



▶ **Adapting to change:
A rapid assessment of the
transition to digital wage
payment**

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BetterWork.

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► Introduction

Better Work – a collaboration between the United Nation’s International Labour Organization (ILO) and the International Finance Corporation (IFC), a member of the World Bank Group – is a comprehensive programme bringing together all levels of the garment industry to improve working conditions and respect of labour rights for workers and boost the competitiveness of apparel businesses. As well as advising factories, Better Work collaborates with government agencies to improve labour laws and with multinational buyers to ensure their collaboration and support towards sustainable compliance. It also advises unions and employers’ representatives on how to give workers a more significant say in their lives and works with donors to help achieve their broader development goals. Currently, the programme is active in almost 2,000 factories employing more than 3 million workers in 12 countries.

Better Work Jordan (BWJ) was established in 2008 and was made mandatory for all garment factories exporting to the US under the US-Jordan Free Trade Agreement (USJFTA). BWJ currently covers approximately 78,617 workers, representing nearly 95 per cent of the garment workforce in Jordan ¹ (Better Work Annual Report 2023). Notably, three-quarters of this labour pool are migrant workers from South Asian countries, whereas only one-quarter is represented by Jordanian workers. The bulk of both migrant and Jordanian workers is characterized by women, who make up over 75 per cent of the entire garment labour force.

While the vast majority of the garment workforce in Jordan is employed by direct exporters, roughly 10 per cent is employed by satellite units and the remaining 6 per cent is employed by subcontracting units. Women are most heavily concentrated in satellite units (92 per cent of the corresponding workforce), followed by exporting factories (74 per cent) and subcontracting factories (56 per cent). Currently, there are 24 satellite units offering a garment job to nearly 8,000 Jordanian workers, mostly represented by local women from more traditional and rural communities. In fact, in an effort to bring jobs to rural areas and integrate Jordanians, especially women, into the garment industry, the Government of Jordan has been incentivizing satellite factories through monetary and logistical benefits since 2010.

Traditionally, cash payments have been the norm for workers in Jordan's garment industry, with only a fraction of the workforce in larger exporting factories receiving digital payments. However, recent years have seen a gradual shift towards digital wages, especially in these larger factories. The COVID-19 pandemic played a pivotal role in accelerating this transition, extending it to the entire garment sector. Supported by various government ministries and facilitated by changes in regulations, the adoption of digital payments became more accessible ².

¹ Better Work Jordan, 2023. Annual Report 2023: An Industry and Compliance Review.

² In December 2020, the government launched the Estidama program, requiring Jordanian workers to receive their wages in a digital format, further propelling the shift.



In 2021, BWJ partnered with the United Nations-affiliated Better than Cash Alliance (BtCA) and the German Development Cooperation (GIZ) to conduct a comprehensive study aimed at exploring the expenses, advantages, and key determinants related to the adoption of digital wage systems across the whole garment sector in Jordan³. In its attempt to better understanding the digital payments transition for both Jordanian and migrant workers in the garment sector, the study revealed that 30 per cent of Jordanian workers surveyed were still receiving their salaries in cash.

Following its Phase IV strategy, in August 2023, BWJ collaborated with the General Trade Union of Workers in Textile, Garment and Clothing Industries (GTU) to assess the digital payment practices within our satellite units. This initiative was aligned with the programme's overarching goal, emphasizing two important cross-cutting themes: digitalization and gender. The primary objective was to conduct a rapid assessment, gaining insights into workers experiences and perspectives on current wage payment methods. Simultaneously, this study also explored the diverse financial landscapes among female and male workers in these factories.

³ BWJ, BtCA and GIZ, 2021. Promoting Decent Work by Digitizing Wages Responsibly in Jordan.



► Key Findings

Near-Complete Transition: The study revealed that the shift from cash payments to digital wages was nearly complete, with less than 4 per cent of workers still receiving cash.

High Worker Satisfaction: Despite the change in wage distribution being primarily determined by factories, an impressive 91 per cent of surveyed workers expressed satisfaction with the transition.

Accessibility Challenges: One of the major challenges identified was the limited accessibility to ATM and money providers. Only one surveyed factory reported frequent ATM usage on its premises, while workers from other factories often had to bear the cost and invest time in traveling to distant facilities for cash withdrawal.

Financial Costs: Cashing out salaries often came with a financial cost for workers, with over 40 per cent of those surveyed spending 1-3 JD monthly for this purpose. Additionally, 22 per cent spent around 5 JD, which amounts to over 2 per cent of their minimum wage. These costs, albeit seemingly small, can add up and impact the disposable income of workers.

Gender Disparities: The study highlighted gender disparities in wage advancements and financial decision-making. Women, despite having fewer outstanding loans, tended to seek wage advancements more frequently.

Limited Financial Autonomy for Women: Furthermore, the research indicated that women have lower financial decision-making autonomy compared to men, with 13 per cent of women excluded from the decision-making process regarding their own earnings. This lack of control over their financial resources makes them more vulnerable and raises concerns about financial empowerment and gender equality.



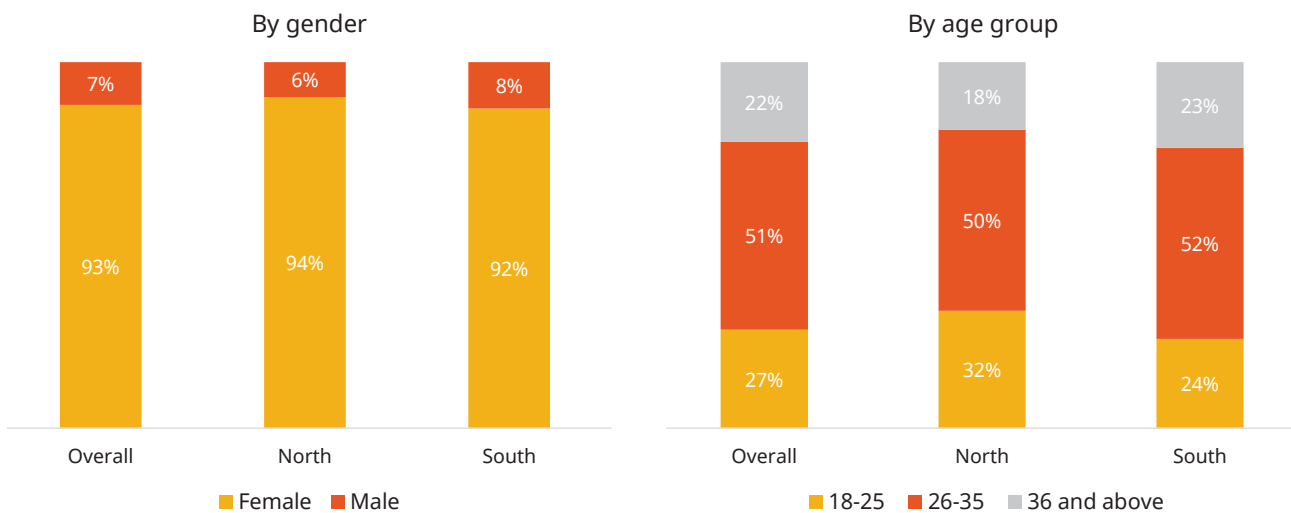
► Methodology and Results

The findings presented in this report are based on quantitative data gathered through a rapid assessment survey distributed to 11 satellite factories. Among these factories, six are located in the northern region, while another five are situated in the southern region. The survey collected responses from a total of 316 participants, with 93 per cent being female. Survey respondents were selected randomly on-site by survey personnel.

► Demographics

Demographically, 51 per cent of survey participants were in the 26-35 age group, 27 per cent belonged to the 18-25 age group, whereas 22 per cent were aged 36 and above. In terms of occupational positions, 81 per cent were workers and 15 per cent were supervisors. The demographic distribution among participants were consistent between the northern and southern regions.

Figure 1. Demographic distributions of responses

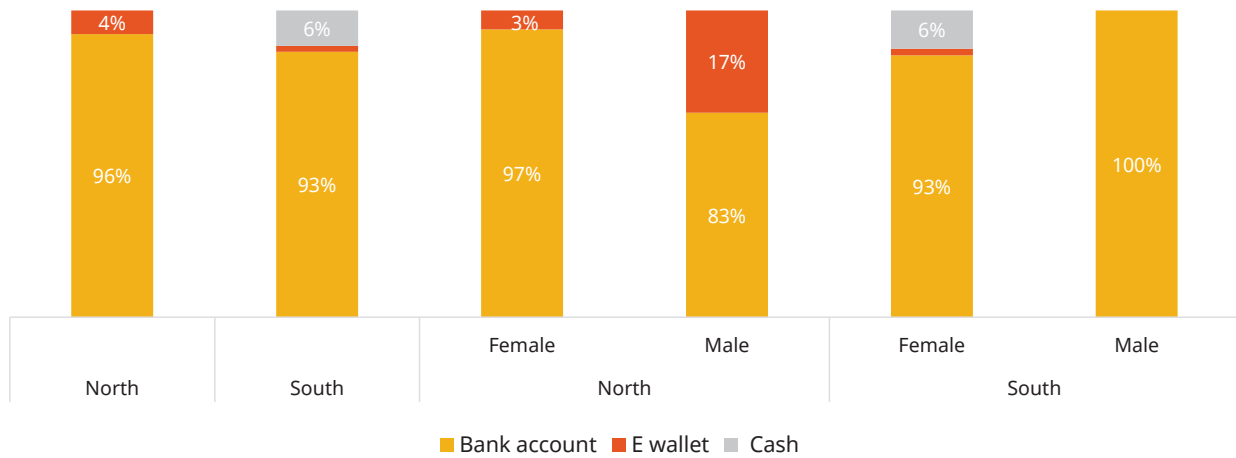


► Worker Satisfaction and Challenges

While all surveyed workers from factories in the northern region have successfully transitioned to digital payment, 6 per cent of workers from factories in the southern region still receive their wages in cash. Noticeably, this 6 per cent included female workers only, whereas the totality of male respondents indicated that they were paid through one of the two possible digital methods (bank account or e-wallet).

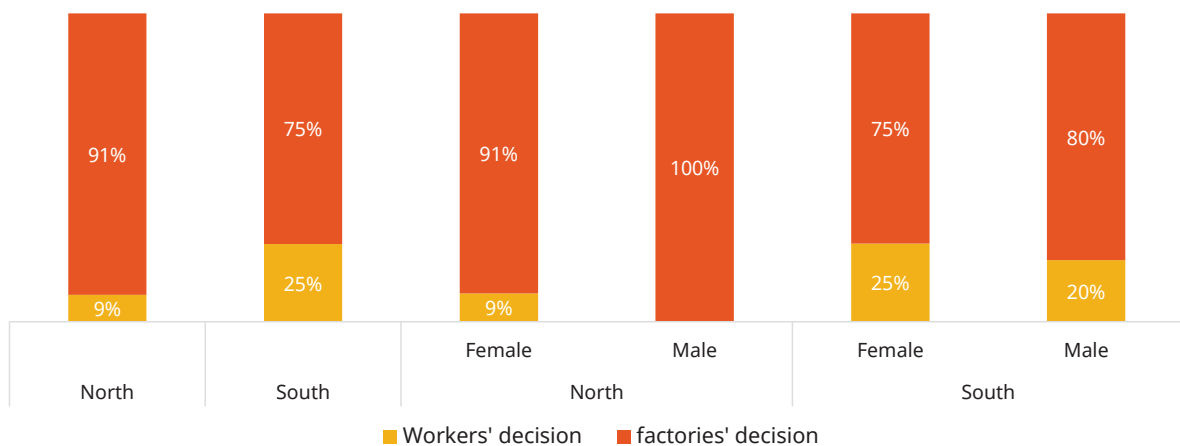


Figure 2. Wage payment methods



Workers in these factories generally lack decision-making power in their wage receipt preference, as only 20 per cent of workers reported having a say in determining how they receive their wages. The length of their contract and their duration of work in the factory do not impact the extent of their autonomy in selecting their wage receipt methods.

Figure 3. Decision-makers for the current wage payment method



The limited autonomy in determining their wage receipt method does not necessarily correspond with their satisfaction regarding the remuneration process. More than 90 per cent of the workers responded that they were satisfied with the current wage payment method, even though the decision was made by the factory. This finding suggests evidence that digitalization is sustainable, and workers can be satisfied with the transition when the process is carried out responsibly.



When workers were asked about their perception of holding a bank account, they frequently associated bank accounts with concepts such as “safety”, “easy and fast (access)”, and “savings”. This positive connection to bank accounts appears to have fostered a sense of confidence among workers, contributing to their overall satisfaction with the wage payment process.

Nevertheless, some workers (17 per cent of respondents) expressed concerns towards digital payment, particularly centered around costs and accessibility. Almost half of the workers who held concerns towards bank accounts worried about costs incurred when cashing out money (Figure 4). This includes transportation costs to reach a money provider and additional bank fees for withdrawals. In fact, there was only one factory where workers reported frequent usage of the ATM within the factory premises, while 60 per cent of workers indicated the need to use transportation to access the nearest ATM or other facilities for cashing out their wages (Figure 6).

Figure 4. Primary concerns about bank account

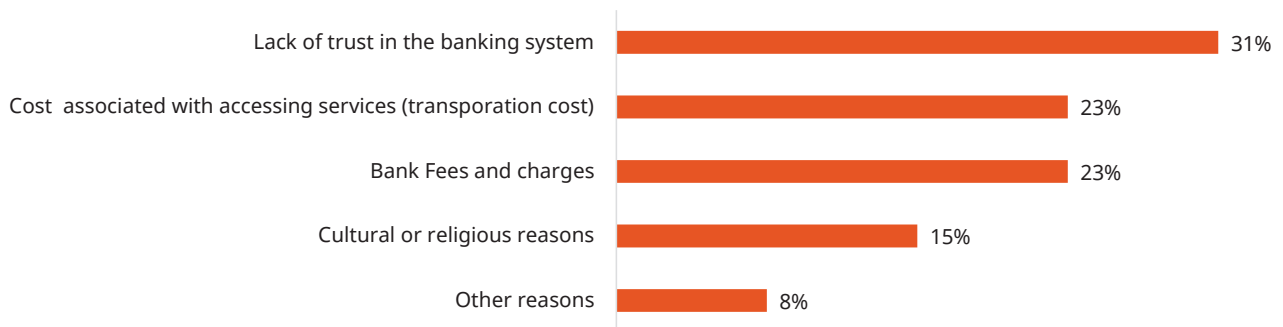


Figure 5. Primary concerns about E-wallet

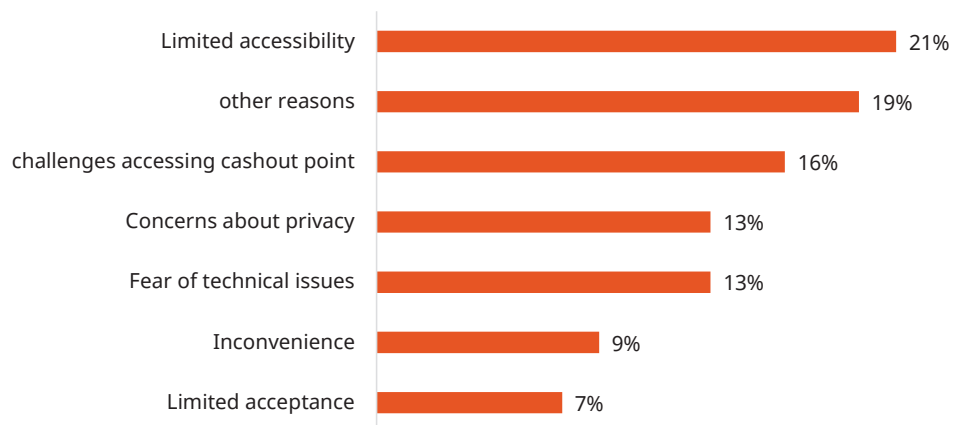
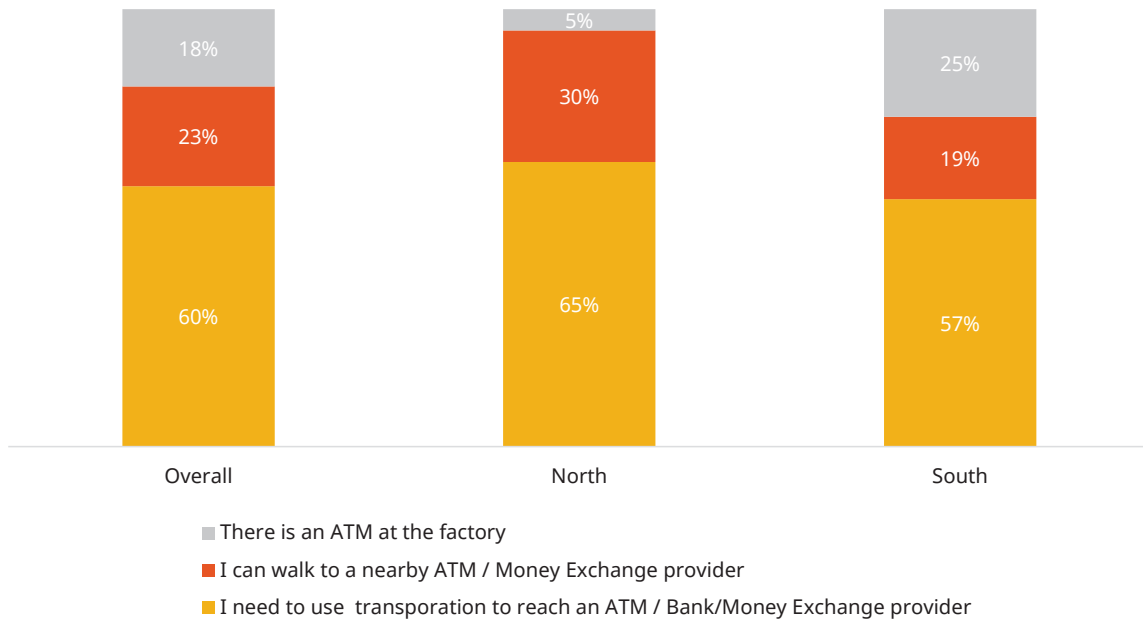


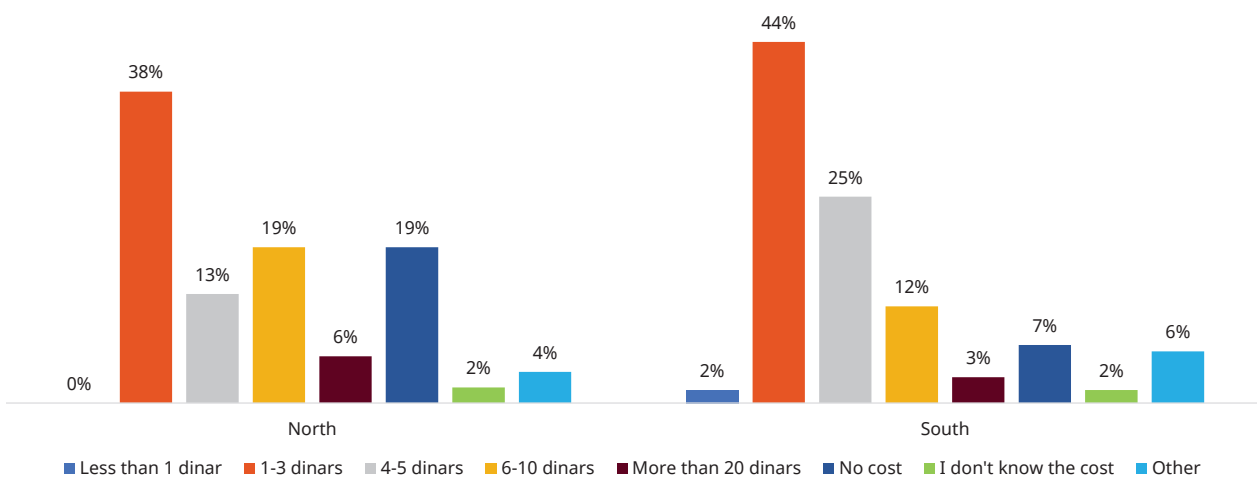


Figure 6. Worker accessibility to a nearby ATM/money exchange provider



In terms of the cost, more than 40 per cent of respondents indicated that they allocated 1-3 Jordanian Dinar (JD) for cashing out their wages every month, which accounted for more than 1.3 per cent of their monthly wages ⁴. An additional 22 per cent reported spending around 5 JD dinars, which equals to 2.2 per cent of their wage. This underscores a significant financial burden placed on workers to access their wages. Addressing these cash-out expenses is crucial for easing the financial challenges faced by workers and enhancing their overall financial stability. Moreover, the data collected through this survey suggests that workers from factories suited in the southern region tend to bear higher costs when cashing out their wages.

Figure 7. The costs of cashing out the salary



⁴ The minimum wage in Jordan's garment sector is determined by the sectoral collective bargaining agreement (CBA). It was set at 220 JD per month in the 2019 CBA, which was reaffirmed in the 2022 CBA (and its amendments), and has remained unchanged since then. In addition to the basic wage, workers are entitled to a 5 JD seniority bonus for each year with the same employer, as stipulated by the CBA.



► Financial Landscape

This survey also revealed the financial landscape among surveyed workers. More than a third reported having outstanding loans – 36 per cent of female workers and 46 per cent of male workers. At the same time, the proportion of female workers (27 per cent) who have recently opted for wage advancements surpasses that of their male counterparts (10 per cent), despite a lower share of them carrying outstanding loans.

Figure 8. Share of responses who have outstanding loans

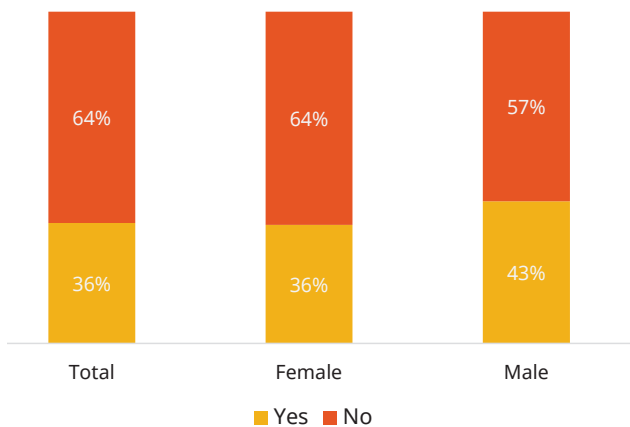
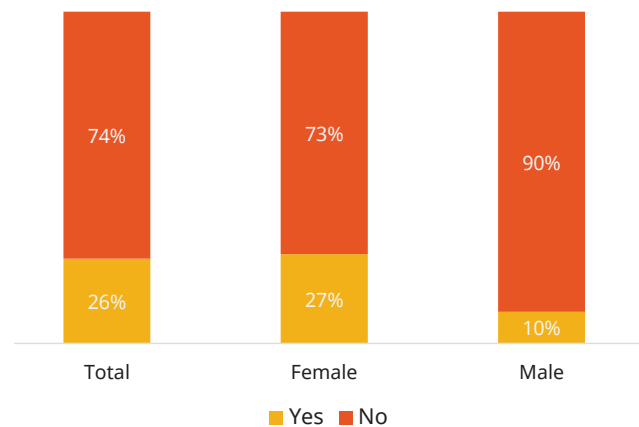


Figure 9. Share of responses who took recent wage advancement



While the reason for these wage advancements was not revealed, a closer examination of their spending priorities sheds light on their financial choices. The main focus of their monthly expenditures is on meeting essential needs such as food, rent, and utility bills. Meanwhile, among those burdened with outstanding loans, their monthly earnings are primarily directed towards loan repayments. This trend is especially striking among women with loans, as nearly all of them have identified debt repayment as their foremost monthly obligation.

Beyond indicating gender disparities within the local financial landscape, the trends also illuminate the financial challenges faced by local female garment workers. The fact that women tend to seek wage advancements despite having fewer outstanding loans could suggest that their monthly income might not be adequate to effectively sustain their daily lives. This situation can potentially trigger mental health issues due to the strain of financial stress⁵. Moreover, the strong emphasis on debt repayment among women with loans underscores an ongoing cycle of financial pressure, which could expose them to further vulnerability and the risk of falling into poverty.

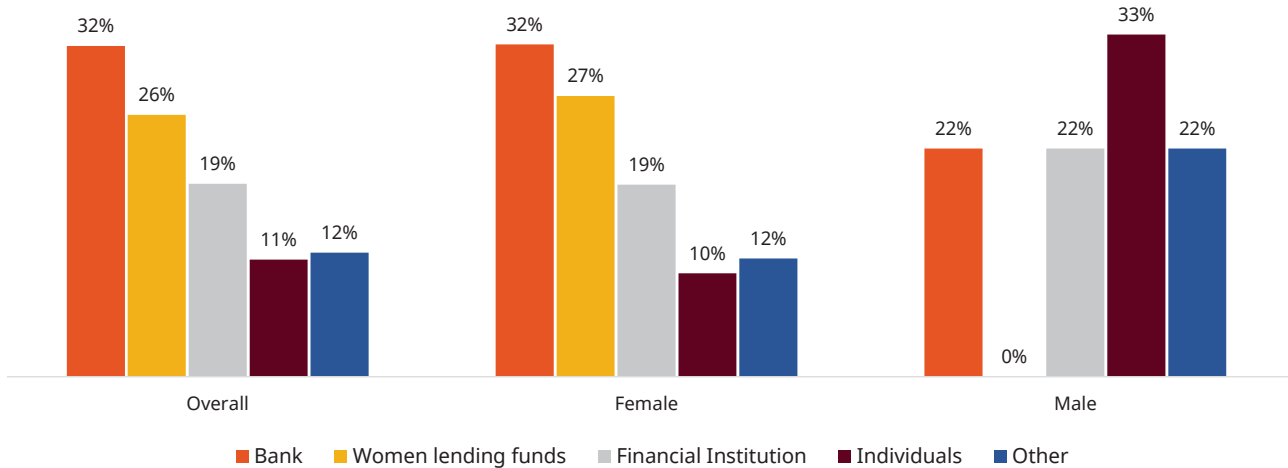
Among workers who reported having outstanding loans, the most common choice is to secure loans from banks, with approximately one-third of these workers selecting this option. Additionally, 27 per cent of women tend to borrow from women lending funds, which are typically characterized as micro-funds with less stringent application criteria but coupled with high-interest rates. This often leads to

⁵ Better Work, 2022. Assessment of Knowledge, Perceptions, and Attitudes of Mental Health: The Garment Industry in Jordan.



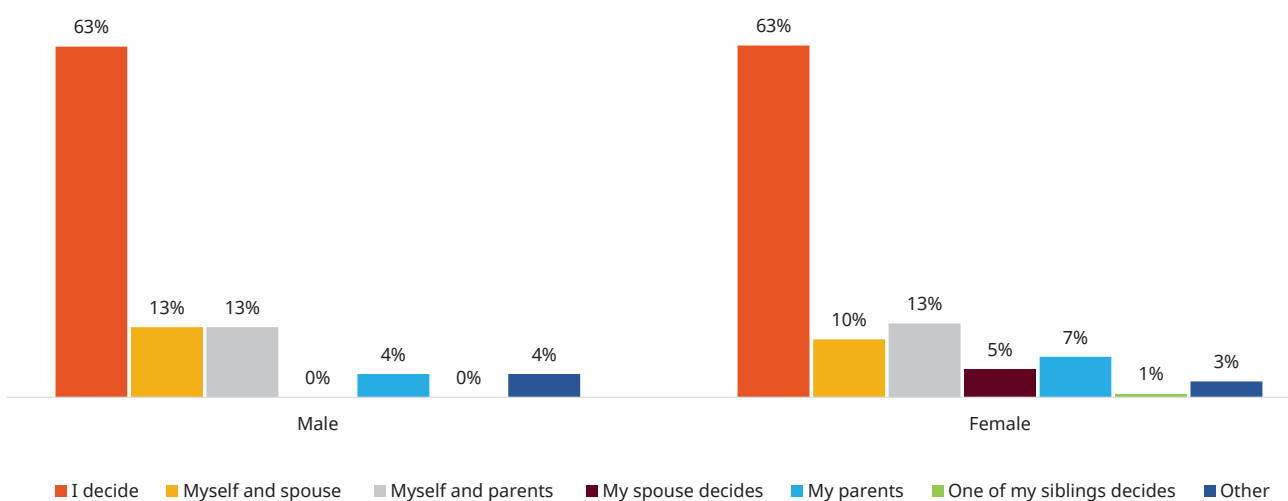
women grappling with loan repayment, which can exacerbate their financial difficulties and even results in legal consequences.

Figure 10. Options for taking loans



When it comes to decision-making about spending, approximately 63 per cent of both women and men have the freedom to independently decide how to spend their wages. Additionally, about 23 per cent of women and 26 per cent of men make spending decisions jointly with their parents or spouse. On the other hand, a larger proportion of women (13 per cent) compared to men (4 per cent) are excluded from the decision-making process of their own earnings. Among these men, it is their parents who hold the decision-making authority. However, among these women, the allocation of their earnings is influenced by a wider range of people, including parents, spouses, and siblings. The notable proportion of women excluded from decision-making about their own earnings signifies their vulnerability. Their restricted ability to influence their earning allocation constrains financial independence, thus presenting challenges to their overall empowerment.

Figure 11. Decision-makers for monthly earning expenditures





► Conclusion and Recommendations

The overall satisfaction with digital wage payment methods highlighted its positive impact on simplifying payment procedures and promoting financial inclusivity. It also reflected the responsible transition carried out by factories. However, challenges related to accessibility and the costs associated with cashing out money remain major obstacles for a considerable number of workers. In this context, the following recommendations are offered:

► Recommendation I: Ensure Digital Salary Payments for All Workers

Ensuring that all workers receive their salaries through digital methods such as e-wallets and bank accounts is a fundamental step in enhancing financial inclusion. This not only streamlines wage distribution but also contributes to greater financial security and transparency. To achieve this, we recommend:

- **Government and Industry Collaboration:** Government agencies and industry stakeholders should collaborate to mandate the adoption of digital salary payments for all workers in the garment sector. This can be achieved through policy changes and regulatory measures.

► Recommendation II: Enhance Accessibility to Financial Services

Access to banking and financial services is a critical aspect of financial inclusion, especially in rural and underserved areas. To address this challenge, we recommend:

- **Advocacy and Partnerships:** Advocate for partnerships between banks and financial institutions with a focus on expanding their reach to remote locations. Encourage the establishment of ATMs, mobile banks, and branches in these areas, making financial services more accessible.
- **On-site Banking Services:** Consider deploying mobile bank buses or on-site banking services within factory premises. This approach can significantly improve access for workers who have limited mobility or time to travel to traditional banking locations.
- **Reducing Withdrawal Costs:** Collaborate with banks to negotiate lower withdrawal fees or introduce reimbursement mechanisms for workers. This can alleviate the financial burden associated with cashing out salaries and ensure that more of the workers' earnings remain in their pockets.



► Recommendation III: Empower Workers Financially

Recognizing the financial challenges faced by workers, particularly women, there is a need for comprehensive financial empowerment initiatives. Specifically, we recommend:

- **Financial Education:** Offer financial education workshops and training programs to workers. Cover essential financial management topics, such as personal financial planning, creating emergency funds, and understanding the implications of early wage access. Empowering workers with financial literacy can help them make informed decisions about their finances.
- **Women's Empowerment:** Launch specific initiatives aimed at empowering women in the financial decision-making process. This may involve workshops on financial independence, leadership training, and providing tools and resources to help women take control of their financial futures.

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