



Digitizing workers' payments in the garment sector in Bangladesh

An opportunity to drive inclusion, efficiency, and transparency

Digital payments vs. Cash: the opportunities in the garment sector

- In Bangladesh, around 75 percent of factories reporting to the HIGG Index Social & Labor Module pay their workers in cash.ⁱ
- **Using electronic/digital payments for wages – instead of cash – has the potential to empower workers by improving their access to financial services, savings, credit, and insurance, leading to additional economic opportunities and independence, especially for women who represent the majority of the garment workforce in Bangladesh.** Examples of wage digitization in Bangladesh show a drop from 43 percent to 25 percent in the number of women who reported handing their salaries over to their spouses on a monthly basis.ⁱⁱ
- For suppliers, transitioning from cash to digital wage payments can significantly increase the security and efficiency of payments by reducing the total time required to pay wages and minimizing productivity losses and disruption during payday.ⁱⁱⁱ Examples of wage digitization in Bangladesh show 53 percent savings in time for the admin and finance teams of participating factories in the first year of implementation.^{iv}
- Moving to digital payments can reduce corruption, fraud, and theft by ensuring traceability of the payment process. This also makes it easier to check compliance with core labor standards and to measure how factories comply with ILO's decent work agenda in relation to living wages.
- Digital financial inclusion, when provided responsibly and sustainably, has also become increasingly recognized by many stakeholders globally to enable faster progress toward the Sustainable Development Goals (SDGs).^v

An invitation to support the scaling of digital wages in Bangladesh

Several international brands and leading Bangladeshi suppliers want to express their support for promoting the shift from cash to digital forms of wages, especially for the well-being and empowerment of garment workers in Bangladesh. We confirm our mutual recognition of:

1. The benefits of replacing the use of physical cash with digital payments in a responsible manner.
2. The benefits of sharing approaches, lessons learned, and collaboration in moving away from cash.
3. The importance of promoting responsible digital payments in our supply chains to drive financial inclusion and increase transparency and efficiency for the benefit of both the recipient and sender.

Our **OBJECTIVE** is to promote the opportunity for workers in the garment supply chain to receive their salary and other payments digitally through a personal bank account, mobile money, or payment card solution instead of cash-based systems.

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DIGITIZING WORKERS' PAYMENTS IN THE GARMENT SECTOR IN BANGLADESH

In order to achieve those results, working closely with all constituents of the garment industry, we agree to:

- Explore different types of digital payment solutions (e.g. electronic bank transfers, mobile money or payment cards) and leave the ownership to each supplier to decide whether to start the digitization process and choose the providers that best suit their and their workers' needs.
- Promote wage digitization processes that minimize costs to workers.
- Facilitate that workers have access to appropriate, transparent, and adequate information and support throughout the process of wage digitization.
- Encourage responsible practices in the move from cash to digital payments in the supply chain.^{vi}

We invite brands and suppliers in Bangladesh to:

- 1 Accept this invitation and join us to work together to scale up digital wages.
- 2 Join the quarterly digital wages working group organized in Dhaka (details to be confirmed).
- 3 Learn and share the experiences of leading suppliers in Bangladesh who have already digitized wages.
- 4 Along with all constituents of the garment industry, start planning the transition to wage digitization with workers and financial service providers.
- 5 Familiarize with all the materials and sources of information available on the subject. (Please see *References & Resources section below*).

REFERENCES & RESOURCES FOR MORE INFORMATION

- Why does digital wages in the garment sector mean better social and labor conditions?*, Sustainable Apparel Coalition and the Better Than Cash Alliance: Recent data from the Higg Index from nearly 3,000 factories across 58 countries, representing 85 brands and retailer supply chains, reveals that paying workers digitally correlates positively with better working conditions.
- The digital payments opportunity: A conversation*, BSR (Business for Social Responsibility) blog: As part of BSR HERproject, and developed in close partnership with the Bill & Melinda Gates Foundation, HER Finance Digital Wages is a unique platform for suppliers and leading global brands – H&M, Marks & Spencer, Inditex, Target, Li & Fung, Lindex, Debenhams, and Fast Retailing – to collaborate to digitize worker payroll at their suppliers in Bangladesh.
- Digitizing wage payments in Bangladesh's garment production sector*, The Better Than Cash Alliance: A recent research study completed by the World Bank and Better Than Cash Alliance in Bangladesh estimates that each worker spent 18 minutes on average off the production line to receive their wages in cash every month, which equates to 750 hours of lost production per month for a factory with 2,500 employees.
- Increasing factory worker well-being through digital payroll*, The Better Than Cash Alliance: A case study on BSR's HERfinance digital wages program in Bangladesh.
- Igniting SDG progress through digital financial inclusion*, The Better Than Cash Alliance: Important evidence identifies how digital financial inclusion can ignite faster progress toward the SDGs.
- The responsible digital payment guidelines*, The Better Than Cash Alliance: Good practices for responsible practices in digital payment solutions have been developed through consultations with industry stakeholders.
- Increasing supply chain transparency through digital payments – A case study of Gap Inc. in India*, The Better Than Cash Alliance: In India, Gap Inc.'s efforts led to roughly 95 percent of factory workers being paid digitally. Over time, factories also experienced a 15–20 percent general reduction in worker attrition and turnover on average.
- Digitizing worker salary payments: A manual for ready-made garment factories*, FHI 360: This manual presents the current state of mobile financial services for garment workers in Bangladesh and the challenges of adopting digitized payments. It covers subjects such as environmental contexts, tips for mitigating challenges, registering accounts, and selecting service providers.

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