts, compared to 65 percent for men.³⁰

One of the program's primary goals was to reach these women: give them mobile money accounts, pay them digital wages, and build their confidence and skills to manage and control their money. By enabling access to formal financial accounts, training the women to increase their uptake of mobile financial services, and supporting them to take more control over their wages, the program operated on the theory that digital wages could dramatically empower women economically.

The effort paid off: switching from cash to digital wages led to a 50 percentage point increase in mobile money account ownership by women. Moreover, program surveys found that women who completed it were 19 percentage points more likely to participate in household decisions related to spending and saving.

Notwithstanding this progress, it is important to note that female garment workers continue to face obstacles, even with digital wages. Many women in Bangladesh are expected to hand over part, if not all, of their earnings to a male family member. When paid in cash, some women circumvent control over their salaries by hiding some of their earnings for their own use or to send to relatives; this practice is rendered more difficult when women are paid digitally. Moreover, the transparency of the digital wages system can put women at risk of conflict or even domestic violence if they are caught hiding a portion of their wages.

For digital wages to have the greatest positive impact on female workers, all stakeholders involved in developing and implementing the program—including suppliers, buyers, and financial service providers—must consider women's unique needs when it comes to accessing, using, and benefiting from payroll accounts. The following information summarizes challenges women face that prevent them from accessing and benefiting from digital wages, and includes recommendations to address them.

Challenge 1:

Lack of access to resources needed to open digital payroll accounts.

Women may need to borrow or get permission from their family to buy a mobile phone. Lack of experience with mobile phones may also mean women need time to feel confident using them.

Recommendations for factory managers:

- Reinforce the new payroll policy and the importance of women having their own phones to get wages.
- Help women get SIM cards and mobile phones by promoting mobile phone sharing groups or by helping women buy their own phones.
- Use training to promote the benefits of mobile phones and to help women become comfortable with mobile accounts.



Challenge 2:

Limited use of payroll accounts, due to time and mobility constraints and to lower levels of financial and digital literacy.

Social norms and lack of security can make it difficult and uncomfortable for women to visit cash-out points or conduct transactions when surrounded by men. Due to long working hours and domestic responsibilities, women have less time to visit cash-out points and learn new skills. As a result, women may feel that cash is more convenient.

Recommendations for factory managers:

- Consider women's needs when selecting a financial service provider, including the location and service hours of cash-out points.
- Review a map of cash-out points with employees, especially women.
- Give women time on payday to visit cash-out points, and arrange group visits to help women (especially those vulnerable to domestic violence) feel secure.
- Arrange for mobile ATM booths, or invite agents inside the factory to support workers during the first few paydays following the digital payroll launch.



Challenge 3:

Limited benefit from payroll accounts, due to lack of control and decision-making over wages.

Restrictive gender norms in Bangladesh can mean that women's rights to resources are limited so they have less say over how their wages are spent. As a result, some may hide part of their wages from their families. Since this is harder to do via digital money accounts, women may be reluctant to join digital payroll schemes. As women take more control over their wages, there may be a shift in power dynamics at home and at work, which could lead to unintended consequences for women, including domestic violence.

Recommendations for factory managers:

- During the planning process, consider whether some groups of women have specific needs.
- Set up a support group to be run by the welfare officer to create a safe space for female workers to share concerns and identify ways to cope with them.
- Identify women who may be vulnerable to domestic violence, and set up a specific discussion group.
- If female workers report issues at home linked to payroll digitization, invite their families to meet with a counselor from human resources.

RMG Industry Challenges and Recommendations

In Bangladesh, the RMG sector contributes to 83 percent of the country's overall exports.³¹ Bangladesh's RMG export industry is the world's second-largest, after China's. As of 2019, the country's 4,621 factories employed more than 4 million workers³², the majority of them women. For decades, the RMG sector has driven Bangladesh's economy.

For the RMG industry—including factories and companies—wage digitization offers several benefits: It can save factories and workers time, promote transparency and security, and build stronger business relationships. It can increase revenue by supporting loyalty, reducing worker turnover, and opening up business opportunities at the factory and corporate level. Wage digitization also promotes social benefits. It helps to financially empower women and increase their role in household financial decision-making. Moreover, the benefits of wage digitization have spread to communities that surround those factories.

In order to effectively transition to digital wages, employers need time to consider, plan, and prepare. Digitization alone is not enough for workers to benefit from digital payroll: they need training and support to build knowledge and confidence, and female workers have unique needs that must be accommodated as part of responsible digitization.

Notwithstanding support from HERfinance Digital Wages Program, 11 factories enrolled decided not to digitize. Although the reasons they gave varied, the factories' main criticism was that it was difficult to reach agreement with mobile financial service providers. Discussions sometimes dragged on for months, and most services involved cash-out fees and product limitations. Issues around transparency and compliance may also impede digitization.

Global buyers are an important stakeholder in this process and can help build supplier confidence in preparing and planning for wage digitization. HERproject found that the potential for enhanced transparency helped persuade global buyers to support their suppliers in turning to digital wages. For some factories, however, transparency was a barrier precisely because it could expose irregularities. Ultimately, the program concludes, transparency benefits both buyers and suppliers while supporting compliance with global labor standards and responsible business standards.

The information on the next page summarizes the challenges posed by the RMG industry's business practices and standards. It provides recommendations for promoting a smooth, responsible transition to digital wages.

Challenge 1:

Lack of experience in payroll digitization.

Changing a payroll is a major undertaking, and factory managers may need support selecting a financial service provider, planning for the transition, and managing the new payroll system. Lack of experience can lead factories to digitize too quickly. Rather than taking a staged approach and digitizing the wages of small groups of employees at a given time, they may attempt to change their full payroll in one month, or they may fail to gain buy-in from workers and managers or neglect to consider the needs of female workers.

Recommendations for factory managers and global buyers:

- Factory managers should seek advice from other factories that have digitized.
- Global buyers can organize supplier workshops to share best practices.
- BSR has created HERfinance Digital Wages Management Toolkit to help factory managers to prepare for wage digitization, including consideration for the specific needs of female workers.



Challenge 2:

Hidden cost of cash.

Factory managers may believe that digital wages will cost more to manage than cash because they haven't calculated the true cost of cash. Factory managers may also be concerned that changing payroll will affect production by distracting or upsetting workers and by requiring time off work to learn about the new products.

Recommendations for factory managers and owners:

- Factory managers should calculate the cost of cash wages, including hidden costs, and compare this to the cost of digital wages.
- Factory owners should arrange time so that managers and workers can prepare for the payroll transition.

Challenge 3:

Exposure of noncompliant payroll practices.

Wage digitization provides a transparent system that exposes the true payroll, including the number of workers and amount of overtime paid. Some factory managers have been known to pay "ghost workers" while pocketing the wages for these nonexistent employees. Factories have been known to keep two sets of books to cover excess overtime.

Recommendations for factory owners and global buyers:

- Factory owners should understand factory managers' concerns around digitization and consider whether they are related to noncompliance.
- Global buyers should consider adding wage digitization to their compliance scorecards.

Challenge 4:

Concerns and lack of trust by workers, especially women.

Workers live in a cash-based ecosystem, and one of their concerns will be how easily they can cash out after receiving digital wages. They may also be concerned about cash-out fees. Female workers may find the change more significant because they have less experience with digital products and less control over their wages. Some workers prefer to use bank accounts from financial institutions, rather than mobile money accounts.

Recommendations for factory managers, global buyers and financial service providers:

- Factory managers should consult workers and collaborate with financial service providers to promote the benefits of digital wages, including the convenience of sending remittances, buying airtime, and saving, as well as the enhanced security of not having to carry cash.
- Financial service providers and global buyers can support training for workers to help them learn and build confidence in using the new payroll product.
- Factory managers should consider the needs of female workers, who may need different or additional training and may have unique concerns about the digital payroll.
- Factory owners should also cover workers' costs associated with digitization, such as cash-out fees.

Mobile Financial Services Challenges and Recommendations

As mobile technology and mobile products become more affordable and accessible in Bangladesh, mobile phone use has grown rapidly. This has also given rise to a new generation of financial services which can be easier to access and use than traditional bank accounts offering a compelling path for RMG factories to digitize their payroll systems.³³ Moreover, mobile money accounts can be used on both feature phones and smartphones, making the technology for a large-scale transition to digital payroll systems more feasible.

Despite the opportunity, mobile financial services disproportionately benefit men, and factories and mobile financial services providers must consider the disparate needs of women and men when transitioning to digital payroll systems.

The growing use of mobile financial services also increases the risk of cybercrime, and low-income workers, particularly women, are especially vulnerable to fraudulent calls asking for their account details and PIN numbers.³⁴ Therefore, mobile financial service providers need to ensure that cybercrime

prevention is a key part of their RMG customer acquisition and support strategy, including awareness campaigns aimed at workers, particularly women.

HERproject worked closely with mobile financial services providers to support the development of appropriate, accessible, and affordable financial services for garment workers. While initial outcomes have been positive, several challenges are slowing the growth of digital wages at scale in Bangladesh's RMG sector. These barriers are also limiting potential positive impacts on women's financial and broader empowerment. The information below summarizes these challenges and offers recommendations for how mobile financial services providers, suppliers, and other stakeholders can overcome them. These lessons are relevant for any financial services company targeting garment workers, especially women.

Challenge 1:

Lack of in-depth understanding of the garment factory systems, processes, and people.

Mobile financial services providers that don't understand the RMG industry's cash payroll systems and the financial needs of workers will have difficulty addressing concerns that digital wages cost more than cash wages.

Recommendations for financial service providers:

- Create a team focused on RMG wage digitization, and include at least one member who has RMG industry experience.



Challenge 2:

Worker and employer concerns about digital payroll costs.

Digital financial services present costs that differ from those of cash, such as withdrawal fees and transaction fees. If employers and workers believe that these costs are higher, they will be reluctant to change—especially if workers, who don't earn much, must bear them.

Recommendations for financial service providers:

- Provide clear, transparent explanations of all costs and fees associated with using mobile financial services, and help employers calculate the cost of using cash so they will better understand the benefits of digitization.
- Work with key stakeholders, including employers and government institutions, to develop a sustainable financial model so the costs of cashing out wages are not passed on to workers.

Challenge 3:

Limited customer service resources.

RMG sector clients need support to access and use mobile financial services; if mobile financial services' customer service providers cannot respond in a timely and effective manner, workers may lose trust, and the transition may slow or stall. Poor customer service can lead to rushed account opening, lack of response to workers queries, and inadequate training for workers, which can impact women the most.

Recommendations for financial service providers:

- Review know-your-customer (KYC) and customer service processes to understand garment workers' concerns and biggest issues.
- Develop training for sales, account opening, compliance, and customer service teams on wage digitization.
- Provide basic training for workers, particularly women, to help them access and use the new payroll product and avoid falling prey to fraud.

Challenge 4:

Poor cash-out experiences for workers.

Workers will become frustrated if they are unable to easily withdraw their wages on payday, are forced to wait in line, or are charged excessive fees. This particularly affects women, who tend to have less time to access their wages and are likely to feel less comfortable doing so.

Recommendations for financial service providers:

- Work with employers to map the cash-out points and meet demand from the factory and from worker communities.
- Agree on a cash-out plan that takes into account women's needs, and boost liquidity on payday by increasing the number of agents or ATMs in the area.
- Help workers understand the benefits of the mobile wallet so they know they can access their payroll accounts at any time and can use digital services for remittances and topping up airtime. This may reduce their desire to cash out all at once.

Recommendations for government and regulators:

- Help develop a cashless ecosystem so that more vendors, including merchants and schools, will accept digital payments.

Challenge 5:

Payroll products fail to meet the needs of low-income workers, especially women.

Workers find it difficult to use payroll products that have English-language platforms or are designed to be used on smartphones, rather than feature phones. This particularly applies to women. Current products that don't offer savings and insurance also mean that workers will not benefit from a full range of financial services.

Recommendations for financial service providers:

- Improve the user experience.
- Develop use cases and value propositions for such additional products as savings accounts or microinsurance so that low-income workers, especially women, can access more products and services that benefit their lives.

Recommendations for government and regulators:

- Create an environment that fosters competition among financial service providers and encourages the development of products tailored for low-income workers, particularly women.



Conclusion



Conclusion

HERfinance Digital Wages Program demonstrated that the responsible transition from cash to digital wages in Bangladesh's RMG sector can drive financial inclusion and women's empowerment, delivering tremendous benefits to global buyers, their suppliers, and workers, especially women.

The program results show that business has a unique opportunity to drive this change even more widely, particularly in partnership with large development organizations. But to truly advance financial inclusion and women's empowerment, the transition to digital wages must be done responsibly. This includes ensuring that financial products and services are tailored for low-income

people; financial literacy training is provided to make the most of these products and services; and women's unique needs are taken into account, for example restrictive social norms, financial exclusion, and digital and financial literacy. The program has found that the best way to accomplish this is by collaborating with partners that can each play an essential role in the responsible transition to digital wages.

The program has found that each partner can play an essential role in the responsible transition to wage digitization:

Global Buyers

that want to advance supply chain transparency and efficiency, while driving financial inclusion, women's empowerment, and gender equality, can collaborate with their suppliers. Buyers can make the business case for the transition to digital wages, help shoulder some of the costs, and ensure that the transition is done correctly by focusing on the needs of workers, particularly females.



Financial Service Companies

can prioritize expansion into a new market of financially excluded low-income people. In targeting these workers, including women, these companies can tailor products and services to meet their needs and help them. The companies can also support financial literacy training that will help low-income people use and reap the full benefits of various financial products and services.



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. They bring invaluable context specific understanding of cultural and social norms and gender barriers faced by workers.



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. They can enable new cross-sector collaborations to support a self-sustaining market that delivers economic and social goals.



In the program in Bangladesh, multiple partners worked together to strategically advocate for the responsible transition to digital wages.

HERfinance Digital Wages program leveraged HERproject's model of multi-stakeholder collaboration and extensive network of global companies to create an approach that holistically addressed financial inclusion for low-income workers. It considered how to reach a large population of unbanked workers, particularly females, working in the RMG sector. The program considered how to give these workers affordable access to the right financial products and services. It considered how best to improve their financial literacy via HERfinance training program, a proven education model that gives low-income people the knowledge they need to make the best use of financial products and services in their lives. The program elected to launch in Bangladesh at an opportune time, when the government was investing in its Digital Bangladesh partnership to increase transparency and digitize more of its payment programs.

HERfinance Digital Wages Program partnered with others that shared its dedication to financial inclusion and women's empowerment through the responsible transition to digital wages. The Bill & Melinda Gates Foundation provided critical funding; mobile financial service providers-bKash and Dutch-Bangla Bank Rocket-developed their digital wages payroll solution for Bangladesh's RMG sector; global buyers worked with the program to engage their suppliers; managers collaborated to ensure that the program met the needs of their factories and of their workers; and the implementation partners-Change Associates, MAMATA and YPSA- tailored HERfinance financial literacy training to meet local needs in each factory. All of these partners put workers at the center—ensuring that the transition to digital wages would work for them.

This model has demonstrated that the responsible transition to digital wages takes more than simply changing payroll systems. Deep engagement and collaboration—and the aligned vision of all stakeholders—helped deliver genuine benefits to workers' lives and to business.

HERfinance Digital Wages Program has heard stories of positive impact from factory owners, who reported that the program benefited their businesses through increased transparency, efficiency, accountability, and quality management. Some factory owners were so enthusiastic that they helped spread the word among their peers, prompting unsolicited requests from neighboring factories interested in digitizing wages at their facilities. This helped develop support for the program, building momentum to scale digital wages.

The success of HERfinance Digital Wages Program in Bangladesh has reinvigorated HERproject's vision for the future: the transition from cash to digital wages clearly has the potential to transform business and society. It can increase business efficiency and transparency while bringing more people into the formal economy and thereby giving low-income workers—especially women—the tools to improve their lives. The program hopes global companies will embrace the responsible transition to digital wages—across industries, locales and deep into supply chains—as an effective means to advance financial inclusion, empower women, and build a just world.

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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.

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The background is a solid green color. There are two white curved lines: one is a large arc starting from the bottom left and curving towards the top right, and the other is a smaller arc starting from the bottom left and curving towards the bottom right, partially overlapping the first arc.