BSR | HERproject®

Within Reach

How Digital Wages That Work for Women
Can Support Bangladesh's Economic Future

OCTOBER 2021

Index

Foreword

The year 2021 is a crucial milestone for the future of socio-economic development in Bangladesh. It is the country's 50th year of nationhood and the climax of Vision 2021 — the government's plan to graduate away from being a Least Developed Country (LDC) by 2026. Along with recovering from COVID-19 and meeting the UN's Sustainable Development Goals (SDGs), a new plan to achieve high-income country status by 2041 is also underway. Digitization of the economy is a key feature of these plans, and a government-led action plan toward achieving the goal of digitization of wage payments will be published in December 2021.

This report also sets out a vision. It imagines a future scenario where all female garment workers in Bangladesh's leading export industry are enabled to benefit from wage digitization. This is a vision that sees wage digitization as a key stepping stone towards overcoming the digital divide faced by women and that values women workers as active economic agents who will play a significant role in Bangladesh's formal economy in future. We believe this scenario is within reach and will help Bangladesh achieve its economic ambitions.

At the conclusion of the Digital Wages Summit in Dhaka in 2019, all stakeholders recommended future digitization and financial inclusion strategies needed to overcome systemic gender gaps, accelerate the movement towards a cashless society and enable the on-ramping towards a digital lifestyle which can be beneficial for women and girls.

This report aims to help policymakers do just that. It also aims to inform global learning on responsible wage digitization. Bangladesh's experience is already informing wage digitization in Cambodia and Egypt and the ILO's new Global Centre on Digital Wages for Decent Work. Indeed, Bangladesh's extensive and inclusive wage digitization efforts could become the next 'M-Pesa', Kenya's often cited revolutionary mobile phone-based banking service that reached low-income populations.

We are committed to realizing the potential of digital wages in Bangladesh and beyond, and we will work toward realizing the transformative scenario set out in this report, where gender equality and increased digital access are achieved. This is the future we all want to see. We urge you all to read the action plan in this report and help us get there. Only continued collaboration across public and private spheres can help us realize these goals.

Signed:

Tuomo Poutiainen
Director, ILO Country Office for Bangladesh

Anir Chowdhury
Policy Advisor, Aspire to Innovate (a2i) Programme of the ICT Division and the Cabinet Division of the Government of Bangladesh

Photo credit @BTCA

"I'm confident that in the next five years, with the right stakeholders on board, that the challenges we have now will be gone and all garment workers will receive digital wages."

- SARABAR CHANDA, BKASH, A BANK-LED MOBILE FINANCIAL SERVICE PROVIDER IN BANGLADESH

Introduction

Wage digitization of low-income populations has the potential to be a win-win opportunity that can deliver both social and economic progress, helping countries meet the UN's Sustainable Development Goals. For garment workers it can mean transparency over pay, the chance to open a financial account, and greater economic empowerment. For the wider economy it can mean efficiency savings for factories, a new market segment for financial service providers (FSPs), and citizens saving and remitting more money.

Bangladesh has recognized the importance of digitizing wage payments in the garment sector, its largest export industry, and has the opportunity to become a leader in transparent and innovative labor practices. This report makes the economic case for accelerating progress, particularly among women workers.

More than half of Bangladesh's 4 million garment workers are women.[1] Because they are mostly young, less able to access education, and unbanked, the economic potential of this pool of 2.3 million workers has not traditionally been recognized by FSPs and the government.

Digital wage payments have begun to change this, and impact data shows that women workers are active and integral to the economy. Of the 85,123 women who participated in the HERproject Digital Wages Program across 64 factories,

one in two opened a mobile money account and one in five started saving regularly.[2] They conducted an average of eight transactions a month, including sending person-to-person remittances and buying airtime for their phones.[3]

This raises the question, "What if all women garment workers became economically empowered?" It also helps explain some of the striking figures in this report—including potentially US$5.4million per month being spent on airtime top-up and US$126 million a month being spent on remittances (significantly more than the US$73 million men spend). These figures show that women are potentially very active users of their accounts, and that there is a business case for action by FSPs and telecommunications companies. For government this represents an extensive group of economically active digital citizens.

These projections also help build on the growing case for wage digitization. Factories that digitized as part of HERproject reduced administrative time spent on payroll by half, and production time lost by workers on payday was cut by more than three-quarters.[4] And in a recent HERproject survey of brands, 79 percent said that digital wages are helpful in meeting their social and labor compliance requirements.[5]

What if all women garment workers became economically empowered?

HERproject Digital Wages Program incubated a solution that can now be achieved at scale, as illustrated by the government of Bangladesh's rapid and decisive action during COVID-19. The need to provide a socially distanced payment and wage stimulus package resulted in Bangladesh Bank mandating factories to digitize wages. In just two weeks, 1.9 million RMG workers were provided with a mobile money account.[6] By June 2020 an estimated 85 percent of wage payments in brand-facing factories, and 63 percent of nonbrand-facing factories were digital[7] as result of the Bangladesh government's stimulus package.[8]

However, many factories returned to paying cash within a matter of months. (By September 2020, the share of workers in brand-facing factories paid into accounts had fallen to 73 percent and in nonbrand- facing factories had declined to 39 percent).[9] This shows that when the stimulus package ended, the nascent digital ecosystem wasn't yet strong enough to keep workers and factories engaged. The return to cash was partly due to the government ending its financial support for workers, along with payroll processes not yet being fully embedded, the costs associated with withdrawals, the limited financial payments ecosystem, and a lack of digital financial knowledge and capability, all of which led to workers struggling to use their new accounts. A survey by Garment Worker Diaries found that 17 percent of women did not know how to use their new digital payroll accounts because they hadn't received any training, and 29 percent reported that the process of using digital accounts was too difficult.[10]

The rapidity with which Bangladesh achieved wage digitization during COVID-19 and the subsequent backsliding to cash illustrates why Bangladesh is at a critical juncture with digital wages. This report sets out three possible future scenarios of how things might evolve for women workers. This exercise aims to assist policymakers developing Bangladesh's digital road map[11] — highlighting where the risks and opportunities are. One scenario shows how a small investment in building the digital financial capability of workers could be the catalyst that delivers Bangladesh's vision of wage digitization in its leading export industry.

The report concludes with recommendations for action illustrating how the government and financial service providers, as well as other key stakeholders, can build a more equitable and resilient digital wage payment system that empowers workers. This requires action across three interrelated areas: increasing women's **access** to financial services, building the female labor force's digital financial **capability,** and increasing women's **use** of the wider digital economy. This report focuses more on enhancing the financial capability and opportunities for women. Other actors are looking at the financial ecosystem to improve access and use, including the cost challenge.


A small investment could be the catalyst to transform Bangladesh's major export industry.

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The Evolution of Wage Digitization in Bangladesh Garment Factories

Share of workers paid digitally, by factory brand status (MFO's Garment Worker Diaries[12])

Legend:
- Brand Facing
- Non Brand Facing

April 2020 (Before Subsidy): Brand Facing 36%, Non Brand Facing 15%
June 2020 (During Subsidy): Brand Facing 85%, Non Brand Facing 63%
September 2020 (After Subsidy): Brand Facing 73%, Non Brand Facing 39%
August 2021 (One Year Later): Brand Facing 68%, Non Brand Facing 40%
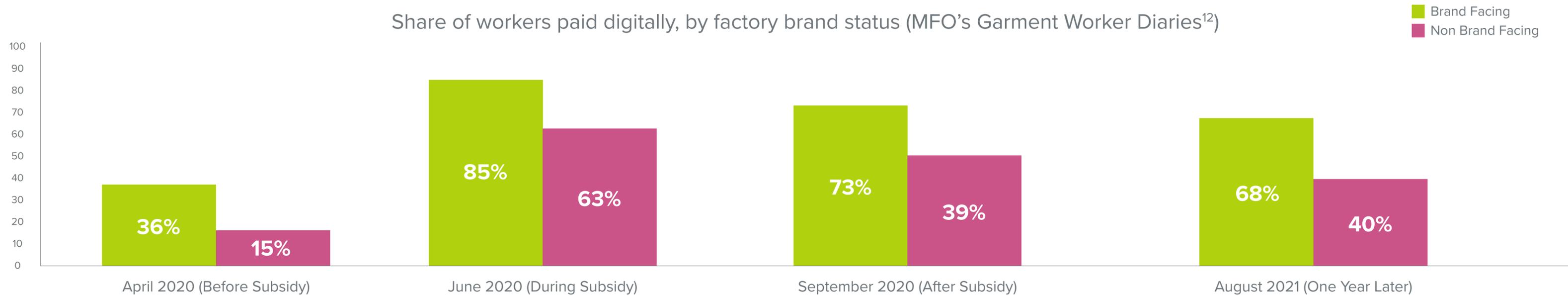
2011-2019

- **2011:** Mobile Financial Services introduced in Bangladesh.
- **2015:** HERproject-Bill & Melinda Gates Foundation Digital Wages program developed.
- DBBL Rocket and bKash market leaders in digital payroll services.
- **2016-2019:** Factories begin to digitize their payroll
- **Nov 2019:** Key public and private sector actors commit to scaling digital wages across garment sector at the Digital Wages Summit, Dhaka.

2020

- **April:** Government of Bangladesh develops COVID-19 subsidy package for garment sector. Includes simplified KYC process, birth certificates and/or employment letters accepted as NID, and cost share for the cash-out fee.
- **May:** FSP's and employers work closely to open accounts for 1.92m garment workers.[6]
- **June:** Digital pay rate peaks — MFO's Garment Worker Diaries found the 85% of wage payments of brand-facing factories and 63% of wage payments nonbrand-facing factories were paid into accounts.[12]
- **September:** COVID-19 government subsidy ends and some factories go back to cash. Cash-out cost share by government ends.

2021

- **January:** Complete NID documents needed again for full and permanent use of accounts.
- **August:** The share of workers in nonbrand facing factories paid into accounts has held steady at 40%, however the share in brand facing factories has declined a little since September 2020 to 68%.[12] Reasons cited for going back to cash are concerns from workers and cost of cashing out.
- **December:** Government of Bangladesh's Wage Digitization Roadmap for garments and other sectors due to be published.

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Breaking the Barriers to Women's Economic Empowerment

Bangladesh needs more women in the labor force to realize its economic ambitions.[13] The World Bank estimates that increasing women's participation in the labor force to 45 percent could result in a 1 percent increase in GDP and a 1.5 percent increase in productivity per year.[14] However Bangladesh scores low on gender equality indices, inhibiting labor force participation.[15] For example, despite reforms, young girls can still be married with their parents' consent[16] and lower numbers of women enter tertiary education and take on STEM subjects. Women undertake disproportionate levels of childcare and domestic work and face high levels of violence and harassment on public transport and in places of work.[17]

The government of Bangladesh's commitment to reach a 50/50 workforce by 2041 is welcome.[18] Achieving this will mean finding solutions that empower women socially and economically. In other words, providing decent work that builds women's agency and control over their resources.

Gender-responsive digital wages offer one potential route to accelerate the economic empowerment of low-income female workers.[19] Done well, it also arguably tackles some of the hurdles women face to enter and stay in the formal labor force, including financial and technological literacy, formal bank account ownership, and enhanced knowledge and control over money.

HERproject has shown through its digital financial capability training program that women rapidly become active economic agents — saving, remitting, and spending with up to eight transactions per month. This economic agency can bring wider social benefits, including positive impacts on child nutrition and education levels.[20] However, the majority of women garment workers face disproportionate barriers to adopting digital wage payments compared with their male colleagues, including social norms that prevent women from owning mobile phones as well as significant gender gaps in account ownership.

Overcoming these barriers requires action to enhance women's access and use of digital financial tools. It also requires increased capability (knowledge, skills, and behaviors) which includes tackling social norms. HERproject estimates that **for a cost of US$30 million,[21] all 4 million garment workers could undertake digital financial capability training,** resulting in significant economic outcomes for workers, FSPs, and government.

(See page 11 diagram: "What if all 4,621 garment factories, with 4 million workers, digitized their wages and provided financial capability training, and there was a thriving digital payments ecosystem.")

The Importance of Engaging Male Workers for Gender Equality

HERproject focused primarily on overcoming the barriers women garment workers face in adopting digital wages. Women are disproportionately affected by social norms that inhibit their access. They make up the majority of garment workers, and they typically invest their wages in their family and community. However, male garment workers also face barriers and are active economic agents.

Crucially, men have the power to address many of the social norms that inhibit women's opportunities. Because both male and female workers had their wages digitized, HERproject includes both men and women in peer educator training to enhance impact. This has resulted in important progress around economic control. For example, one in five women and men reported that they started to make joint decisions about the use of salary — when previously women had been handing over control of their wages to someone else, and men made decisions on their own.

The Barriers Women Garment Workers Face Adopting Digital Wages

Access

Women are less likely than men to have the resources needed to open and use accounts.

- In Bangladesh 36% of women are banked compared with 65% of men.[22]
- Wage digitization happens mainly through mobile financial services, but there is a gender gap of 25 percentage points in phone ownership.[23] Women may need to borrow or get permission from family to buy a phone in order to open an account.
- Women are more likely to have feature phones, not smart phones, which require more steps to conduct transactions.
- Workers often have to travel long distances to their home villages to obtain necessary national ID documents to open accounts, costing them additional time and money. Women face additional constraints — for example, they frequently have to seek permission from family members to travel and they are responsible for a greater amount of domestic and care work.

Financial Capability

Women have less experience with digital financial services than men, and social norms affect their attitudes and behaviors toward them.

- In factories supported by HERproject, 36% of female workers completed secondary level or above, compared with 57% of male workers.[24]
- Women workers are often required to hand over their salary to husbands and mothers-in law, sometimes leading to violence. They prefer to receive cash because it enables them to hide some of their salary.

Usage

Women have fewer opportunities than men to use financial products and services.

- On average, married women in Bangladesh spend 22 hours per week on care work (cooking, cleaning, washing, and childcare).[17] At present cash is more convenient because using ATMs and finding mobile money agents adds to their time.
- If more local shops and services that accept digital payments for goods, including food and rent, were easily accessible to women workers near garment factories it would both reduce time and travel burdens for women and increase the wider use of digital accounts.
- Fewer products and services are designed specifically with women in mind because they are not viewed as a significant market segment. There are only an estimated 3% female agents, and many male agents are not trained on the specific needs of women users.[25]

HERfinance Supported 70 Garment Factories in Bangladesh to Digitize Their Wages Between 2015-2020

HERfinance works with global buyers, their suppliers, financial service providers, and others to make the business and social case for wage digitization that considers the needs of female workers.

Stakeholders

- Female and Male Garment Workers
- Factory Managers
- Financial Service Providers
- Global Buyers and Brands
- Local NGO's and Training Orgs

Key Activities:

- HERfinance provides advise for FSP's on engaging the RMG sector; for local NGO's on developing and integrating digital wages programs, for brands to support their suppliers to digitize their wages.

- HERfinance provides coaching for factory management to transition from cash to digital wages, and townhall training for all workers to access and use of digital payroll accounts.

- HERfinance delivers a six month Peer Educator Financial Capability Program for 5% of workers, who each share learning with 20 of their peers.

over **150k** garment workers paid into accounts
(August 2020)

100% of digitized factories enabled access to Govt of Bangladesh **COVID-19 support package**

59% reduction in admin time dedicated to processing, counting, disbursing and auditing payroll

Garment Workers conduct **8-13** transactions a month following wage digitization and HERfinance Training

$54 sent per month by Female Garment Workers as digital remittances

$2.34 of global buyers say digital wages help meet on air time top-up

1 in 5 workers started saving regularly

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

**1 in 8** women have increased confidence in meeting any unexpected expenses

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What if all 4,621 garment factories, with 4 million workers, were reached with responsible wage digitization?

HERfinance reached 70 factories and 150,000 workers. Extending this to all 4,621 garment factories[26] with 4 million garment workers is within reach and there could be extensive benefits to workers, factories, FSPs, and government. These projections are based on three essential elements—wage digitization, digital financial capability training, and a thriving digital payments ecosystem.

Key:
- Female
- Male

1.7mil Men / **2.3mil Women**

4 million garment workers become banked

73mil USD / **126mil USD**
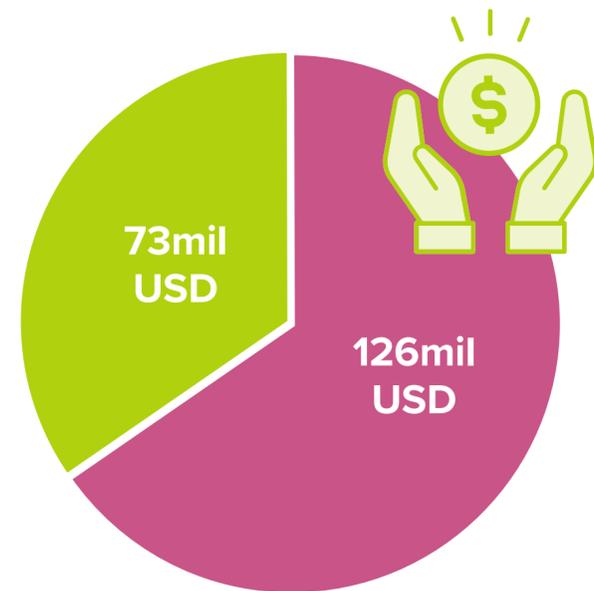
199 million USD (17.4 billion Taka) sent each month in remittances[27]

6.1mil USD / **5.4mil USD**

11.5 million USD (998 million Taka) spent each month on airtime top up[28]
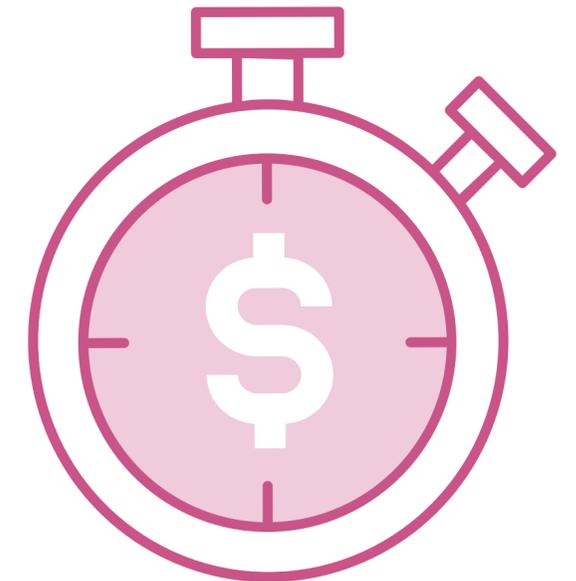
400,000 hours production time saved each month on payday[29]

"In the future we need an ecosystem that works for the employees and helps them see the changes in their life, and we need a system that is cheaper than it is today."

- MARJOLAINE CHAINTREAU, BETTER THAN CASH ALLIANCE
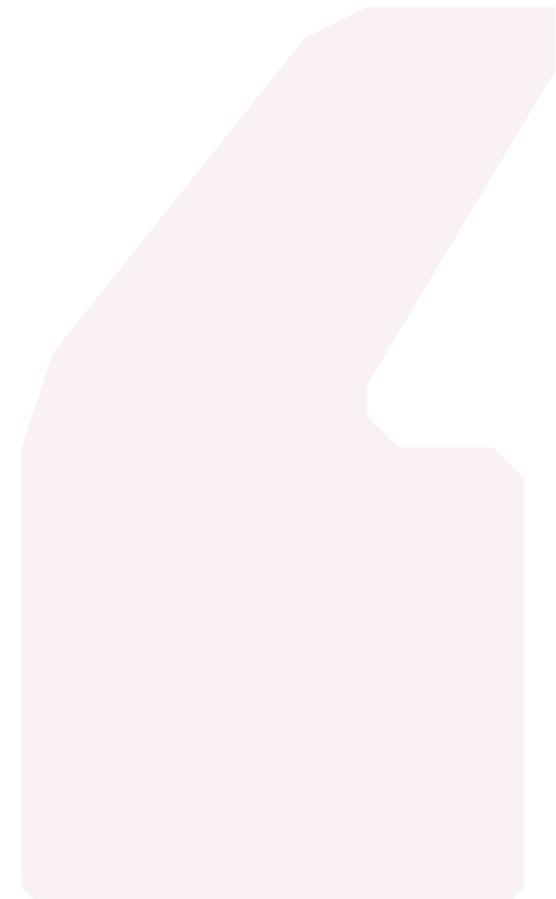
Future Scenarios

The positive outcomes experienced by women participating in HERproject are not currently experienced by the majority of women garment workers, and they are not guaranteed in the future. Despite digitizing payroll to receive the government of Bangladesh COVID-19 subsidy, some factories reverted to cash once it was finished. To assess the opportunities and risks of how digital wages for women might evolve over the next 10 years, a futures scenario planning tool was used.[30]

The purpose of these scenarios is not to predict the future, but rather to gain insights into the full range of plausible and alternative futures in order to make better decisions and choices in the present. They represent hypothetical pictures of what wage digitization could look like in 10 years.

The economic impact of COVID-19 on the garment sector is as yet unclear, and continuing shifts in global markets, from an increase in near-shoring to the impending loss of preferential trade status with the EU, are creating an uncertain future for Bangladesh's largest export industry. The garment industry also faces many challenges and opportunities in transitioning

to become a more automated, circular, and climate-smart sector.[31] The full impact of these industry-wide changes is beyond the scope of these scenarios.

Nonetheless, effective and inclusive wage digitization will play a part in shaping the industry's future and contribute to it remaining competitive and innovative. For example, a HERproject survey of international brands found that 92 percent believed that improved digital financial capability will better prepare women to adapt to the changing nature of work, including digital economies and the transition to a green economy. And 71 percent stated that digitization of wages for women workers will be very important for their sourcing and purchasing strategies in the next 10 years.[32]

92% of brands believed that improved digital financial capability will better prepare women to adapt to the changing nature of work, including digital economies and the transition to a green economy.

The Scenarios

How Could Digital Wages for Women RMG Workers Evolve in Bangladesh in the Next 10 Years?[33]

Transformative Times

High access, financial capability, and use

- Reforms enable the majority of digitally paid female garment workers to benefit from a cashless ecosystem, bringing wider economic benefits
- 100% of garment factories digitized
- Full financial capability training package targeted at all workers (an estimated cost of $30million)[21]
- Workers actively use a range of financial products and services, including savings, remittances, merchant payments
- Financial ecosystem develops new relevant and affordable opportunities for workers to make digital payments

Missed Opportunities

Limited access, financial capability, and use

- Business as usual; digital ecosystem exists but majority of female garment workers are not economically empowered
- 68% of wage payments in brand-facing factories and 40% in non brand-facing are paid into accounts (current level)[34]
- Basic training on payroll accounts for all workers, but not gender-specific or comprehensive
- Workers cash out wages on payday and there is only minimal use of additional financial products and services
- Cash ecosystem continues to be dominant

Back to Cash

No access, financial capability, or use

- Post COVID-19 downturn sees nascent digital ecosystem fragment and majority of female workers using cash
- Factories return to cash wages — only 36% of wage payments in brand-facing factories and 15% in nonbrand-facing factories are paid into accounts (pre-pandemic level)[35]
- No financial capability training for workers
- Workers paid in cash and remain unbanked
- Cash ecosystem dominates

Transformative Times
পরিবর্তিত সময়

Missed Opportunities
সুযোগ হারানো

Back to Cash
ক্যাশে ফেরত যাওয়া

1

Transformative Times

In this scenario, gender-responsive digital financial access has progressed at pace. Policy reforms to National ID (NID) and e-KYC procedures now enable the majority of women garment workers to benefit from fully interoperable wage payments and digital government social protection payments. The cost of cash-out has decreased and many more shops and services accept digital payments. All garment workers have received comprehensive digital financial capability training. There is greater joint financial decision-making between men and women on household budgets. This is the scenario that could see 2.3 million women remitting up to US$126 million per month and spending US$5.4 million per month on top-up.

Government and regulators

- Effective national digital system for payments, social protection, and e-commerce is established.
- Reformed NID and e-KYC systems are enabling majority of population to open accounts easily.
- Central bank and FSPs have set minimum or zero cash-out fees and agreed-on interoperability of systems. Clear fraud prevention and customer protection improves consumer trust and spend.
- All major social payments (health, education, pension), remittances, and retail outlets accept digital payments, bringing nationwide growth in e-commerce.
- Government rewards all factories that have switched to digital payments and are delivering comprehensive digital financial capability program for workforce. It is providing subsidy to nonbrand-facing factories to enable capability training. It is benefitting from improved compliance with labor standards that digitization brings.

Unions and workers

- Unions support wage digitization due to increased transparency over pay and overtime that it provides and are helping workers demand a choice of FSP providers. They provide financial capability training for women workers, along with NGOs, especially in nonbrand-facing factories.

Digital actors, including FSPs and telecom companies

- FSPs have an active new market segment and have developed new use cases for garment workers, including savings, loans, insurance products. FSP's and entrepreneurs are innovating new financial tools, reducing costs and competing with banking.
- The gender gap in mobile phone ownership and mobile accounts has narrowed and is now close to 50/50. There is full acceptance of women owning a phone and having greater control of economic resources.

Vendor groups and factories

- All workers are being paid digitally into financial accounts of their choice in majority of factories.
- Employers are facilitating and funding digital capability training for women workers and ensuring conveniently located ATMs and agents available at times that suit women.
- Factories are encouraging retailers that accept digital payments to locate on or near factory premises.
- Paid educational leave is provided for workers to acquire NID to open accounts.

Brands and buyers

- Widespread digitization achieves social compliance/transparency over pay and overtime, thereby improving brands' Economic Social and Governance (ESG) reporting to investors.

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What This Looks Like for a Worker

Transformative Times with Zharna, 35

Zharna's life is different from her mother's and grandmother's. She married for love to a husband that doesn't own land. She earns her own money, working at a garment factory where she participated in the HERfinance Digital Wages Program.

Zharna's earning power has given her equality in her relationship with her husband, who also works in a Dhaka factory. They make all financial decisions together. "I have my say in family matters," she said. She has started saving 5,000 Taka a month and has put together a budget with her husband. Together, they are planning to move back to Jashore, Zharna's hometown, where her parents look after their daughter and where Zharna owns land. "I want to build a cozy home for us," she said. Their plan is to build a two story house and rent out one floor. Zharna's husband wants to run his own grocery store. If they have extra money, they'll buy cows.

Zharna's digital knowledge and skills are helping the family in other ways, too. She recently visited her brother who was chronically ill with asthma. When the family went to call the doctor, they realized they didn't have any credit to make the call. Then Zharna recalled she could use her mobile wallet to top up her brother-in-law's phone. After adding 47 Taka to her account, they called the doctor, who prescribed medicine, which they picked up at a pharmacy that was open late.

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2

Missed Opportunities

In this scenario a digital ecosystem exists and there is uptake of wage digitization, but it is slow due to a persistent gender divide in digital financial capability, access, and use. There is a missed opportunity to progress a digital economy that delivers women's empowerment. This is limiting the potential economic contribution women could be making to the evolving digital economy, in which a growing number of shops and services are accepting digital payments. Only brand-facing factories have provided comprehensive digital capability training for all their workers. Other factories are receiving only basic account opening information from FSPs. The majority of workers remain dependent on cash due to an ongoing lack of knowledge and trust about the benefits of digitization.

Government and regulators

- Commitment to develop a national system of wage payments, G2P, and e-commerce exists but failure to tackle fundamental access and usage barriers to women and vulnerable groups, including reforming NID and e-KYC rules.
- Government faces challenges identifying cash dependent female workers and other vulnerable groups making it harder to channel social protection, leaving them more susceptible to economic shocks.
- Government does not subsidize digital financial capability training for nonbrand-facing factories, leaving many workers reliant on cash.

Brands and buyers

- Only some brands contribute funds for comprehensive digital financial capability training in brand-facing factories.

Digital actors, including FSPs and telecom companies

- Smartphones are cheaper and more accessible but social norms still inhibit women's access and control. Digital divide and account ownership remain around 40% for women, compared with 70% for men.
- Mobile 5G coverage reaches 100% but usage gap remains at under 50% because women's financial and digital literacy has not been prioritized.
- Cashing-out channels experience liquidity shortages.
- Hacking and fraud grows — predominantly targeting women.
- Regulators and FSPs fail to agree to fully interoperable systems, leaving the majority of women reliant on cash and informal economy.
- Pockets of digital economic growth occur around factories that have digitized along with some vendors and health insurance providers, but not spread beyond these islands.

Vendor groups and factories

- Only brand-facing factories provide paid educational leave for workers during working hours to undertake comprehensive digital financial capability training and to return to villages to undertake National Identification paperwork.
- Majority of factories don't provide paid leave for either.
- Not all factories are convinced of case for digitization due to lack of progress on regulatory and policy frameworks and FSP products and services that are not appropriate for all workers and managers.

Unions

- Support for wage digitization from unions remains divided due to mixed impacts for workers, ongoing costs of cash-out and lack of choice of FSPs for workers.

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"In 10 years everyone will be shifting to digital wages, but I see one fallacy in this—even though wages are being digitized, people are cashing out straight away—and yet the goal is a cashless economy. So unless financial or central banks are more willing to champion cashless payments, then the benefits are being diluted."

- AMRITA MAKIN ISLAM, PICARD BANGLADESH LTD.

What This Looks Like for a Worker

Missed Opportunities with Tasleema

When the factory where Tasleema works transitioned to digital wages, she was extremely worried and had numerous questions. "How will they give money on the mobile?" she wondered. She was also concerned about the cash-out fee. "I work hard the entire month, and now I will lose so much money." Moreover, getting her wages digitally meant she wouldn't be able to keep part of her salary for herself. "My husband is not aware of how much salary I draw, so when I get cash, I can always hide some secretly," she said. She uses this amount to help her mother, who is in poor health.

But Tasleema also understood the challenges with cash. On payday, she used to store her cash in the cupboard next to her workstation. One day, when she went to the washroom, someone rifled through her bag. "When I returned, I found all the money scattered around loosely, and 1,000 taka missing!" she recalled. That month, she was unable to send her sister the full amount for her work on the farm, and her sister had to borrow money from her husband to pay for the watering of the fields.

After attending digital wages training sessions, Tasleema began to see the benefits. For instance, one of her friends, who cannot read or write, never knew for sure if she was paid the right amount. If all workers had access to digital wages, workers like her friend would know she is getting paid correctly. Tasleema also thinks digital wages will ultimately make things a little easier.

"I feel that paying rent, sending money to the village, depositing money into a savings account, and paying electricity bill through mobile banking can be very convenient, but right now not enough workers know how to use it."

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3

Back to Cash

In this scenario the digital ecosystem fails to develop post COVID-19 due to social disruption and economic downturn. The majority of workers, including women, remain cash dependent and are unable to afford mobile phones and banking services. While COVID-19 has led the government to improve the reach of G2P payments, wage digitization has stalled and there is no growth of a wider digital economy.

Government and regulators

- COVID-19 economic downturn results in government prioritizing economic recovery and G2P support systems for the ultra-poor over promoting and incentivizing private sector wage digitization.

- COVID-19 exacerbates gender inequality, increasing caring responsibilities for women and reducing time available for digital financial capability training and access. Women and girls continue to drop out of education as schools remain closed, reducing literacy levels and increasing early marriage. This reduces opportunities to enter the RMG sector and receive financial capability training.

- There is less money in the hands of workers to buy mobile phones and afford cash-out fees and other banking services. Workers appetite for digital wages declines.

- There is less demand from workers for a wider digital ecosystem to evolve to pay their rent and groceries and no regulations adopted on inter-operability.

- No government subsidy is available for digital financial capability training in nonbrand-facing factories.

Unions

- Unsupportive of wage digitization given high costs to workers and concerned about increased violence and tension between workers who wish to be paid in cash and those who are able to receive wages digitally.

Vendor groups and factories

- Low levels of support for digitization in brand-facing factories because of the cost of cashing out wages.

- Unable to afford training for women workers on digital financial capability—reliant on ad hoc NGO interventions.

- No support for digitization in nonbrand-facing factories because government not demanding transparency over wages.

Digital actors, including FSPs and telecom companies

- Smartphone penetration and internet connectivity is stalled at below 40 percent, remaining only in hands of elites that can afford them.

- No pool of potential customers exists for whom FSPs can develop products and digital financial training.

Brands and buyers

- Other countries with RMG sectors are progressing faster with wage digitization and are more attractive to buyers, given the transparency they provide for ESG and audit reporting.

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"The smaller factories have more problems
 and are not used by brands and not digitized.
 They will get there in 10-12 years, but they will
 need help to do it."

- CHINA RAHMAN, INDUSTRIALL BANGLADESH COUNCIL
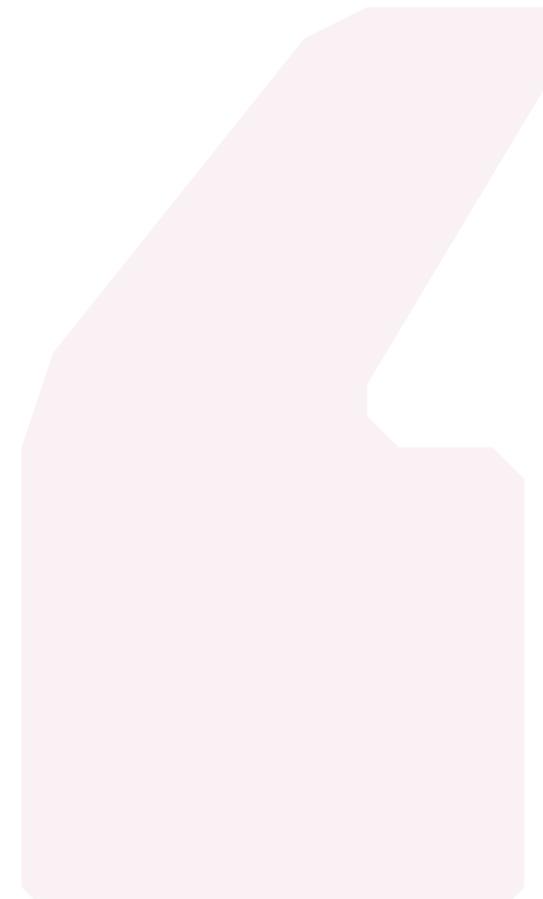
What This Looks Like for a Worker

Back to Cash with Sohana, 26

Sohana is an operator at a garment factory. She and her five siblings were born and brought up in a rural district by their parents. Her father had a small grocery shop with a very limited profit and her mother was a homemaker. Sohana studied until the sixth grade but couldn't continue in school due to poverty. When she was 18 one of her aunts brought her to the capital in search of jobs, specifically in the garment sector. Soon after, her parents forced her to marry a man of their choice, and her in-laws began tormenting her because of the dowry that they had gifted and Sohana's job at the factory. Sohana's in-laws accused her of being unable to take care of her infant and the rest of the family, and she was pressured to quit her job. She has since divorced her husband and is now living in Dhaka, raising her 8-year-old son as a single mother.

For single mothers like Sohana, it is extremely difficult to make ends meet. They recognize the importance of savings but don't always know where to start. Women like Sohana would benefit from having an account to keep savings safe and to be able to send or receive financial transfers securely and conveniently. However, as their employers are not digitizing, they miss out on the opportunity to open a financial payroll account.

Recommendations for a Transformative Future

At the 2019 Digital Wages Summit,[36] there were clear calls to "address systemic gender gap issues and ensure women benefit from digital wages."[37] There were also calls for Bangladesh's National Financial Inclusion Strategy to include a stronger gender focus. The recommendations detailed below aim to help respond to these requests and is also designed to feed into Bangladesh's road map on wage digitization for publication in December 2021.

These recommendations focus on how key stakeholders in Bangladesh can transform digital wages with and for women workers. Understanding what works for women will enable all actors to design the right choice of products and the most effective interventions. It is particularly targeted at the government, FSPs, and employers, recognizing that they are well equipped to enable rapid change at scale (as seen during COVID-19). The recommendations are focused around the three main barriers women face in using digital wages: access, financial capability, and use. Many of them will lead to benefits for both men and women workers.

Build her capability for the labor force

Contribute to national goals:
- High-income Country Status by 2041;
- 50:50 equal workforce by 2041;
- Become a 'breakthrough digital economy'

Enable her access to financial services

Increase her use of the digital economy

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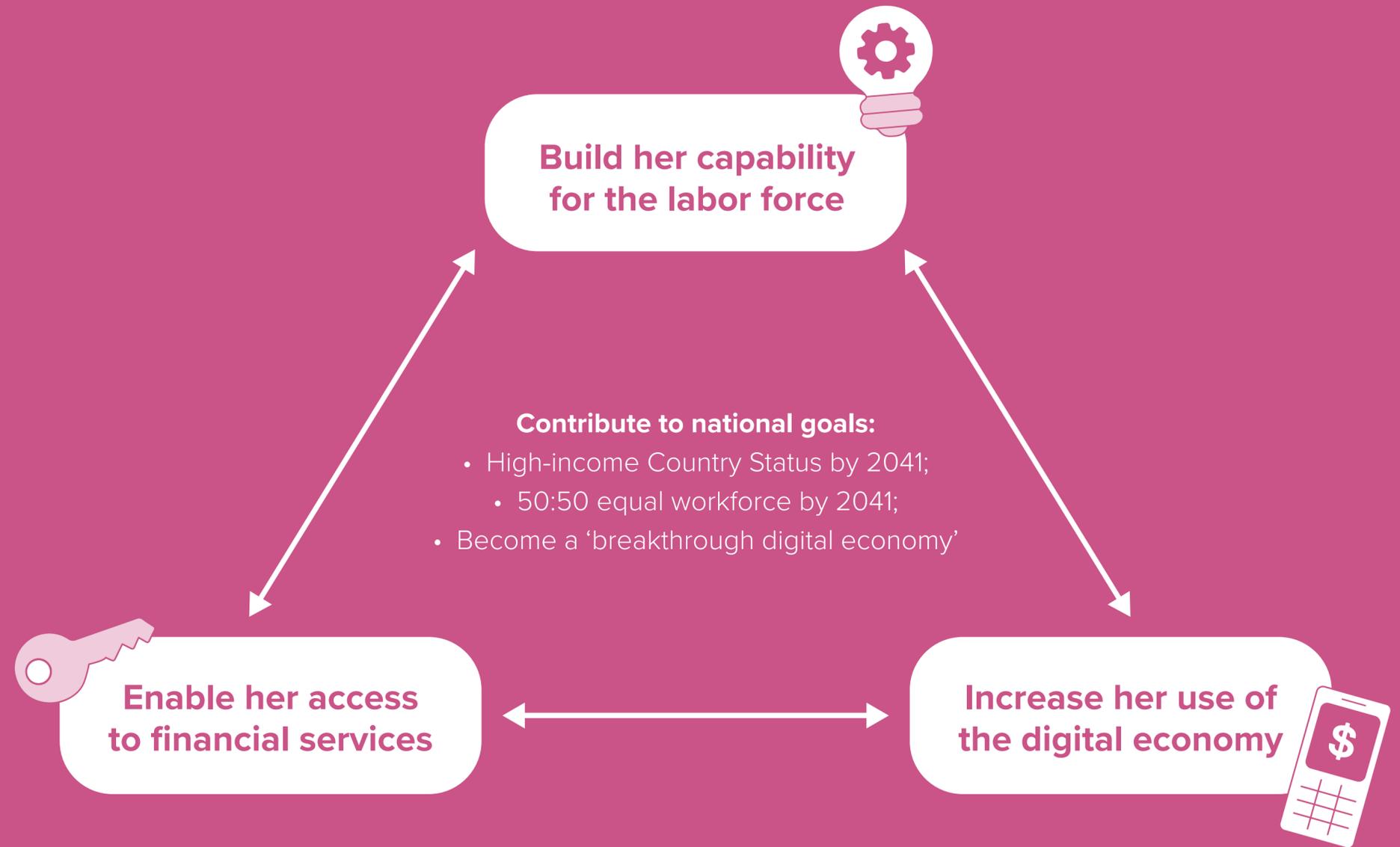
Recommendations

To Enable Her **Access** to Financial Services

Government

- Incentivize all factories to switch to digital payments (using incentives such as tax breaks) and consider developing legislation to implement wage digitization.
- Recognize and reward factories that have provided digital financial capability training for women workers.
- Reform national identification processes so that workers are not required to return to their home village to access paperwork. This would enable more workers to open accounts with ease.
- Regulators and government extend e-KYC to all women workers (thumbprint, not signature, and real time NID verification).
- Support women workers to register online as part of trainings and via existing Union Digital Centers and (in future) specialized digital centers located near factories.

FSP's

- Develop a dedicated team to manage the RMG sector customers to open accounts and ensure they are well trained on gender differences in financial services.
- Identify the unique financial behaviors of female garment workers and their challenges to access financial accounts by working with NGOs who have detailed market knowledge.
- Develop clear product guidance tailored for male and female garment workers to increase activation and usage of a range of products.

Factory/brands/industry bodies

- Support workers to open accounts, including as part of new worker onboarding (e.g. as part of contract documentation).
- Factories to provide paid leave to enable workers to access their NID from home villages until the system is reformed.
- Train HR and management in factories on how to support digital wage payments and possible challenges female workers will face.
- Create safe spaces for women to discuss concerns about wage digitization and potential unintended consequences.
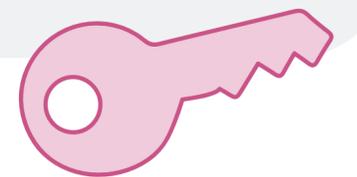
Recommendations

To Build Her Financial **Capability** for the Labor Force

Government

- Subsidize digital financial capability training in nonbrand-facing factories. Work with NGOs, multi-stakeholder initiatives (e.g., Empower@ Work Collaborative, women's movements, and unions) to deliver training.

- A2i and ICT Dept. endorse and share digital financial capability tools and resources, such as those developed by HERfinance, to help factories (see p28).

- Establish specialized digital centers around garment factories to increase digital literacy and enable those without phones to still bank and receive G2P payments.

FSP's

- Partner with specialized organizations to provide high-quality digital financial capability training to all workers using sales teams, agents, and tech tools.

- Provide additional support and training for female workers to address problems that women commonly encounter, such as using ATMs. Developing peer champions within the factory, who female workers trust and look up to, can be an effective way for women to get support with using their accounts.

- Create a fraud awareness campaign to build workers knowledge to protect themselves, including information campaigns and hotlines.

Factory/brands/industry bodies

- Contribute to the costs of providing high-quality digital financial capability training for workers in brand-facing factories.

- The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) promote and share government-endorsed training materials on digital wages across factories and with existing training providers.

- Factories provide educational paid leave during working hours for workers to undergo training, as well as regular factory town halls and information campaigns on digitization and fraud prevention.

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Recommendations

To Increase Her **Use** of the Digital Economy

Government

- Build a wider cashless economy so that women can use their payroll accounts to pay for food, rent, and healthcare, and to receive G2P payments.

- Reduce the overall cost of cashing out (e.g. waivers on cashing out small amounts to ensure this is not borne by workers).

- Incentivize and regulate interoperability so that customers can access a wider range of financial products and services.

- Ensure there is a grievance redressal system available to RMG workers (e.g. in cases of fraud).

FSP's

- Develop use cases digital products that women want, including savings, pension savings, insurance, and credit.

- Increase the number of female agents available to support women workers in places they inhabit (e.g. at factories, marketplaces, savings groups).

Factory/brands/industry bodies

- Encourage more in-house essential items shops that accept digital payments, located around factory premises, thereby helping women save time on caring responsibilities.

- Allow promotional campaigns by different FSPs on accounts and additional products.

"We are optimistic about the future – wage digitization is expanding now in the garment sector. The next big question is how to reach other areas including the cotton farmers and those in the informal sector"

- FIONA MARSDEN, ETHICAL TRADING MANAGER, MARKS AND SPENCER

"Digital wage payments can ensure workers receive their correct and timely wages and benefits. When provided responsibly, they can also enhance workers' economic opportunities and resilience. For this to happen, and at scale, it requires a strong engagement of the government, the financial sector, the employers' and workers' organizations, brands and technical partners."

- VALERIE BREDA, GLOBAL CENTRE ON DIGITAL WAGES FOR DECENT WORK, ILO

Digital Wages Resources

The following Digital Wages training resources are open source and readily available online.

HERfinance Digital Wages Toolkit for Managers

Sets out best practice and guidance for garment managers to transition towards digital payroll in a responsible and efficient manner. Available online in Arabic, Bangla, English, Khmer, & Mandarin. For offline access download from Google Playstore.
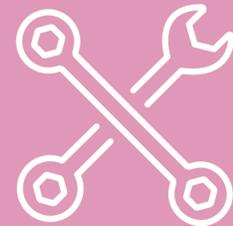
HERfinance Posters

A set of six posters with information about financial services and financial management. They are available in Arabic, Bangla, English, Gujarati, Hindi, Khmer, Kannada, Tamil and Vietnamese.

HERfinance Videos and Animations

Developed with QuizRR, these can be used during training or shown on their own, such as in factory canteens. Playlists available in Arabic, Bangla & Khmer.

HERfinance Tech Learning Tool for Workers

Developed with QuizRR, uses engaging videos and quizzes to support workers to increase their knowledge of financial services, improve financial health and build their digital literacy. Available in Bangla, Khmer and Arabic.
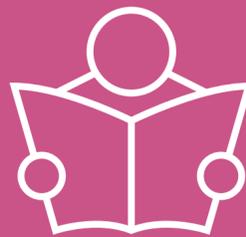
Better Than Cash Alliance 'Responsible Digital Payments' Guidelines

These identify eight good practices for engaging with clients who are sending or receiving digital payments and who have previously been financially excluded or underserved.

HERfinance Audio Message

A song that can be played on the public address (PA) system and provides information about using financial services. It is available in Bangla, Hindi, Kannada and Tamil.

References

[1, 26] We have used BGMEA's estimate of the total number of garment workers in Bangladesh as cited in "BGMEA Sustainability Report 2020," BGMEA, January 2021. HERproject has worked with 221 factories in Bangladesh, employing 575,281 workers, 58 percent of whom were women, and therefore we have continued to use this as our reference point for the estimated number of women garment workers.

[2] HERproject Digital Wages: Positive Impact on Women and Business, March 2020.

[3] This is based on bKash transaction data collected from 382 garment workers over 21 months who took part in HERproject Digital Wages program, and analyzed by Microfinance Opportunities.

[5] In July 2021, HERproject conducted a survey on the future of wage digitization with 14 international brands operating in Bangladesh, some of which had been part of HERproject Digital Wages Program and some that had not.

[6] "1.92m MFS accounts created in RMG sector to avail mobile banking." The Financial Express, Bangladesh, April 20, 2020.

[7] There are no exact definitions to distinguish between the many types of factories in Bangladesh. We have used the terms brand facing and nonbrand facing to distinguish between factories geared toward export markets, used by brands, and more regularly audited. These are sometimes referred to as Tier 1 factories. (Chris Reinhardt and Elizabeth D. Herman, "Inside Bangladesh's garment industry, second largest in the world," The World, August 2014.) Nonbrand facing refers to factories not used directly by international brands that are often engaged in subcontracting.

[8, 9, 12] Guy Stuart, Garment Worker Diaries, Factory Wage Digitization Trends (blog), Microfinance Opportunities, October 2020, Cambridge. Microfinance Opportunities provided additional Factory Wage Digitization for August 2021 as well.

[10] Daniela Ortega, Garment Worker Diaries, Gender Difference in the Wage Digitization Experience: Immersion and Use (blog), Microfinance Opportunities, June 2020, Cambridge.

[11] A government led action plan toward achieving the goal of digitization of wage payments along with priority-sector specific road maps will be published in December 2021 (A2i, Better than Cash Alliance, PWC).

[13] Women account for only 36 percent of labor force participation in Bangladesh. The World Bank, "Labor Force Participation Rate, female (% of female population ages 15+) (modelled ILO estimate)," ILO ILOSTAT database, data retrieved on June 15, 2021.

[14] "World Bank. 2017. Bangladesh Development Update 2017. World Bank, Dhaka, Bangladesh. © World Bank. https://openknowledge. worldbank.org/handle/10986/26642 License: CC BY 3.0 IGO." In addition, according to the Institute for Inclusive Finance, if women's participation were equal to men's it would result in a 0.5 percent to 0.7 percent increase in GDP (Mustafa K Mujeri, "Women's economic empowerment and future development of Bangladesh," The Financial Express, Bangladesh, January 2021).

[15] See, for example, Women Business and the Law 2020, Washington DC, World Bank, which scores Bangladesh 49.4 out of 100.

[16] Taslima Yasmin, "Call for Law Reform: A review of the effectiveness of the new legal regime to prevent child marriages in Bangladesh," Plan International Bangladesh and Girls Not Bride Bangladesh, September 2020.

[17] Solotaroff, Jennifer L., Aphichoke Kotikula, Tara Lonnberg, Snigdha Ali, Rohini P. Pande, and Ferdous Jahan. 2019. "Voices to Choices: Bangladesh's Journey in Women's Economic Empowerment." International Development in Focus. Washington, DC: World Bank. doi:12.1596/978-1-4648-1374-0 License: Creative Commons Attribution CC BY 3.0 IGO.

[18] "PM Hasina pledges to raise women's participation in workforce to 50%," Dhaka Tribune, October 2020.

[19] Sarah Hendriks, "The role of financial inclusion in driving women's economic empowerment," Development in Practice, 29:8 (2019), 1029-1038, DOI: 10.1080/09614524.2019.1660308.

[20] "IFC Jobs Study, Assessing Private Sector Contributions to Job Creation & Poverty Reduction: Findings on Gender," IFC, January 13.

[21] The cost of HERfinance Digital Wages program in Bangladesh is US$7.50 per worker. Training all garment workers would cost roughly US$30 million.

[22] The World Bank Group, The Global Findex Database 2017.

[23] GSMA Connected Women, "The Mobile Gender Gap Report 2020," GSMA, March 2020.

References

[24] HERproject conducted 4,076 baseline surveys and 3,200 end-line surveys with workers in HERfinance pilot factories by August 2019, which were analyzed by research partner Microfinance Opportunities.

[25] Leesa Shrader, Digital Finance in Bangladesh: Where are all the Women? (blog), CGAP, February 2015.

[27] On average, women send US$54, or 4,712 taka, a month in remittances, and men US$43, or 3,799 taka (based on an exchange rate of 100 taka = $1.18 on as of Aug. 12, 2021). This average remittance amount per month includes women and men who did not send a remittance but were otherwise active mobile money users. On average, in any given month, 60 percent of women sent a remittance and 63 percent of men did so. Assuming that the sending remittance rate for women and men will be the same when all workers in the RMG sector are paid digitally and that the amount they send will be roughly similar to what the workers in the study sample sent, then women will send about US$126 million (11 billion taka a month) and men will send about US$73 million (6.4 billion taka) per month. This is based on bKash transaction data collected from 382 garment workers over 21 months who took part in HERproject Digital Wages program, and analyzed by Microfinance Opportunities.

[28] Women spend 203 taka (US$2.34) on airtime each month and men 313 taka (US$3.62). This average top-up amount per month includes women and men who did not top-up but were otherwise active mobile money users. On average, in any given month, 78 percent of women topped up and 90 percent of men did so. Assuming that the top-up rate for women and men will be the same when all workers in the RMG sector are paid digitally and that the amount they spend will be roughly similar to what the workers in the study sample spent, then women will spend about US$5.4million (472 million taka) a month and men will spend about US$6.1million (526 million taka) a month on top-ups. This is based on bKash transaction data collected from 382 garment workers over 21 months who took part in HERproject Digital Wages program, and analysed by Microfinance Opportunities.

[29] HERproject 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. Analysis found that worker production-time lost by factories 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. This is a production time saving of an average of 6 minutes per worker. Extrapolating that to 4million workers, reveals a production time saving of 400,000 hours. [(6 minutes x 4 million workers) / 60 minutes = 400,000 hours]

[30] The 2x2 scenario matrix used two high-impact and high-uncertainty drivers of change, gender equality, and digital coverage and connectivity. The matrix resulted in four scenarios but only three were felt to be plausible and included in the final report. The scenarios were developed following a drivers of change workshop with HERproject Bangladesh team, 25 interviews, and two rounds of stress testing including representatives from Better Than Cash Alliance, Microfinance Opportunities, IFC, and the Bill & Melinda Gates Foundation.

[31] Achim Berg, Harsh Chhaparia, Saskia Hedrich, and Karl-Hendrik Magnus, "What's next for Bangladesh's garment industry after a decade of growth? McKinsey & Company, March 2021.

[32] HERproject survey of 14 international brands active in Bangladesh, July 2021.

[33] The scenarios also seek to give an estimated snapshot of the overall percentage of workers who will be digitized in the next 10 years. They are based on existing levels of overall digitization, which are estimated to be 54% (Tuomo Poutiainen and Dan Rees, How digital payment systems can boost Bangladesh's push to meet the SDGs (blog), World Economic Forum, May 2021).

[34] Based on the share of garment sector workers paid into accounts reported by Microfinance Opportunities in August 2021 following on Factory Wage Digitization Trends analysis published in November 2020. Guy Stuart, Garment Worker Diaries, Factory Wage Digitization Trends (blog), Microfinance Opportunities, October 2020, Cambridge.

[35] Based on the share of garment sector workers paid into accounts in April 2020, as per Garment Worker Diaries findings. Guy Stuart, "Factory Wage Digitization Trends", Microfinance Opportunities, November 2020.

[36] The 2019 Digital Wages summit was jointly organized by the Access to Information (a2i) Programme of the ICT Division, supported by the Cabinet Division, United Nations Development Programme (UNDP), and the United Nations-based Better Than Cash Alliance. The summit was also co-organized by Business for Social Responsibility (BSR) and Bangladesh Garments Manufacturers and Exporters Association (BGMEA).

[37] "In Bangladesh, key public and private sector actors commit to scaling digital wages across garment sector," Better than Cash Alliance, November 2019.

Acknowledgements

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BSR's HERproject™ is a collaborative initiative that strives to empower low-income women working in global supply chains. Bringing together global brands, their suppliers, and local NGOs, HERproject drives impact for women and business via workplace-based interventions on health, financial inclusion, and gender equality. Since its inception in 2007, HERproject™ has worked in more than 900 workplaces across 14 countries and has increased the well-being, confidence, and economic potential of more than 1 million women and 620,000 men.

www.herproject.org