



# Report on IOE Digital Wage Payments Conference (virtual)

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## **REPORT ON IOE DIGITAL WAGE PAYMENTS CONFERENCE (virtual)**

On 3 February 2021, the [International Organisation of Employers](#), in collaboration with the [International Labour Organization](#) and the [Better Than Cash Alliance](#), held a virtual conference **on the opportunities and challenges created by digital wage payments. In organising this conference, the aim of IOE and BTCA was not to seek the abolition of cash, but rather to explore how the transition to digital payments can complement and strengthen important work being undertaken to increase productivity, improve working conditions, and build back better. The Conference also aimed to set out next steps for action-oriented measures to accelerate the transition from cash to digital in a manner appropriate to the local context.**

IOE Secretary-General Roberto Suárez led the discussion, supported by Deputy Secretary-General Matthias Thorns. Guest speakers came from ILO, the Better than Cash Alliance, the Qatari government, the Bangladesh Garment Manufacturers Export Association (BGMEA), and two multinational enterprises, Gap Inc and The Walt Disney Company.

Although the digital payment of wages has been common practice in many parts of the world for many years, in emerging and developing economies billions of dollars in cash payments are made daily, including wages and salaries, social transfers, humanitarian relief and payments to suppliers and farmers. **It is estimated that 230 million male and female private sector workers in the world today still receive their wages in cash.**

Shifting these payments from **cash to digital has the potential to improve the lives of millions of workers**, especially those on **low income, and particularly women**, in a variety of ways, thus contributing substantially to the achievement of many of the Sustainable Development Goals (SDGs). The transition has also been shown to create **benefits for employers/businesses** such as: **enhanced productivity, cost-savings, better compliance, personnel motivation and retention, transparency, more sustainable business partnerships, and the opportunity to contribute to the SDGs.**

The global **Covid-19 pandemic has given new impetus to the need to accelerate digital wage (and other) payments in efforts to build the economic resilience and well-being of individuals, and their access to financial services and opportunities**, as well as to stem the spread of the virus by supporting social distancing and minimising in-person transactions and the handling of cash.

Achieving such **transition is potentially a “win-win-win” situation for governments, workers, and employers alike**. However, **there are many challenges to overcome before greater strides can be made** to more widespread digital wage payments (whether through bank accounts, digital wallets, mobile money, prepaid cards) and before the benefits can be fully harnessed by all stakeholders.

These include:

- High fees for financial services, which are particularly burdensome for workers with small salaries.
- Limited digital financial capabilities of workers and smaller companies.
- Data protection concerns in some regions with less developed data protection regimes.
- Limited smartphone access, particular in South Asia.

The Conference succeeded in setting out the many benefits, assessing some of the challenges, and identifying and sharing how these challenges may be/have been overcome in transitioning from cash to digital. It also **set out further actions needed to successfully promote and accelerate an appropriate transition** by all stakeholders: governments, employers, workers, international organisations, and NGOs.

## BENEFITS

### FOR EMPLOYERS, EMPLOYER AND BUSINESS MEMBERSHIP ORGANISATIONS (EBMOS), AND BUSINESSES/BRANDS:

Benefits to employers include more efficient payroll services; increased access to services and markets through improved, demonstrable compliance with national regulation (such as minimum wage and working time); elimination of the “hidden cost of cash” such as personnel wages to administer cash, transportation and security costs; increase in revenue through avoiding loss of productivity when workers are queuing up to receive, count and re-count cash payment; time saved because of fewer disputes over the accuracy and timing of cash payments; more motivated staff/less attrition; satisfaction at contributing to women’s economic empowerment; and identification of “ghost workers”

Businesses/brands can more easily verify how much cash the workers in their supply chain are receiving and when, if payment systems are integrated with working-hours data-collection, they can verify how many hours workers are being asked to work. Greater transparency between brand and supplier enhances trust, business relationships and sustainable business partnerships.

As the Conference heard from the experience of The Walt Disney Company, businesses/brands can contribute to improving working conditions and meet consumer and investor expectations regarding responsible supply chain management by launching holistic initiatives, such as Disney’s “Supply Chain Investment Programme”. This programme addresses the root causes of poor working conditions in global, essentially manufacturing, supply chains. In this context, Disney forged a partnership with [BSR HER](#), which works to unlock the full potential of women working in global supply chains through workplace-based interventions on health, financial inclusion, and gender equality. The collaboration began with HER Finance in India (it soon extended to Brazil, Indonesia,

and Mexico) which targets female factory workers and provides financial education and tools to help break the cycle of poverty among working women and their families. From there, Disney started to digitise wage payments in more than 75 factories in Bangladesh, employing 160,000 workers – the majority female garment workers. Within six months of receiving digital payments, 95% of the women stated a preference for digital over cash. However, as reinforced by other speakers, the success was founded on a gradual and well-planned approach that began by shifting mindsets away from cash dependency by building financial literacy and confidence, and outcomes were verified through surveys, which supports sustainability.

### **FOR WORKERS:**

It is worth recalling that 230 million male and female private sector workers in the world today still receive their wages in cash. Digital wage payments promote financial literacy and inclusion and allow workers to access a range of financial services (such as loans/shopping online); workers save time by not having to queue up to receive and check cash payments; they avoid the risk of travelling home with cash on their person; they have greater control over the spending and saving of their wages and, women especially, have an enhanced role in decision-making around spending in their households. Receiving wages digitally has reduced the non-payment and delays in payment of wages.

Women workers no longer have to endure being met outside the factories by family members waiting to relieve them of their cash wages.

Greater financial inclusion enhances empowerment and resilience, especially in times of crisis, and delivers economic opportunity.

It is easier for migrant workers to send money back home if they need/want to.

### **FOR GOVERNMENTS:**

There is a strong case for governments to migrate to digital payments<sup>1</sup>; more than 100 million poor people worldwide receive a government-to-person (G2P) payment such as government wages, government transfer payments (such as pensions, social benefits, and unemployment benefits), and tax refunds. While it is estimated that 90% of high-income countries make their G2P payments “mostly electronically”, over half of developing countries make their G2P payment in the form of cash or paper-based payments such as checks. As a result, governments (and individuals) bear the often-high cost associated with disbursing and receiving cash, and face the greater probability of fraud and corruption and the higher incidence of associated crime.

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<sup>1</sup> World Bank Research Observer, Volume 32, Issue 2 (August 2017)

The Conference heard the experience of the Government of Qatar, which demonstrated that digital wage payments allow governments to monitor compliance with national regulation, such as with minimum wage requirements and, in cases where payment systems integrate working-hours and other data, to gather useful information that helps to improve working conditions, financial services, regulation, and fiscal and other types of policy.

Governments and the judiciary have access to solid data to resolve wage disputes, as well as to identify wage trends and inform policy.

Governments can continue to support efforts, through incentives and regulation, of other stakeholders (such as employers and financial institutions) to onboard digital payments as a way to build individuals' resilience (such as during the Covid-19 pandemic, as well as to provide an ecosystem for G2P payments when the need arises. For example, during the onset of the pandemic, more than 200 governments around the world had planned or implemented additional social protection measures (reaching 1.28 billion people) including direct money transfer and wage subsidies. Having a digital payment infrastructure in place enables governments to respond to the needs and expectations of citizens and enhances transparency.

## **CHALLENGES AND EXPERIENCES**

### **FOR EMPLOYERS, EMPLOYER AND BUSINESS MEMBERSHIP ORGANISATIONS (EBMOS), AND BUSINESSES/BRANDS:**

As described in the case of Qatar, setting up a digital wage payment system can be challenging for some businesses, and especially SMEs who may not have the dedicated personnel.

In the case of Bangladesh, one of the principal challenges at the outset was cultural: changing lifestyle mindsets and building trust between all the parties. The partial transition (which took place pre-Covid) was rolled out gradually, beginning with a pilot project of 150 workers for whom a digital wallet was created that enabled not only the digital receipt of wages, but also access to shopping and credit. When Covid struck, there was some experience behind effecting the transition to digital payments, which was extensively supported and enabled by the government and mobile financial services (MFS) sector in the country. The BGMEA set up an online portal for companies to register with the association for certification to receive funds. Astonishingly, within 15 days 4.1 million workers in the garment sector were set up to receive payments digitally. As a further example of what can be achieved with all parties on board, in April 2020, more than 2.5 million workers' bank accounts were opened as a result of the strong commitment, engagement and support of the Bangladeshi government, the BGMEA, and the workers and the global brands involved in the garment sector.

From a brand perspective, the Conference heard how GAP Inc began its digital payment journey in 2005, again with a pilot involving a few factories, in India. Early success provided a story to relate to additional suppliers, and as benefits to brand, supplier and workers increased and were documented, so too did the rollout. Today, almost 90% of the factories (and workers) supplying GAP Inc in 600 factories across 20 countries pay wages digitally.

However, businesses must anticipate up-front that workers will have concerns and be prepared to address these, for example by establishing a Help Desk on the factory floor to support workers in the process of familiarising themselves with handling an ATM card or a mobile phone. It is also important for employers to phase in digital cash payments, by beginning with a small number of employees, and then scaling up over time. Evidence presented showed that this method resulted in an 80-90% satisfaction rate with digital after one-and-a-half to two years.

### **FOR GOVERNMENTS:**

High levels of informality and undocumented workers in many parts of the world make it difficult to introduce digital payments. Governments have to pay particular attention to building the capacity and understanding of small businesses as to the benefits for them and for their workers, which requires investment in communications campaigns and support services, and in simplifying systems and making them more user-friendly.

### **FOR WORKERS:**

Workers can experience a lack of understanding of how to access their wages digitally. There may be insufficient number of ATMs in the locality with adequate liquidity on payday, or high or opaque fee structures by financial service providers. There may be lack of recourse if there is a problem such as non-payment, inaccurate payment, delayed payment– Where to go? Who to talk to? There may be a lack of/or inadequate digital ecosystem for digital payments to flow from accounts, not just into accounts. The benefits may not have been adequately set out, explained, or promoted.

Some workers lack formal identification, making it difficult to register with banks; some also lack cell phones.

Some workers still go to the ATM on payday and draw out all the cash, so better understanding of the benefits needs to be communicated and promoted by companies, EBMOs, workers' organisations, NGOs, and international organisations.

Lower-income workers may find it difficult to acquire the financial literacy necessary to embrace digital financial services, so innovative communication tools need to be identified and implemented to improve understanding.

The transaction costs can be off-putting for workers, so efforts must be made to regulate financial services in this regard such as the establishment of an interoperable digital transfer protocol (IDTP) to create competition between MFS providers, which will drive down the cost (Bangladesh is currently in the alpha testing phase of such a system).

In some countries, the ATM infrastructure is underdeveloped and so it is inconvenient for workers to withdraw cash.

## **NEXT STEPS**

### **FOR EMPLOYERS, BUSINESSES, AND EMPLOYER AND BUSINESS MEMBERSHIP ORGANISATIONS (EBMOs):**

Employers' organisations, including IOE, businesses and EBMOs can lead the change in many ways, including advocating for digital wage payments, where appropriate, when providing input to the range of policy discussions to governments and to intergovernmental processes, such as the G7 and G20 (it is a key factor in women's empowerment and economic inclusion, migration, informality, SDGs, sustainable development, and economic growth). National EBMOs can raise awareness of the benefits, bring partners together, provide training, and, crucially, support the engagement of SMEs, where higher levels of informality may be a barrier to uptake.

These actors could consider joining initiatives such as the Better Than Cash Alliance themselves or encourage their members and corporate affiliates to join with companies such as GAP, H&M, Inditec, Unilever, The Coca-Cola Company, in driving the adoption of digital payments through their supply chains.

Businesses and EBMOs can join efforts to ensure that digital wage payments are sustainable and responsible. For instance, they can partner with organisations such as [BSR](#), a team of sustainable business experts, with whom BTCA has been working in Bangladesh to digitise payments to hundreds of thousands of workers in combination with providing support and training to employees in understanding and embracing the transition. They can also work with their governments and financial service and mobile providers. In the case of Qatar, the Chamber of Commerce played an important role in the roll-out of the Wage Protection System (WPS); they were consulted on the new requirements and helped to communicate the changes to the business community, as well as providing feedback on ways in which the system can be improved.

Businesses and EBMOs can participate in ILO programmes, such as the Better Work programme, which supports digital wage payment.

IOE and EBMOs can provide platforms and opportunities for businesses (such as GAP Inc and the Walt Disney Co.at this conference) to share their experiences of successes and lessons learned for rolling out and scaling up digital wage payment programmes.

Companies need to make a strong internal commitment at the highest level to ensure the success of any wage digitisation programme. This can be stimulated by mapping how much cash payments are costing, thereby identifying potential savings. Companies also have to create a value proposition for stakeholders/employees and be clear that support will be given for the switch to digital.

IOE and EBMOs can participate in and support new initiatives such as ILO's Global Centre on Digital Wages for Decent Work based in Geneva. In its three-year-initial phase, the Global Centre will promote the transition from cash to responsible digital wage payments through research and evidence-based advocacy. The Centre aims to develop the capacity of both employers and workers while facilitating the development of inclusive digital payment ecosystems. The Centre seeks to enable millions of male and female workers around the world to receive their correct wages, paid digitally into bank accounts or mobile money wallets, and to make the most out of them for better resilience and economic opportunities. The interventions will enable small, medium-sized, and large enterprises in various economic sectors to better respect workers' rights and to formalise employment, and to become more productive and to grow. The Global Centre will have field activities in four countries in Africa, Asia and Latin America. It will test digital wage payments solutions in various geographies and generate evidence and knowledge products that can be shared with other stakeholders in other countries to scale up the transition. In short, the Centre will be a platform to foster exchanges, gather and share good practices on wage digitisation (many examples already exist – in Bangladesh, India, Jordan, to name but a few countries) and to provide technical and advocacy tools to enable and support employers, workers and governments to transition to responsible digital wage payments. IOE will be a member of the Centre's steering group.

### **FOR WORKERS AND WORKERS' ORGANISATIONS:**

Workers' organisations can collaborate with employers to support efforts to change workers' mindsets when they are resistant to the transition to digital payments and can collaborate on financial literacy training. Workers' organisations can get involved in ILO and other related initiatives that support the transition from cash to digital.

### **FOR GOVERNMENTS:**

Already some 35 governments are members of the UN-based Better Than Cash Alliance. More governments can join and express their commitments to looking at how they can support the utilisation of digital solutions and reduce cash.



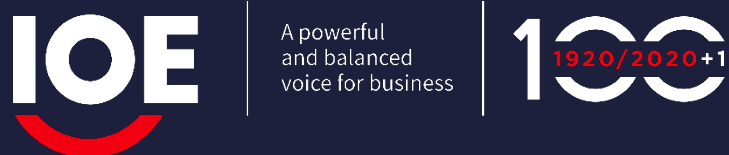
Governments can look to other countries for inspiration, examples and lessons learned. For example, the Government of Qatar introduced a wage protection system (WPS) in 2015 which was designed to ensure that workers receive their salaries through direct bank transfer by the seventh day of every month and to ensure that even low-wage workers have ATM cards. The WPS allows the government to monitor wage payments and also allows the labour minister to impose sanctions on companies and employers that do not comply, such as barring access to government services. The WPS was instrumental in informing the country's analysis for establishing the minimum wage. Today, more than 94% of private enterprises are registered in the system.

### **FOR OTHER INTERNATIONAL ORGANISATIONS SUCH AS ILO, AND NGOS**

Organisations such as ILO and the Better than Cash Alliance can continue to promote partnerships and initiatives that enhance collective action in the transition from cash to digital payments, such as the Global Centre for Digital Wages for Decent Work described above. ILO believes that its constituents, as well as the financial sector and the development community, all have a key role to play in accelerating a responsible transition that will advance decent work and social justice.

International organisations can work with financial institutions and mobile service providers on the ground to promote an ecosystem and infrastructure that digital payments require to be successful.

**A successful and comprehensive shift from cash to digital wage payments will rely on the ongoing commitment, and concerted and aligned efforts, of all actors - to change mindsets, to promote understanding and appreciation of the shared benefits, to exchange experiences and lessons learned, to forge partnerships, and to build a supportive ecosystem and infrastructure. Employers/businesses/brands, EBMOs, workers' organisations and workers, governments, NGOs, humanitarian and development communities, financial services, and mobile service providers, all have a role to play in addressing the existing challenges to ensure that the shift from cash to digital wage payments will indeed improve the lives of workers and lead to more sustainable and responsible enterprises.**



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