

EXECUTIVE SUMMARY

Promoting Decent Work by Digitizing Wages Responsibly in Jordan

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International
Labour
Organization

BetterWork



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giz

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ALLIANCE



FOREWORD

The world has witnessed the devastating impact of COVID-19 on the apparel supply chain and its workers. Compared to other garment industries, which saw major contractions of between 30 and 50 percent in 2020, Jordan's garment sector has shown resilience, with only a 15-20 percent reduction in exports, proving its ability to adapt to the new economic context.

However, several challenges surfaced during the pandemic, including the impact of government restrictions and regulations implemented under defence laws. Jordan experienced the closure of a few factories due to unbearable losses, the downsizing of production lines and a decrease in the number of orders from US buyers. As a consequence, there has been a rise in the number of violations of decent work, including reports of forced labour due to a lack of workers, and inaccurate and late payment of wages.

These exceptional circumstances provided an opportunity to advance the rapid adoption of digital financial tools as a means to enhance workers' protection. Digital payments can help to protect and empower financially excluded people, especially women and migrants who make up the majority of the workforce, to start experiencing broader and longer-term benefits from formal financial services. In addition, digital payment of wages has proven to be beneficial for companies by increasing productivity and reducing operating costs associated with cash management without sacrificing decent work.

Jordan's leadership in this area is enabling a digital wage transition, as more workers begin using digital payment tools. The insights shared in this report, in support of a national agenda in Jordan, provide a nearly 'real-time' look at the policies, digital infrastructure, tools and criteria to support responsible digital wages at scale. It also transparently identifies and addresses barriers to delivering benefits for both workers and employers.

By partnering with other organizations, including the International Labour Organization (ILO), the United Nations-based Better Than Cash Alliance and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Better Work has reinforced its commitment to promote a global agenda on wage digitization to advance decent work and a responsible economic recovery. This collaboration in Jordan is the first of its kind for Better Work.

The ILO has now established the Global Centre on Digital Wages for Decent Work to stimulate decent work via a transition to digital wage payments through peer sharing and evidence-based advocacy. We are happy to say the Jordan experience is contributing directly to that global agenda.

We invite all relevant stakeholders from government, workers' associations, the private sector and financial service providers to use the example of Jordan and join us in addressing the challenges identified in this report, to build a more sustainable and responsible economic recovery where workers, particularly women and migrants, are well protected and financially empowered.

DINA KHAYYAT

Vice-chairman of the Jordan Garments,
Accessories & Textiles Exporters'
Association (JGATE)

DAN REES

Director of the ILO/IFC
Better Work programme



Executive Summary

The Jordanian garment industry is a very important economic sector that employs over 76,000 people or 9 percent of the total adult private sector workforce in Jordan. 73 percent of Jordan's garment workers are women, who typically have less access to financial services. The industry accounts for approximately 23 percent of total domestic exports for a total value of US\$ 1.9 billion in 2019. **Today, an estimated two-thirds of garment workers in Jordan still receive their wages in cash every month.**

However, digital transactions could offer garment companies significant benefits. Data shows that disbursing wages in cash can cost factories up to US\$ 1,000 per month, **equivalent to the monthly wages of 4.4 workers.** When three Jordanian garment companies (employing 12 percent of garment workers in Jordan) paid wages digitally, the administrative time to disburse wages dropped by 66 percent for deposits made directly to bank accounts, and by 70 percent for payments made directly to e-wallets.



Direct payments to bank accounts and e-wallets also benefit workers. Digital transactions are typically more secure and transparent than cash. They are also an important step toward increasing financial account use and greater financial capability.¹ **This is particularly true for women, who are less likely to have bank accounts or e-wallets.** 88 percent of male respondents we surveyed held one of these two methods for participating in digital finance, compared with only 53 percent of women.

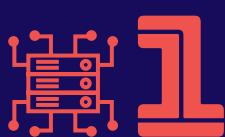
During the COVID-19 crisis, the Jordanian government's commitment to a strong, inclusive digital payment system proved to be a critical asset in making a quick transition to digital service. At the onset of the pandemic, the government and financial sector worked together to make it possible to safely **onboard consumers to digital banking, by opening e-wallets and accomplishing E-KYC remotely.** As a result, the number of e-wallets more than doubled between March and December 2020, breaking 1 million in June and reaching 1,255,546 e-wallets, with 1.3 million transactions, by year end. More than 260,000 families who previously depended on cash also accessed governmental aid through mobile money during the pandemic.²

This report outlines how the Jordanian garment industry can build on this upward trend in digital infrastructure and digital transactions, to benefit from a responsible and sustainable transition to digital wages.

73% of Jordan's garment workers are women, who typically have less access to financial services

Four important building blocks

DRIVE THE TRANSITION TO SCALABLE AND RESPONSIBLE WAGE DIGITIZATION IN THE JORDANIAN MARKET:



Jordan already has effective **INFRASTRUCTURE** and a regulatory framework for digital payments.

Jordan currently employs internationally-recognized good practices in regulations and infrastructure, including The Jordan Mobile Payments Switch (JoMoPay), which allows interoperability between all e-wallets; an electronic billing and payment system (eFAWATEERcom); and a strong public-private company to develop payment systems in Jordan (JOPACC).



Jordan's garment companies are setting an example for other industries by **PAYING WAGES** digitally, and responsibly.

Garment factory management gives digital payments broad-based support because digital payments **make strategic sense for them**. Jordanian garment companies already use digital tools to record worker hours. Payroll management is also digitized, which is critical to drive digital payments of wages. 34 percent of workers surveyed were paid via bank accounts, and an additional 7 percent received wages via e-wallets. Significantly, all respondents receiving digital wages were either satisfied or very satisfied with that method of payment.



COMPETITION in Jordan's financial systems is stimulating a shift to a more worker centric approach.

The banking system in Jordan is both competitive and customer-focused, with 24 commercial banks and 7 licensed mobile payment service providers. Two more mobile payment service providers will join the market in 2021.

The garment sector trade union recognizes the benefits of digital payments and is committed to ensuring that the worker perspective is taken into consideration when companies transition from cash to digital. More than 20 international organizations, in partnership with trade unions and/or government, are actively rolling out financial literacy programs across the country.



Active workers' associations and international organizations **ENGAGE** all stakeholders to support a responsible and sustainable transition to digital wages in Jordan.

With these basic building blocks in place, Jordan is on the right path to achieve a fully digitized payments ecosystem, Digital 2.0, in the next few years (Figure 1). Success requires effort from all members of the system, including regulators, service providers, brands, garment companies, policymakers, industry associations and workers.

FIGURE 1:
THE VISION OF MATURE DIGITAL ECOSYSTEM IN JORDAN - DIGITAL 2.0.



FINANCIAL SERVICES PROVIDERS (FSPs) & ECOSYSTEM

- Provide easy to use and multi-lingual service
- Expand agent network, ATM locations & ecosystem partnerships
- Scale business models and develop more affordable offerings
- Improve value proposition – highly efficient and cost effective basic offer + attractive add-ons and customizations



WORKER

- Increase digital and financial literacy
- Better understanding of the true costs and benefits of digital payments
- Openness to change
- Early adopters as peer “champions”



FACTORY

- Digitize clocking in of workers and pay calculation as well as payroll
- No need for factories to manage cash-out process
- Manage the change process intelligently
- Negotiate better partnerships and deals with Financial services providers (FSPs)

Some key recommendations to address early stage constraints and achieve the vision of Digital 2.0 include:

1 Design worker-centric and value-added payment solutions³ for all workers, Jordanian and migrants.

To trigger adoption, the different user journeys of Jordanian and migrant workers must be taken into account, as well as the different financial habits of female and male workers. Developing an international digital remittances product could drive adoption of digital payments among migrant workers. All migrants surveyed remit part of their wages home, with **62 percent indicating that they remit at least two-thirds of their wages every month.** Our survey also highlighted that these remittances are organized after individuals cash-out their wages. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Central Bank of Jordan (CBJ) are currently working to support the development and launch of a digital international remittances product to reduce the pressure and cost of cash-out for digital wages in Jordan.

2 Create conditions for merchants and others to accept digital payments.

If workers are certain that they can use their e-wallets widely, at no additional cost, some would consider them “better than cash,” and make more use of them for day-to-day purchases. This would reduce costs and pressure on cash-out. Expanding acceptance of digital payments is an important way to support digital transactions for Jordanian workers in particular.

3 Build a sustainable business model that appeals to employers and workers.

Many companies like the idea of wage digitization, but do not understand the medium- and long-term business case. To gain long-term benefits, companies must factor in upfront investment and recurrent costs. In the short term, the overall cost to the factory may increase, as it may be necessary to hire mobile ATMs or install one in the factory, for example. Trade organisations, like the Jordan Garments, Accessories & Textiles Exporter’s Association (JGATE), are important players to gather experience and good practices supporting digital wages for all garment companies at scale.

Expanding acceptance of digital payments is an important way to support digital transactions for Jordanian workers in particular.

4 Drive change management through collaboration between garment companies, financial service providers, workers and the trade union. If workers witness a small group in the factory successfully using digital financial services, they will be more likely to adopt them personally, workers told us in surveys. When companies implement appropriate financial and digital capability campaigns for workers, in partnership with other providers, workers will develop better skills to make effective use of digital payments.

5 Create conditions for a more robust e-wallet market. Despite important advancements in digital finance, adoption may be limited because interoperability at the agent level is still not available in Jordan. Government could play an important part in encouraging companies to adopt digital wage solutions that will enable a sector-wide shift in the garment industry. Timed appropriately, along with an increase in cash-out points, better liquidity and more widespread acceptance of digital payments by merchants, a shift to digital wages can lead to stronger uptake of digital payment services among garment workers, offering them more secure and responsible wages and greater financial inclusion.

6 Build workers' trust and adoption of digital solutions by improving liquidity at cash-out points and increase network density. 90 percent of workers we surveyed who received digital wages were very satisfied with the method. However, 100 percent of the workers surveyed who receive digital wages cashed-out their wages. The majority cashed-out immediately, in response to anticipated difficulty accessing their cash. Ensuring that digital financial service providers have enough cash points (ATM, bank branches and mobile money agents) and sufficient liquidity will help to build workers' trust and adoption of digital solutions.

Together, our partner organizations will continue to collaborate with Jordan's key stakeholders to support responsible scaling and use of digital wage payments to advance a national agenda on promoting digital wages for decent work.

Vision

Reimagining the worker experience

With digital wages, garment workers can access value-added financial services, to pay bills, make purchases, send money abroad, start to build their credit history, and save, conveniently and within seconds.



Digital 2.0: A vision for garment companies and workers

With further commitment to and investments in the emerging inclusive digital payment system garment companies will reap the benefits of digital payments; more efficiency, higher productivity, increased revenue, lower costs, and greater transparency and security. Costs to process monthly salaries will fall by 80 percent. Wages will be transferred to individual bank accounts or e-wallets, followed instantly by notifications to workers' mobile phones, with confirmation of hours worked and digital payslips which may reduce wage related disputes. Factory productivity losses, due to distribution of cash wages will be eliminated. Stronger business relationships will be built through digital transactions. For example, when Gap Inc. in India began to pay 95 percent of factory workers digitally, factories experienced a 15-20 percent general reduction in worker attrition and turnover, on average.

Workers will gain digital and financial literacy and access to value-added financial services. As workers become increasingly familiar with digital payment technology, they will gain autonomy and control over their finances. Workers will build a financial footprint, making it easier to access other formal financial services, such as savings and loans, when they need them. Digital transactions will be simple to launch and take mere seconds to execute when paying bills, making purchases, sending money abroad or saving. The cost of these transactions will be minimal and very attractive to workers. Rather than spending hours travelling and queuing to convert their wages into cash every month, workers will have more time for things they want to do. The risk of theft or loss of wages will be eliminated.

Women will be just as likely as men to have an e-wallet or bank account in their own name. Women will be empowered as they gain financial and digital literacy, giving them more access and choice in financial services, so they can make their own decisions about their money.

The Jordan payments ecosystem in the Digital 2.0 era

A competitive, user-centered ecosystem will provide a range of well-segmented, value-added services to garment sector workers, enabling them to conduct all financial transactions digitally, effortlessly and inexpensively.



Digital 2.0: A vision for financial service providers and ecosystem

Agents. In the initial stages of digitization, it will be easy for workers to access their cash wherever and whenever they need it, due to high liquidity levels and a ubiquitous network of agents and ATMs. A sufficiently dense network of agents at agent outlets, in factories or at workers' dormitories, will ensure that workers do not have to travel to access points.

Digital financial service providers. Digital payment application providers will improve user interfaces to meet the needs of both Jordanian and migrant workers.⁴ With more providers on the scene, costs for digital services will fall sharply. Service providers will create a range of attractive add-ons and services for different market segments, with high levels of customization for individual users. Banks will offer effective hybrid solutions that allow the user to transition seamlessly from paying a bus fare with a mobile phone to using mobile or Internet Banking for remittances.

Merchants. Digital payment will be accepted almost everywhere, from retail stores to transportation, at physical, digital or multi-channel establishments. Digital financial service providers will support merchants with real-time authentication and anti-fraud services, and provide a seamless customer experience for workers. Fees for customers will drop. Merchants will be able to access high-quality customer data, to improve their own offerings to customers.

Can this vision be achieved in Jordan? The prognosis is good. The ecosystem in the Jordanian garment sector is now in a position to kick-start the transition towards the vision of Digital 2.0. The next section looks at each of the four building blocks already in place to support this transition.

FIGURE 2:
AN INTEGRATED, ITERATIVE CHANGE PROCESS



Digital 2.0

- Digital becomes mainstream among workers
- Easy to remit internationally and make purchases
- Added value services available

- Early adopters provide use cases
- Improved efficiencies lead to additional savings
- Seek additional value from FSP
- Negotiate better deals and service levels



Ecosystem integration

- Understand factory and worker needs better
- Seamless end-to-end interoperable service
- Provide value added service and differentiate
- Supply side matures and basic services become cheaper
- Deepen partnerships

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International Labour Organization (ILO)

The International Labour Organization is the United Nations agency for the world of work. We bring together governments, employers and workers to drive a human-centred approach to the future of work through employment creation, rights at work, social protection and social dialogue. www.ilo.org

Better Work

As a partnership between the UN's International Labour Organization and the International Finance Corporation, a member of the World Bank Group, Better Work brings diverse groups together – governments, global brands, factory owners, and unions and workers – to improve working conditions in the garment industry and make the sector more competitive. Better Work Jordan was created in 2009 and currently supports over 74,000 workers across 97 factories, working with 26 brands and retailers www.betterwork.org

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (GIZ)

The German development agency that provides services in the field of international development cooperation. GIZ mainly implements technical cooperation projects of the Federal Ministry for Economic Cooperation and Development (BMZ), on a public benefit basis. www.giz.de

Better Than Cash Alliance

United Nations-based partnership of governments, companies and international organizations that accelerates the transition from cash to digital payments to help achieve the Sustainable Development Goals. Our case study series seeks to highlight specific examples of shifts from cash to digital payments by government agencies, companies and development partners. We hope that readers will be able to adapt the lessons from these cases to their own contexts and local conditions. www.betterthancash.org

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About The Better Than Cash Alliance

The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. Based at the United Nations, the Alliance has over 75 members, works closely with other global organizations, and is an implementing partner for the G20 Global Partnership for Financial Inclusion.

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