



International
Labour
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Global Centre
on Digital Wages
for Decent Work



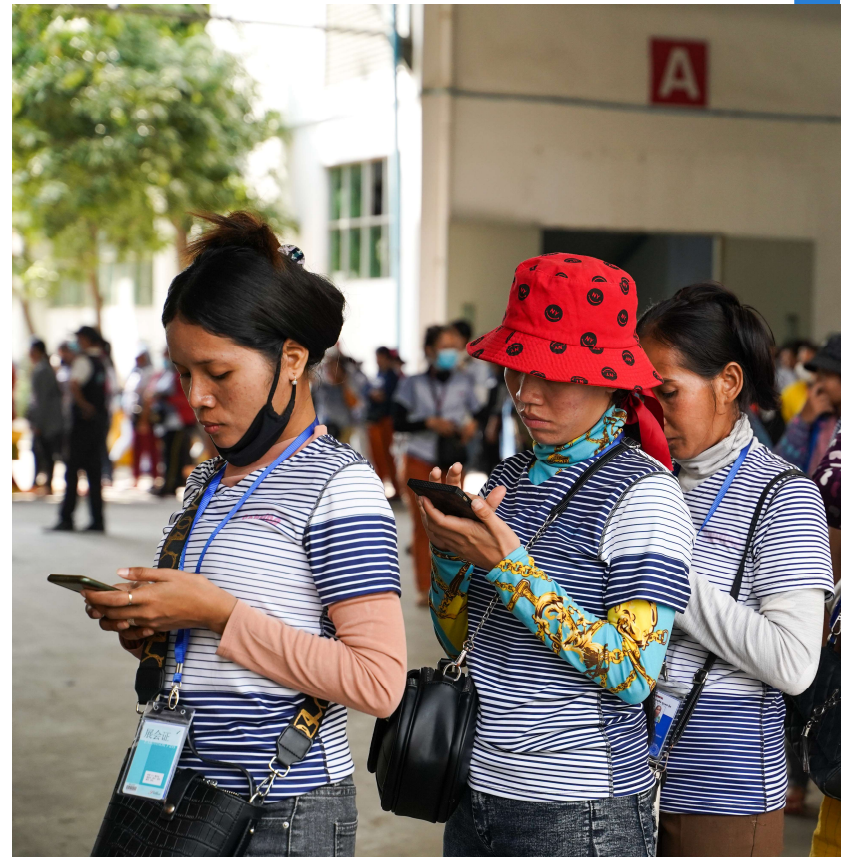
Cambodia - Ensuring a responsible transition towards digital wages

16 February 2022



Objectives

- 1) Present findings on the progress of digital wages transition in garment factories
- 2) Identify and discuss priorities for action to accelerate the responsible transition to digital wages payments in Cambodia
- 3) Build partnership for responsible digital wage transition



Speakers



Sara Park
Programme Manager
Better Factories Cambodia



Mr. Ken Loo
General Secretary
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Valerie Breda
Technical Expert
ILO Global Center on
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Deputy Programme Manager
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Sethypong Sok
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Responsibility



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Project Manager
Cambodian Women for
Peace and Development



Agnes Salyanty
Research Lead, SEA
Region, Women's World
Banking

Wage Digitization : Driving Efficiency and Financial Inclusion in the Garment Sector

February 2022



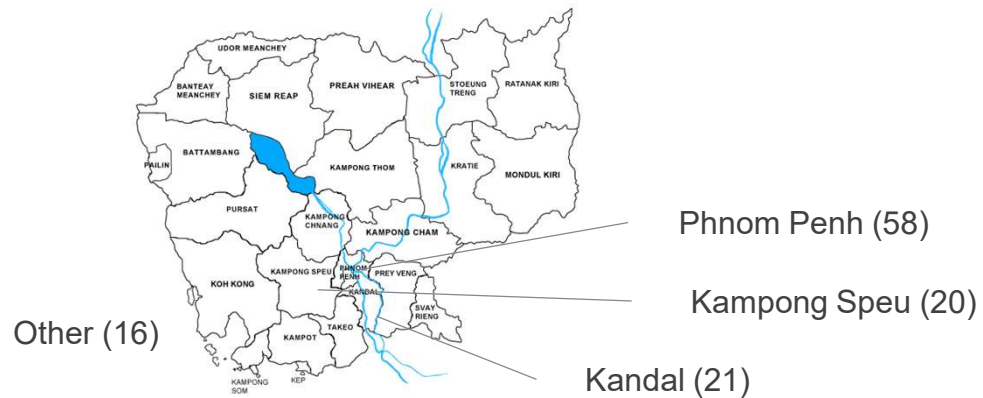
BSR® | HERproject®



Cambodia Digital Wages Research

Objective: to assess the market potential for digital wage payments in Cambodia's garment sector

- Conducted in 2021 by BSR's HERproject and IFC, under the Better Work Partnership with the ILO and in close collaboration with Better Factories Cambodia, and supported by Microfinance Opportunities
- Funding provided by The Walt Disney Company (for BSR's HERproject) and the European Union (for IFC under the ILO/IFC Better Work partnership).



Sector	Respondents
Factories	115
Qualitative	32
Quantitative	115
Workers	418
Eco-System	46
Cooked food	11
Large goods	9
Retail Merchant	12
Landlord	9
Trade Unions	5

Opportunity: Digital payments have benefits for business

Following wage digitization, factory managers report savings in the cost of payroll and a high degree of satisfaction with digital payroll.



Satisfaction with costs and services

95% of factory managers report satisfaction with costs of digital wages

89% of factory managers report satisfaction with account provision & support



Concerns that workers can cash out easily:

81% of digitized factory managers reported that the availability of ATMs or cash out points **near** the factory is “very important”

89% reported that the **size and reach** of the provider's network of branches and ATMs across Cambodia is also “very important”

Case Study: wage digitization cost savings from a factory with 2,000 workers

Digitization set up cost	(\$5,900)
Direct saving on transport and processing payroll costs	\$500 per month [ca \$0.25 per worker]
Indirect saving by reducing production time lost each pay day disburse cash wages	\$1,200 per month [ca \$0.60 per worker / 15 mins per worker]
Total savings per month	\$1,700 per month
Break even point	Less than 4 months

Opportunity: Workers can benefit from digital financial services

There is an opportunity to enable workers to make digital financial transactions, such as remittances, that most workers (even those with accounts) still pay in cash. Workers cited keeping their wages safe, and being able to save more as key benefits from being paid into accounts. Their main concern is the ability to cash out from their accounts, as they still need cash for most of their financial transactions.

65% of workers send money home, <10% send it digitally.

47% of workers receive money from family, only 10% digitally.

94% of workers pay bills, almost all in cash.

40% of workers would like training on withdrawing their wages and using their account if their employer shifted to digital pay.

Financial Inclusion in Cambodia (World Bank Findex)

- **18%** of adults have a formal financial account
- **59%** of adults borrowed money in past year
- **52%** of adults saved money in the past year, only 5% at a financial institute

Feedback from Workers

"I would like to be paid digital wages. Then I will not have to stand in line to receive my cash wages. Sometimes I get old, dirty or broken notes when I'm paid in cash, which takes my employer 2-3 days to replace. Also if there is cash in my pocket it is more likely to be spent.

If I get my salary by bank, won't have to worry about loss or theft of cash in the market because I can pay for goods through the banking system."

Female Garment Worker

"I had no clue what having a bank account meant. I got one only because of the requirement from the bank that I took the loan.

"After [being paid digital wages & training], I can know when my salary is coming in, I can pay utility, I can easily transfer to my parents, I can pay for a loan through my account, and I can withdraw/deposit whenever I want"

Female Garment Worker

"I am only afraid of a lot of people coming to withdraw their wages at the same time."

Source: HERproject Digital Wages Program, 2022

Challenge: Barriers for Workers to Benefit from Digital Wages

Underlying social factors and norms perpetuate gender inequality. It is therefore important to address the following points to ensure that both men and women can access, use and benefit from wage digitization:



Financial Capability

Workers, especially women, lack knowledge, skills and confidence to access and use financial services



Privacy and Security

Workers have smart phones with mobile internet, but lack awareness of privacy and security risks, and often share account details with family and friends.



Indebtedness

Workers have high levels of indebtedness, through loans and buying on installments and do not have savings.



Gender

Although women manage household budgets, they have limited say with significant financial decisions

Challenge: Ecosystem has potential, but needs further development

The financial infrastructure surrounding Cambodia's garment sector is ripe for digitization, with smartphones and payroll products being readily accessible. However, the economic ecosystem for workers, particularly merchants, faces barriers to start accepting digital payments.

- Local businesses serving workers prefer cash payments.
 - retail merchants pay suppliers in cash at the time of purchase
 - cooked food vendors sales involve very small amounts,
 - landlords collect rent payment in cash
- Large goods vendors reported selling their goods on credit and receiving credit repayments in cash
- Unions at the federation level support digital payments due to the advantages of increased transparency.

Digital Payroll Solutions in Cambodia (data as of May 2021)

Several digital wage solutions are available, with Wing and ACLEDA Bank being the two most prevalent.

- Wing provides digital payroll solutions to 132 factories in the RMG sector, with about 157,000 active worker accounts
- ACLEDA Bank services 173 factories in the sector, with about 144,000 active worker accounts.

Recommendations

- **Ensure digital wage payments are responsible**
 - Take time to plan, prepare and digitize payroll
 - Consult female and male workers to ensure payroll products meet their needs, be transparent about fees and set up a feedback system
 - Protect workers payroll, and financial data, and raise awareness of fraud prevention
- **Provide support for workers to gain full benefits from wage digitization, especially women**
 - Support workers to gain knowledge and confidence about digital financial transactions
 - Identify vulnerable workers and provide additional support for them to access and use accounts
- **Identify and enable opportunities for digital payments**
 - Encourage and enable merchant payment digitization to reduce reliance on cash
- ***Foster competition among FSPs***
 - *Develop a digital payroll service that can deposit workers' wages in any bank or Fintech account*

HERproject Digital Wages Cambodia

HERproject is working with **Mastercard Center for Inclusive Growth** and **Cambodian Women for Peace and Development** to pilot Digital Wages programs in 9 garment factories with 12,339 workers (87% female) in Cambodia.



Supporting factory management to digitize payroll



Financial Capability Peer Educator Training



Workplace Financial Awareness Campaign



Worker Training Modules

1. Intro to Financial Services
2. Using Financial Services
3. Financial Planning
4. Budgeting
5. Savings and borrowing responsibly
6. Talking About Finances with Family

HERfinance Digital Wages Resources

The following resources, developed with Mastercard Center for Inclusive Growth are open source and readily available online at <https://herproject.org/resources/herfinance>

HERfinance Tech Learning Tool for Workers

Developed with QuizRR, uses engaging videos and quizzes in Khmer to support workers increase knowledge of financial services, improve financial health and build their digital literacy.



HERfinance Managers Toolkit

An online toolkit in Khmer, Mandarin and English, that supports managers to transition from cash to digital wages in a responsible way that considers the needs of workers, especially women.



HERfinance Videos & Audio

Videos developed with QuizRR, can be used during training or shown on their own, such as in factory canteens. Audio messages about using financial services can be played regularly over the PA system.



HERfinance Posters

A set of six posters in Khmer with information about financial services and financial management.



Contact Sethypong - ssok.ic@bsr.org – for more information



Accelerating Digital Financial Services Adoption Among Women Factory Workers



Executive Summary

INTRODUCTION

This early findings deck provides an analysis of the level of financial awareness, financial behaviors, and economic empowerment of women factory workers in Cambodia, based on a sample of 2,781 female research participants, most of whom are migrants from their homes in more rural or remote areas and all of whom are factory workers. These workers tend to have encouragingly high access to smartphones and a high level of digital literacy, but lower levels of financial awareness and use of products.

METHODS

We conducted employee phone surveys in 6 factories that received the solution (“treatment group”), and in 7 factories that did not receive the training (“control group”). For this survey, the distinction is irrelevant as the survey is pre-rollout

Key Findings From WING Baseline Survey



FINANCIAL CAPABILITIES

Women factory workers show a gap between their knowledge of and skills to use the accounts.



FINANCIAL BEHAVIOR

Withdrawals are high and frequent, but other financial transactions reveal clues to the market opportunity for savings, payments, and borrowing



FINANCIAL HEALTH

Women workers have a reasonably high level of financial health, with the ability to manage their day-to-day expenses. They report some challenges with being able to cover unplanned future expenses.



MEASUREMENT OF WOMEN'S ECONOMIC EMPOWERMENT

Women workers who are married and living with a domestic partner are about half as likely to make their own financial decisions regarding salary and usage.



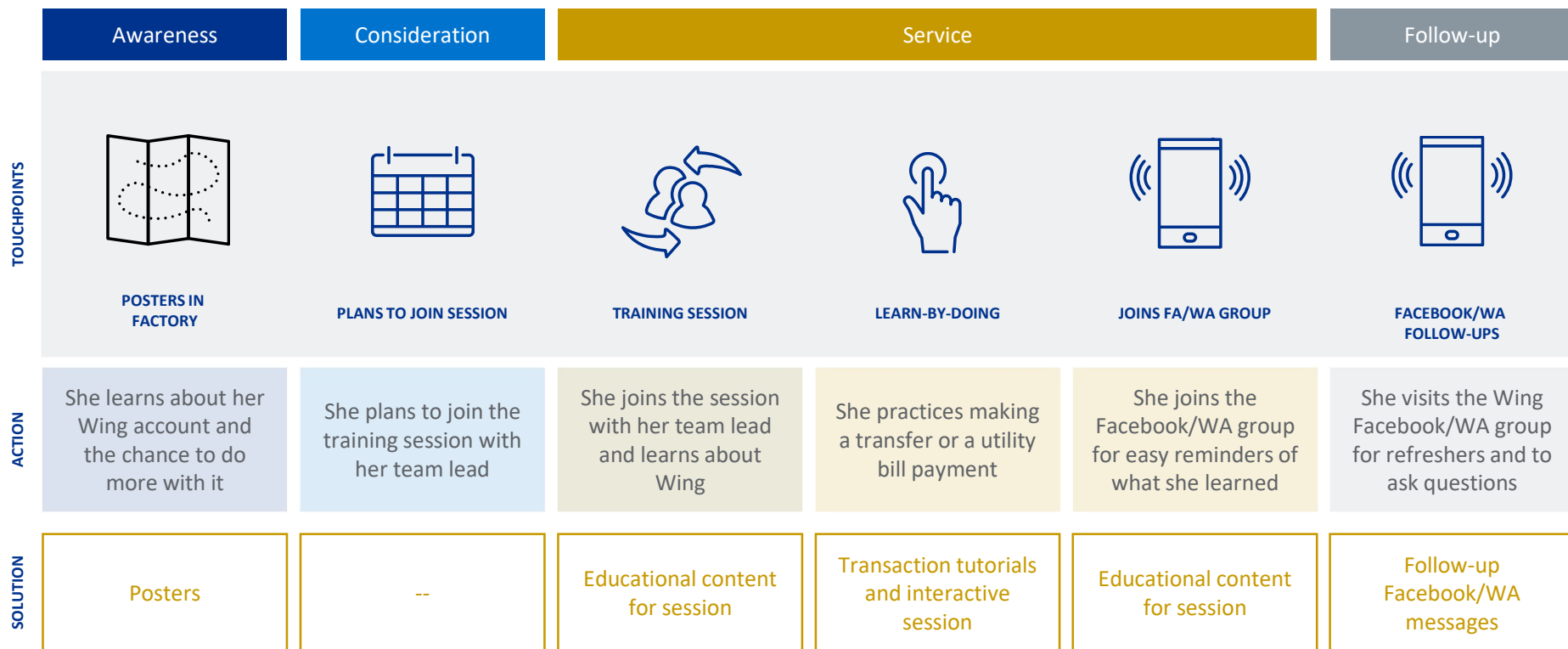
Objective:

How might we encourage women payroll customers to use their Wing account for more than receiving their salary payments?

Key barriers on digital financial usage

- 1. Limited awareness of Wing account due to lack of education**
Payroll customers learn about how to cash-out their salary from Wing, not how to use their account to take advantage of Wing services. There's a need for basic education, including what the account can do and how to use it.
- 2. Wing only associated with salary payments**
In part based on what they learn, women are comfortable with the way they manage money and see no need to use Wing beyond their salary payment.
- 3. Income needed to cover essentials**
Salary payments are currently needed to cover basic essentials, which limits interest and potential use cases for the Wing account.
- 4. Cautious about conducting transactions on their own**
Women are afraid to make mistakes with their money. Their solution is to have the agent handle transactions rather than risk making an error and losing money by doing it on their own.

Customer journey improvement



Teacher journey flow



Rollout Results and Evaluation

**The solution effectively increased app users and transactions continuously.
Top three transactions include phone top-up, W2W transfer and bill payment.**



The solution access 28K workers in 17 factories.
81% are women



App users increased twice within 4 months implementation. 75% are women users.



with avg. eight transactions per worker per month.



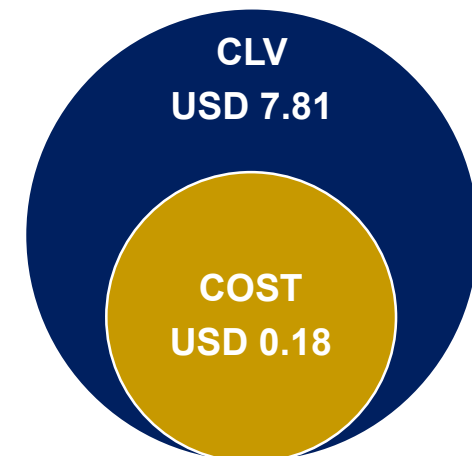
Side impact on savings (and loan). With avg. savings balance \$36.

Rollout Results

Customer Lifetime Value (CLV) analysis shows a promising business case for FSP, where CLV per customer is \$7.81, higher than the cost of the solution (\$0.18 per customer)

Cost Component	Revenue Component
Teachers incentive:	W2W transfer
• Training	Phone top-up
• Download	Bill payment
• Per Active Customer	Savings
Incentive for customers	Salary advance (size)
Printed Materials	Savings (avg. balance)
Teachers' identifier	

**COST AND REVENUE FOR
3 YEARS PER CUSTOMER**



Summary and next steps



The program showed that the solution is **commercially viable** and effective to drive usage and transactions among factory workers which can increase customers engagement to access other services in the long run.



Increase app users

- + Drive users through e.g. member get member program (competition based reward)



Increase transactions

- + Introduce other use-cases gradually (savings, loan).
- + Leverage social media for refresher training



Commercially viable

- + Focus teachers incentive indicator to “active users”
- + Reduce teachers identifier



Related Publications



Publications on WING training solutions

- External: [Improving Digital Financial Services Adoption among Factory Workers in Cambodia](#)
- Internal: [Accelerating Adoption of Digital Financial Services: Replicating a digital account usage solution for factory workers in Cambodia](#)

Publications on WING baseline research

- [Beyond Wage Digitization: Financial Capability and Economic Empowerment of Cambodian Women Migrant Workers](#)

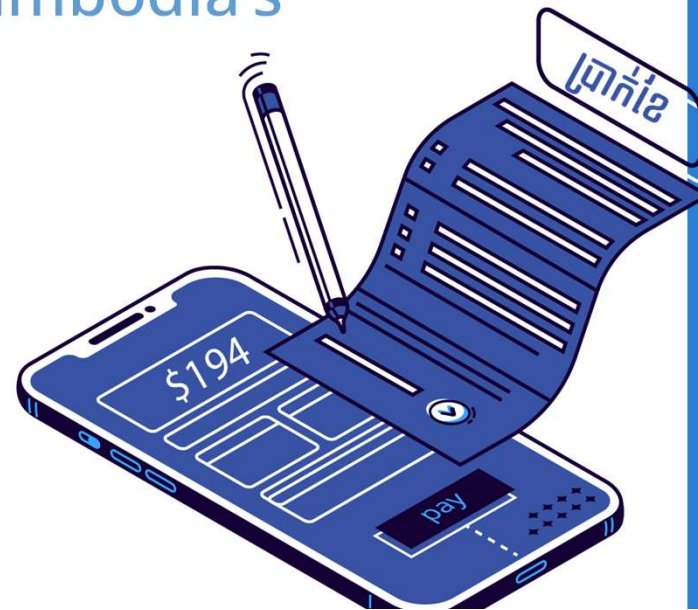


Thank You



Rapid Survey on Methods of Wages Payment in Cambodia's garment factories

January 2022



Responses we received



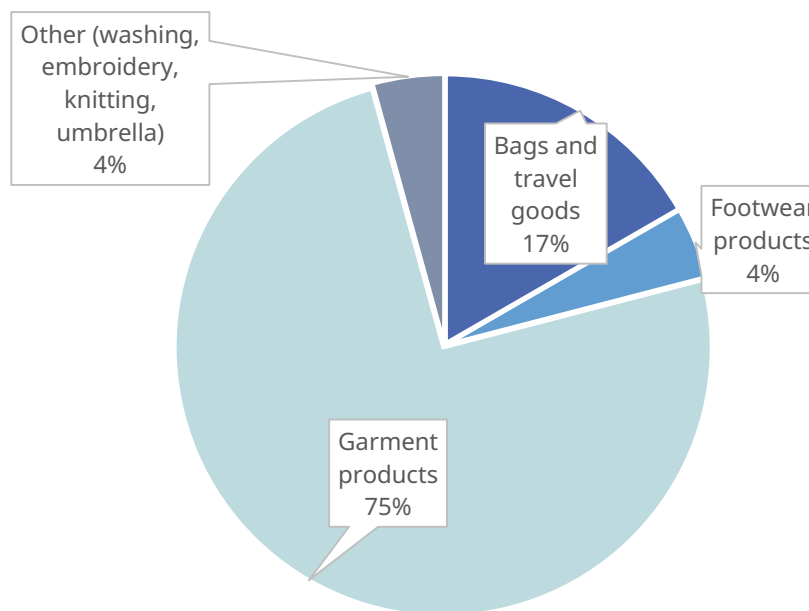
**210 (38%) of 557
factories**



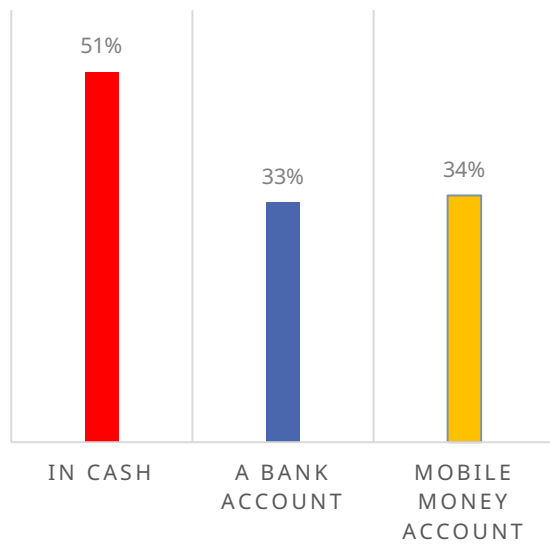
311,090 Workers



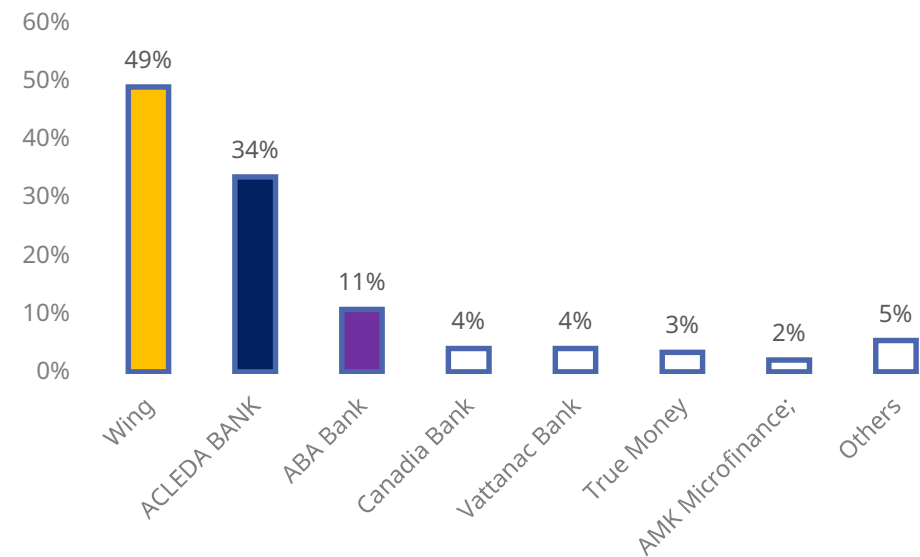
80.7% Women



Methods of wage payments



Payments to workers



Financial service providers

Factories were asked if they faced challenges as they transitioned to digital wages



28% No major challenges

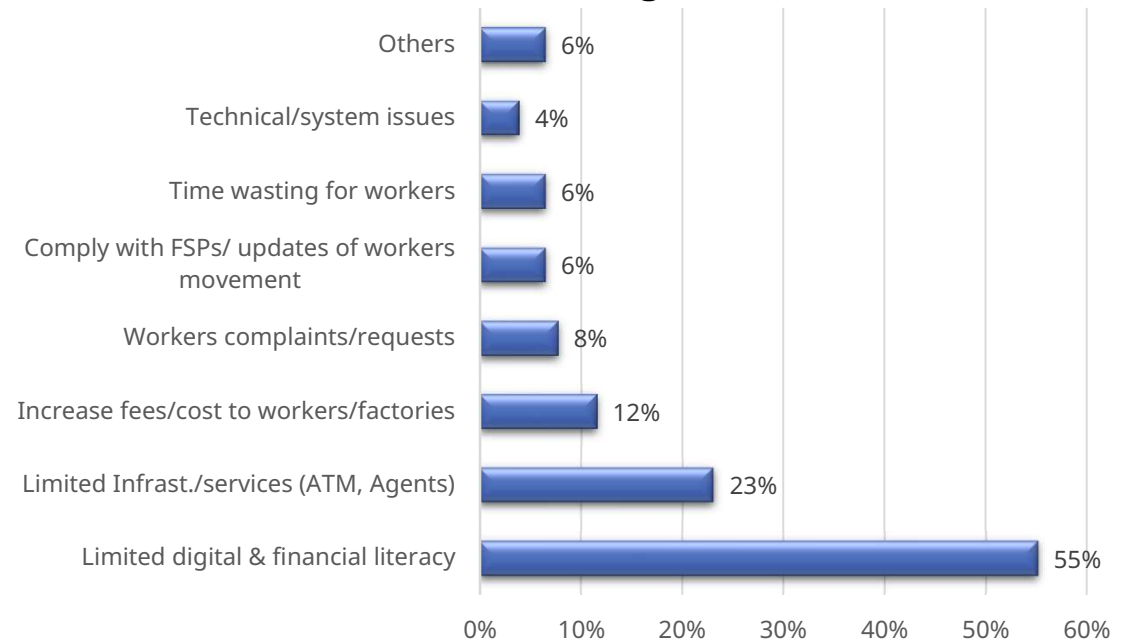


7% Safer, Convenient, Time-saving, Transparent



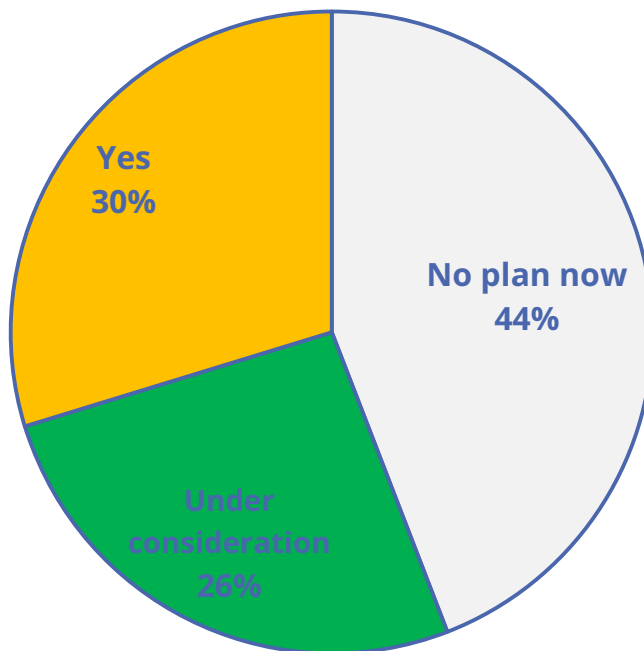
57% Faced challenges

Main Challenges



Plan to digitize their payment of wages

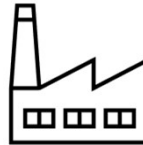
Strong interest in wage digitization:
56% of 85 surveyed factories, which still pay workers in cash, have a plan or are considering a transition to digital wages



Transitional supports mentioned by factories



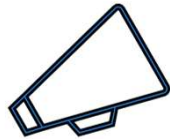
Training/advisory support to workers



Account opening at/near factories



More ATM/ money agents



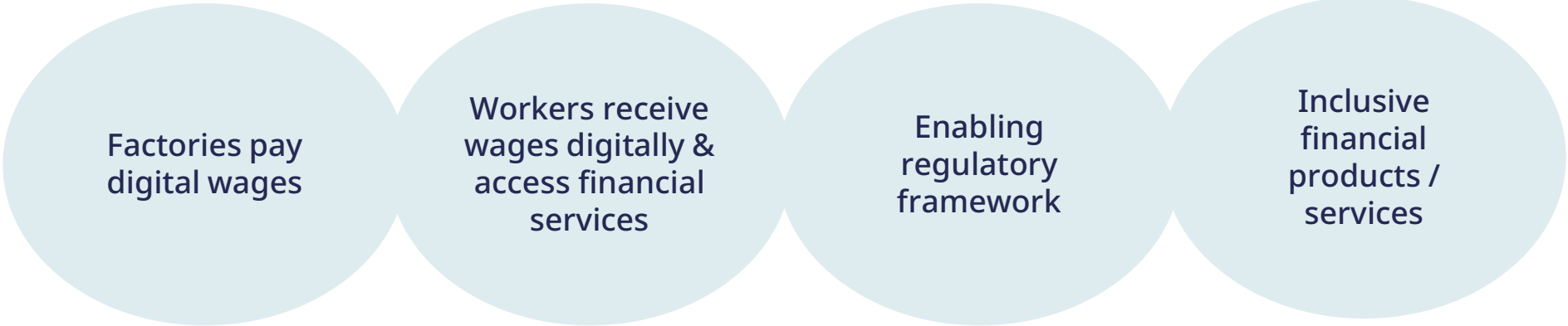
Campaigns on digital wages payment and benefits



Provide overall support to transition to digital wages



What we want to achieve?



Factories pay
digital wages

Workers receive
wages digitally &
access financial
services

Enabling
regulatory
framework

Inclusive
financial
products /
services





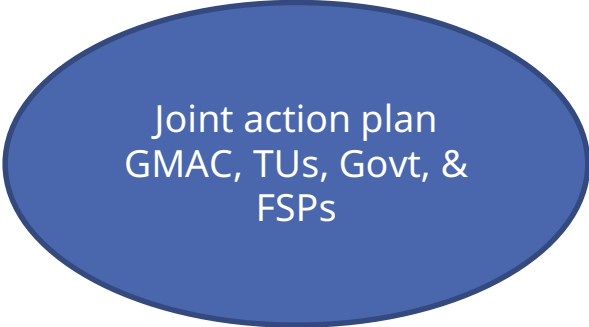
Areas for interventions

Factories' transition

Training, advisory, & tools

Financial literacy

Campaigns & training



Joint action plan
GMAC, TUs, Govt, &
FSPs

Policies/Regulation

Evidence, partnership, &
advocacy

Evidence/Impact

Data, stories, & tested
models



Thank you

