

REPORT

Promoting Decent Work by Digitizing Wages Responsibly in Jordan

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International
Labour
Organization

BetterWork



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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

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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.

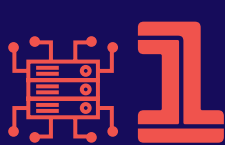
During the COVID-19 crisis, the Jordanian government's commitment to a strong, inclusive digital payment system proved to be a critical asset in making a quick transition to digital service. At the onset of the pandemic, the government and financial sector worked together to make it possible to safely **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's garment companies are setting an example for other industries by **PAYING WAGES** digitally, and responsibly.

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).

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

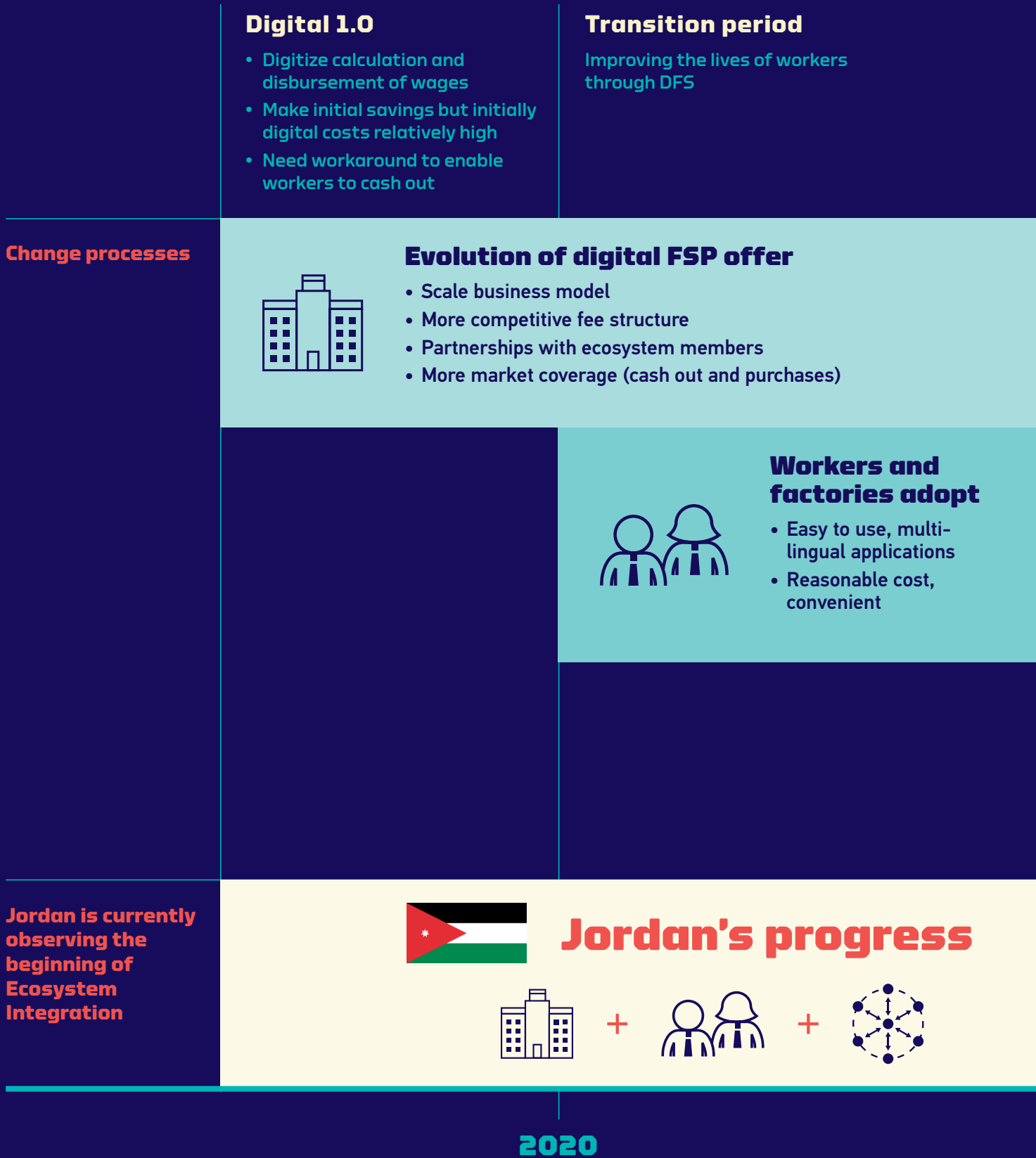
Agents. In the initial stages of digitization, it will be easy for workers to access their cash wherever and whenever they need it, due to high liquidity levels and a ubiquitous network of agents and ATMs. A sufficiently dense network of agents at agent outlets, in factories or at workers' dormitories, 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.

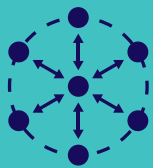
**FIGURE 2:
AN INTEGRATED, ITERATIVE CHANGE PROCESS**



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

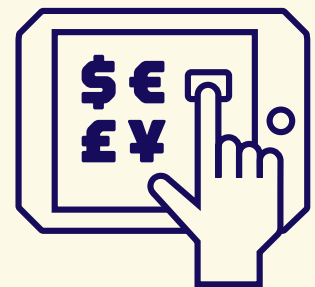


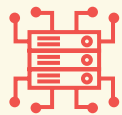
SECTION 1

Journey to inclusive wage digitization

To build an inclusive wage digitization journey, Jordanian stakeholders have already started to leverage four building blocks:

- (1) Regulations and infrastructure that enable digital payments**
- (2) The leadership of garment companies' in driving digital wages which leads to satisfaction for workers**
- (3) A maturing financial services sector**
- (4) Committed workers' associations and international organizations.**





Regulatory framework and technology infrastructure are already in place

The Central Bank of Jordan (CBJ), which provides regulation and oversight of payment service providers (PSPs) and banks, has been instrumental in facilitating rapid digital onboarding and more convenient digital payments transactions. At the onset of the COVID-19 pandemic in 2020, the Jordanian government made remote E-KYC and opening of e-wallets possible, so that consumers could be onboarded safely. The CBJ also increased transaction limits, reduced bank fees and eliminated minimum balances. The garment sector was identified as one of the sectors most negatively affected by the COVID-19 pandemic. In response, in early 2021, the Social Security Corporation (SSC) committed to paying 75 percent of the wages of Jordanian workers in the sector. This required workers to have active bank accounts or e-wallets to receive wages directly. For migrant workers, the CBJ authorized digital international remittances in the final quarter of 2020, clearing the way for the development of new digital initiatives. At the time of this report, eFAWATEERcom, an electronic billing and payment system under the supervision of the CBJ has integrated with Western Union, enabling migrants to open an account with Western Union. They may then forward money to their account, and send remittances from it. Recently, some PSPs have started to integrate their apps with the Exchange House for smoother transactions. To increase accessibility to cash and e-money the CBJ also issued guidelines about continuity procedures for ATMs and point of sale operations.

The Ministry of Digital Economy and Entrepreneurship (MODEE) has demonstrated a strong commitment to digital transformation of the economy by developing appropriate policies and supporting the enabling pillars. In collaboration with the CBJ and the Ministry of Finance, the MODEE encouraged merchants to accept e-wallets and facilitated the onboarding process between merchants or vendors and individuals. The MODEE also encouraged gas stations and other entities in the energy sector to accept payments via e-wallets. In addition, the government is actively promoting e-payments from citizens, with a growing number of government organizations no longer accepting cash.



The number of e-wallets more than doubled and the total number of digital transactions has quadrupled in only 9 months in 2020.

In 2020, the Jordan Payments and Clearing Corporation (JoPACC) launched a number of initiatives to promote the use of DFS (digital financial services) in Jordan, including an online gateway for people to open e-wallets online; an interoperable, instant payments system called CliQ; and a partnership with GIZ to promote merchants' acceptance of digital payments. Finally, in parallel with the efforts of JoPACC, the CBJ continues to promote the use of DFS, including it as a central pillar in its 2018 National Financial Inclusion Strategy.

E-wallets and associated transactions show strong growth. These measures resulted in a marked increase in the use of e-wallets in 2020 (Figure 3). In January 2020, JoMoPay reported 374,400 e-wallet transactions for the month. Between March and December 2020, the number of e-wallets in Jordan more than doubled, breaking the 1 million barrier in June and reaching 1.3 million transactions in January 2021.⁵ eFAWATEERcom payments from e-wallets also jumped, from about 1.9 million JD in January 2020⁶ to 7.6 million JD in January 2021, although these payments are dwarfed by the flow of digital payments from bank accounts into the eFAWATEERcom system.

Interoperability is in the early stages of development in Jordan.

Interoperability which facilitates more convenient, affordable, fast, seamless and secure transactions between e-wallets and bank accounts, which is crucial for reaching users who are new to digital finance, as positive experiences with new services will ensure uptake and ongoing usage. Interoperability is complex and selecting the appropriate approach and type of interoperability such as platform-level, agent-level and/or customer level interoperability will depend on local conditions and context. Either way, it is essential that policymakers and service providers support collaboration on the infrastructure whilst allowing the market to compete on products and services.

In Jordan, JoPACC played a critical role in encouraging interoperability between e-wallets, and is working towards interoperability between e-wallets and bank accounts. Seven licensed PSPs, are players in this market, each with different business models, fee structures and agent networks. As a result, even though JoMoPay and CliQ technically enable cross-PSP and bank-PSP interoperability, PSPs have not agreed on the commercial terms that would govern such a system. Most importantly, the PSPs have not reached an agreement on fee-sharing and agent-management structures. Unless a cooperation agreement is reached interoperability will not be fully operational and workers will continue to convert money transfers into cash given the limitations to transact with customers of different PSPs. In order to encourage further interoperability options such as agent-interoperability and interconnection with platforms outside of Jordan (to facilitate remittances), the regulator may be a need to play a more active role working with the private sector to develop a centralised mechanism as has been done in places like Peru and Mexico. Additional technical assistance could also support the private sector to identify business cases that maintain financial viability. Financial assistance may also be an option to support key moments of transition.



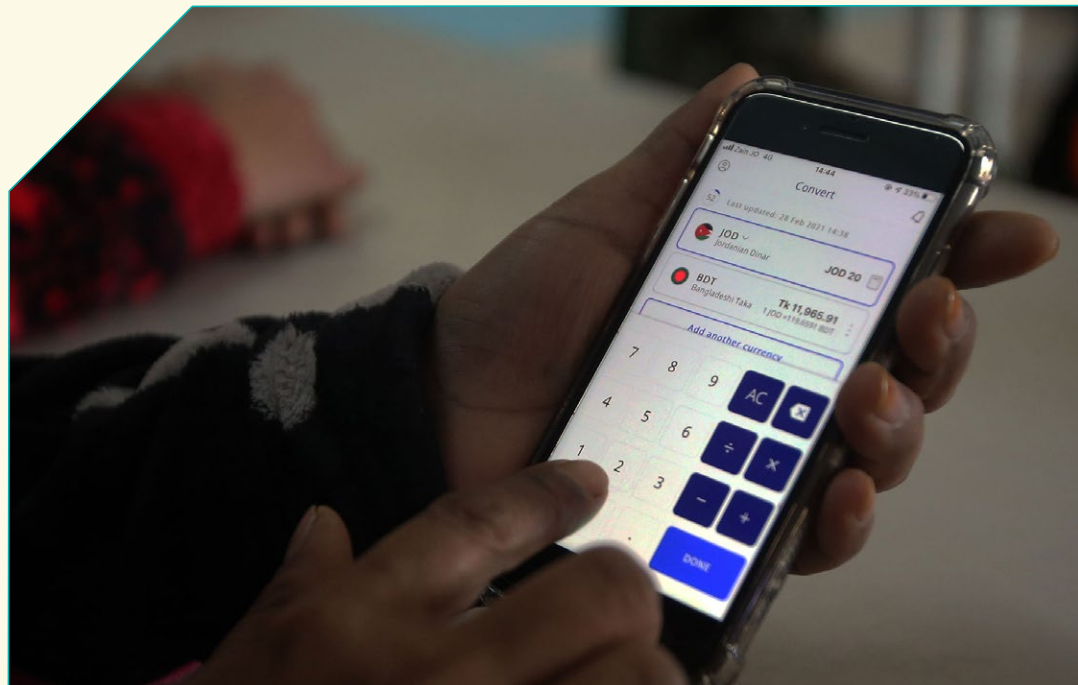
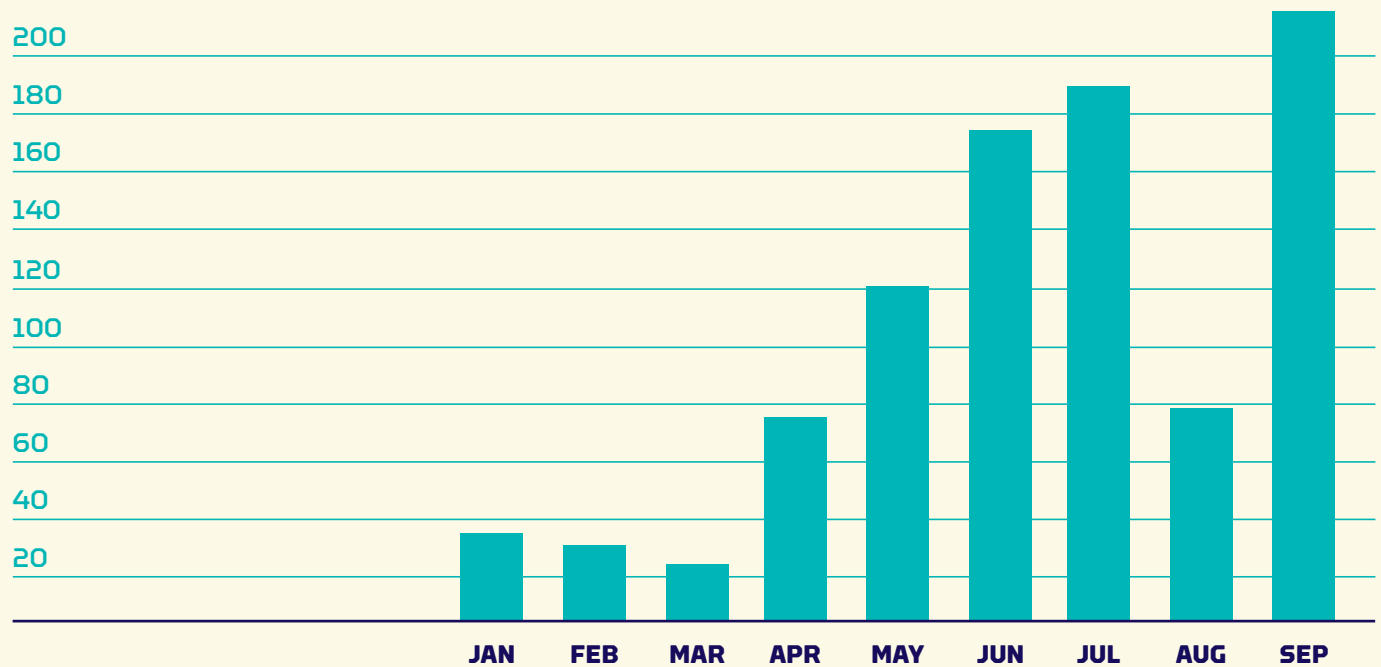


FIGURE 3:
Growth of e-wallets and transactions since the onset of covid-19

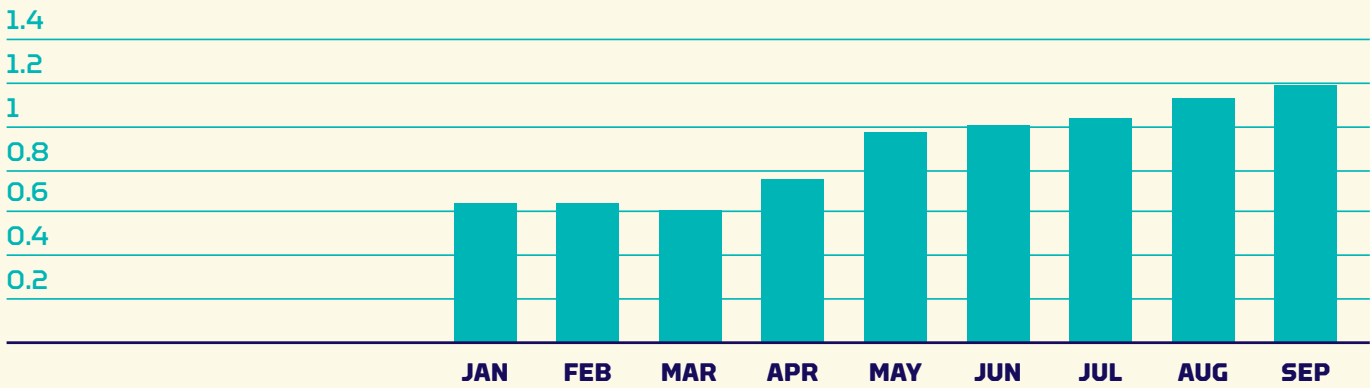
MONTHLY TRANSACTION VALUE (JD) IN 2020 (MILLIONS)



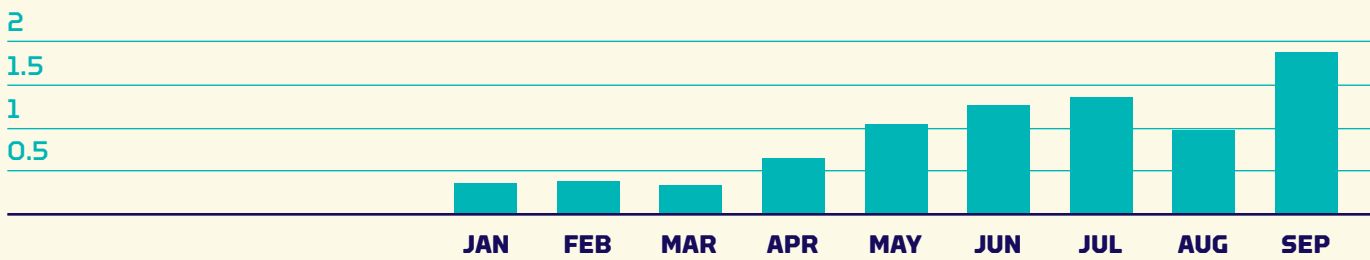
Source: Mobile Wallet Payments made in Jordan, JoMoPay, Monthly editions, January to September 2020 inclusive
http://www.jopacc.com/En/List/Payment_Systems_Reports



EVOLUTION OF NUMBER OF E-WALLETS IN 2020 (MILLIONS)



EVOLUTION OF TOTAL MONTHLY NUMBER OF TRANSACTIONS VIA E-WALLETS IN 2020 (MILLIONS)





Garment companies are driving the transformation to digital wages, which give workers high satisfaction

The transition to digital makes sound financial sense. Companies incur a series of costs by paying cash, including:

- **Direct costs.** The wages of administrative staff to prepare and disburse wages; the cost of consumables such as pay-slips and envelopes; and the cost of securely transporting cash from bank to factory or the amortization of the installation of cash machines.
- **Opportunity cost.** The time workers spend collecting and signing for their wages, although the time lost depends on company procedure.

This cost structure is illustrated in Figure 4. Figure 5 demonstrates the costs associated with disbursing wages in cash.

FIGURE 4:
Illustration of the cost structure of wage payments for companies

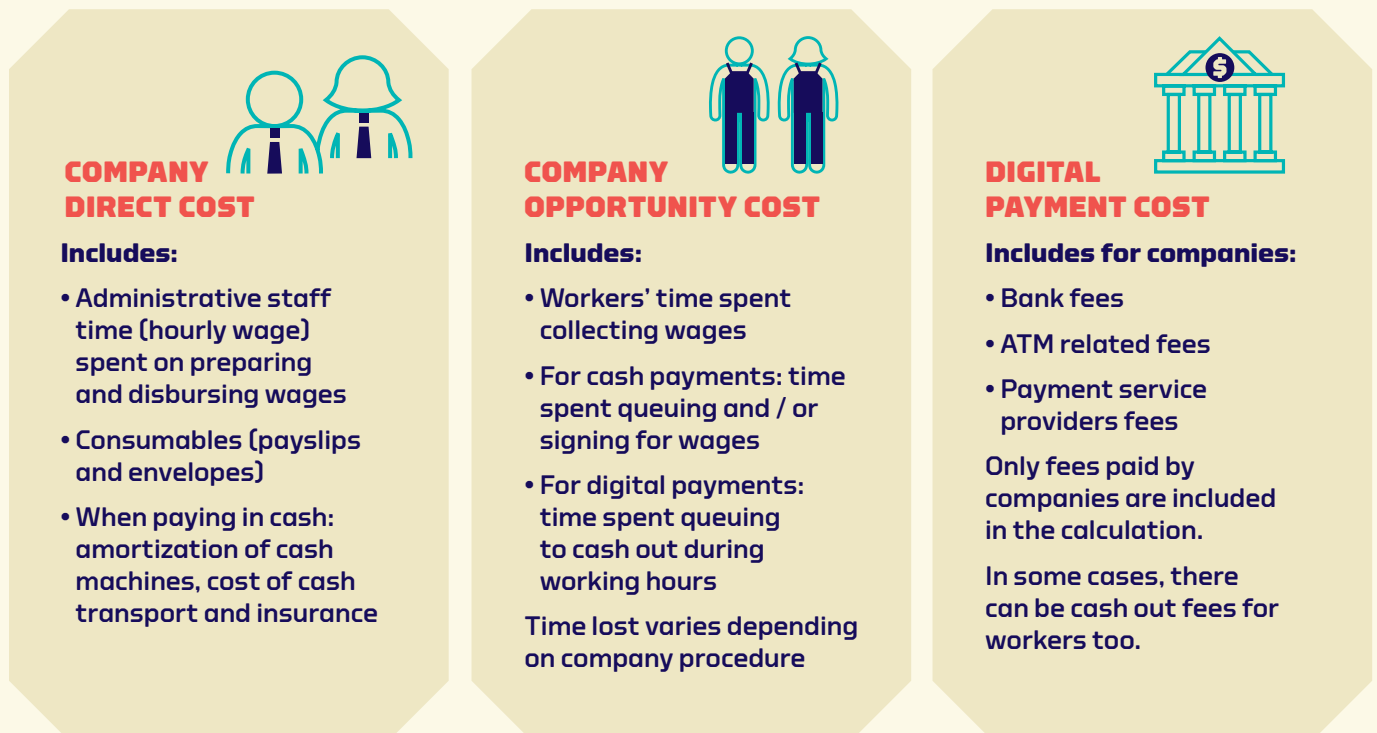
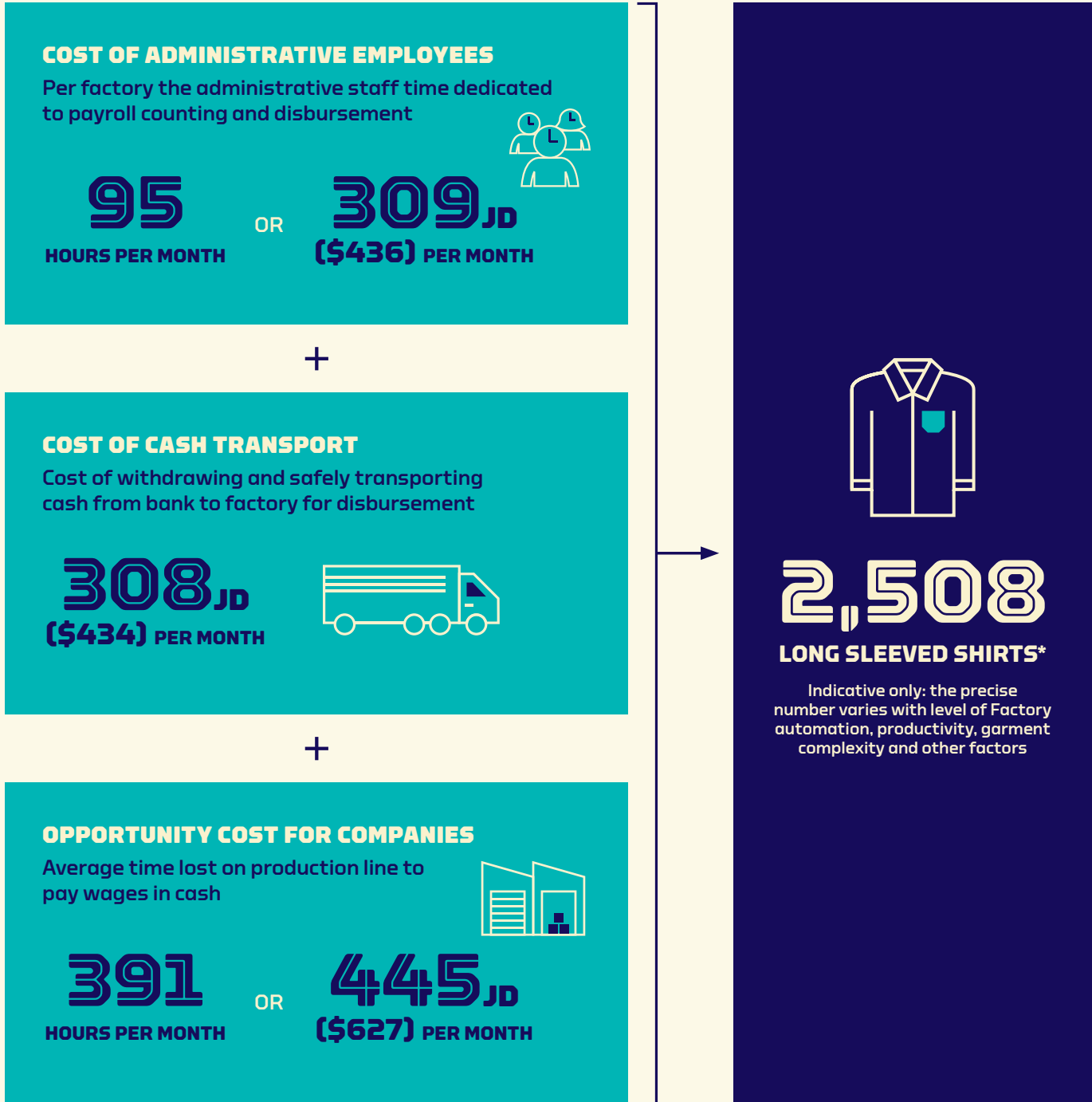


FIGURE 5:
Illustration of the costs in disbursing wages in cash

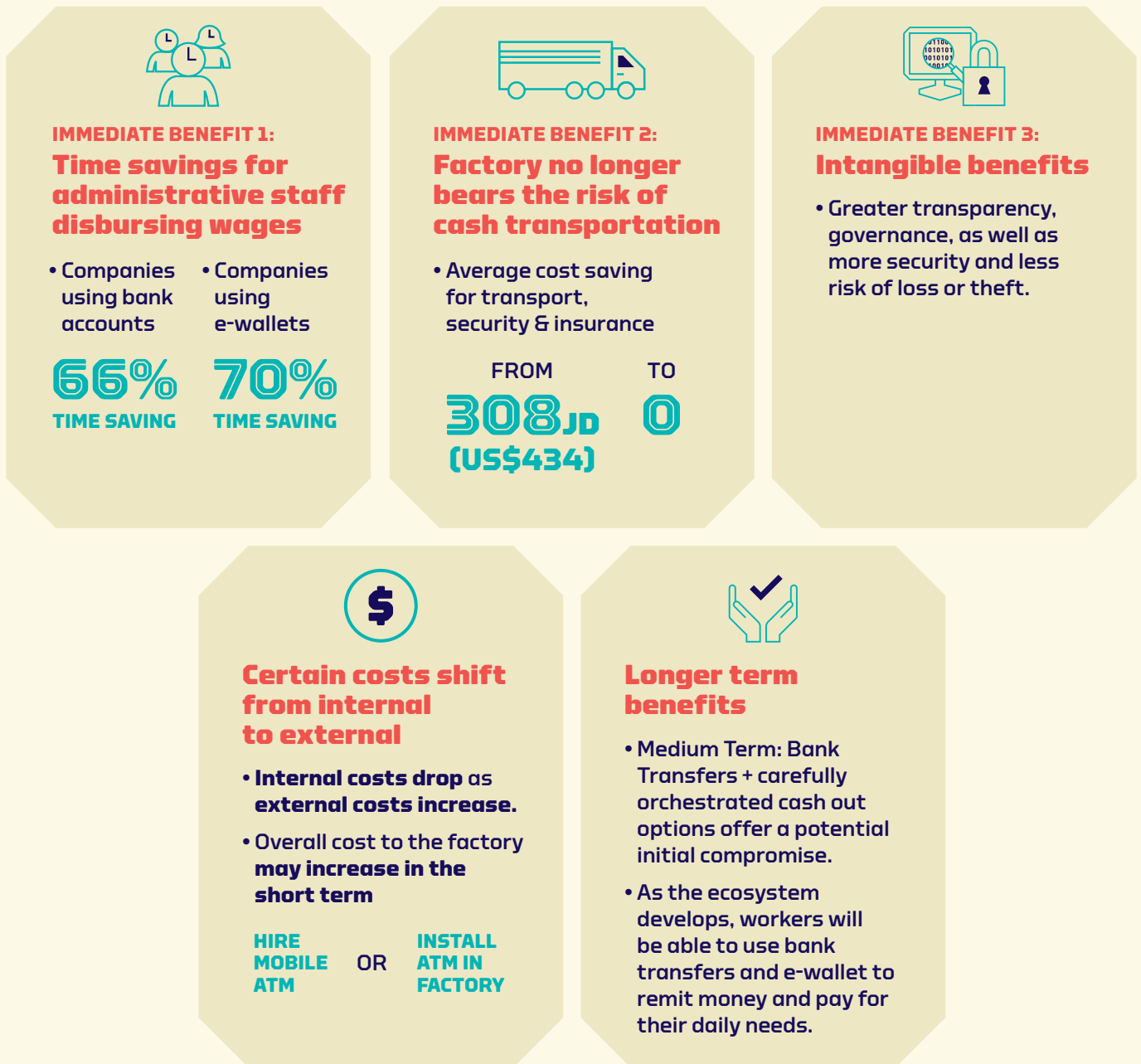


*Equivalent to: 1,062JD (\$1,497) total monthly cost or 4.4 worker salaries per month

Source: interviews with 3 companies, averaging 3,000 workers and representing 12 percent garment workers in Jordan reporting on cost of paying workers in cash

Clear savings can be achieved by switching to digital. Three companies in Jordan, that represent 12 percent of the garment industry, switched to paying wages digitally. Time spent by administrative staff in these companies dropped by 66 percent for payments made to bank accounts and 70 percent for payments made to e-wallets. Figure 6 provides an overview of these calculations.

FIGURE 6:
Immediate savings & benefits from switching to digital



Garment factory management gives the shift to digital payments broad-based support, because the transition makes strategic sense for them.

International buyers, including H&M⁸ and Gap,⁹ are driving the change as a result of their commitment to introducing digital wages for all factory workers in their supply chains across the globe. Jordanian garment companies already have experience using digital tools to record worker hours and to digitize payroll management, which is critical to digital payment of wages.

Senior management teams from the factories of the five large companies interviewed clearly recognize that digital payments are the future for the garment industry. Bank accounts and e-wallets are safer, more secure and more transparent than cash, and research found evidence that companies have managed the transition successfully in Jordan, providing local examples of good practice to inspire others. One of the companies interviewed was drawing on the successful experiences of its sister companies in other countries, in the region and elsewhere. Table 1 provides an overview of some of drivers of change cited by management during the interviews.

**TABLE 1:
What drives management decisions for digital payment options?**

MANAGEMENT DRIVERS	DIGITAL PAYMENT OPTIONS	
	BANK ACCOUNT	E-WALLET
Technology & infrastructure drivers	Bank infrastructure is better than e-wallets in Jordan; banks have better liquidity and are considered to be more customer responsive	Positive changes to regulatory environment made it easier to use Infrastructure is evolving rapidly
Strategy	Safer, more secure and transparent than cash Prior experience, more familiar than e-wallets. Change process easier than e-wallet	Safer, more secure and transparent than cash Represents the future of payments but need to evolve in sync with ecosystem
Financial	Savings in HR & Accounts department time, more efficient No need to ensure that migrants have smartphones, local SIM Transaction charges may be cheaper than e-wallets	Savings in HR & Accounts department time, more efficient Less production disruption (if system in place) May negotiate lower fees with time
Human Resources	Easier to educate employees about ATMs and cards than e-wallets, only need 1 Pin Code Some workers are more familiar and more satisfied with this method than e-wallets	Well designed awareness and capacity building program will motivate workers Effective change management will help workers become more comfortable

Source: interviews with factory management.

Rapid evolution in technology and infrastructure is paving the way for garment companies' transition to digital payments. Positive changes to the regulatory environment in response to the global pandemic during 2020 have enabled more for garment companies to transition to digital wages. Banking infrastructure was already strong and diversified with good liquidity. The infrastructure for e-wallets and the offerings of financial service providers are also evolving rapidly. Jordanian garment companies have already been active in digitization, adopting digital solutions for clock-in systems to track working hours, and putting payroll management software in place. The transition to digital payments will complement this process and lead to even greater efficiencies.

MARKET INSIGHTS:

A foreign-owned garment factory in Jordan has successfully transitioned to paying wages through digital bank accounts. They have applied two decades of experience of paying wages digitally in other countries in the region, to ensure a successful transition in Jordan.

The company currently pays its workers via bank accounts. To overcome the race to cash out every month, leadership elected to install ATMs at the dormitories of migrant workers. This permits workers to withdraw cash at their convenience, without having to travel, and avoids long queues on the factory premises. Furthermore, a representative of the Exchange House is present in the dormitories, so workers are also able to manage remittances without travelling into town. The solution is not fully digitized, but bringing ATMs and representatives to the workers is a well-thought compromise that addresses both worker and company concerns.

Source: Management interviews carried out as part of the Better Work Better Than Cash Alliance and GIZ research study, summer 2020.

Management understands the importance of ensuring worker buy-in.

In the initial stages of wage digitization, wage payment via bank transfer seems easier, because workers do not need smartphones or local SIM cards. However, garment companies understand that well-designed awareness and capacity-building programmes, along with early adopters who serve as role models, will motivate a more workers to accept e-wallets as a more convenient way to receive their wages.



Management from all the factories interviewed were very positive about digitizing worker wages. Those that were still using cash were highly motivated to introduce digital payment methods.

All migrants surveyed indicated that they send money home, **with 62% remitting at least two-thirds of their wages.**

Workers showed a high level of satisfaction with digital payments

according to the survey.¹⁰ 34 percent of the workers surveyed, were paid via bank accounts, with another 7 percent receiving wages via their e-wallet.

Importantly, all of these respondents indicated that they were either satisfied or very satisfied with the method of payment. Well over 80 percent of respondents were very satisfied. This finding provides evidence that digitization is sustainable and workers can be satisfied with the transition when the process is carried out responsibly.

The digitization of remittances is seen as an important step in the digitization journey for migrants. **All migrants surveyed indicated that they send money home, with 62 percent remitting at least two-thirds of their wages.**

Although two-thirds of respondents used bank transfer and the remaining third used Exchange Houses for international transfers, all transactions involved the migrants handing over cash to initiate the payment.

The GIZ- implemented Project Digi#ances aims to increase financial inclusion by facilitating the development of digital financial services, particularly cross-border remittances, for unbanked individuals, on three different levels. On the supply side, the project partners with PSPs to develop digital financial services, including cross-border remittances. The project promotes the regulatory framework to meet international standards, notably in the areas of consumer protection, anti-money laundering (AML) and combating of financing of terrorism (CFT). On the demand side, the project instituted a number of measures to increase awareness and financial literacy.

Digi#ances also collaborates with the Swiss Agency for Development and Cooperation (SDC) in a co-financing project aimed at improving access to remittances and other financial services through digital solutions for migrant workers in Jordan's garment sector. Under this collaboration, Digi#ances initiated a pilot with a mobile PSP to develop, design and implement a fully digital, user-friendly and needs-based solution for outbound cross-border remittances between Jordan and south Asia. In addition, Digi#ances plans to design and adopt specialized digital financial literacy training and offer targeted tools for workers that raise awareness of how to make use of digital financial services.



The growing financial services sector provides opportunities to deepen financial inclusion of workers in Jordan, including migrants and women

The banking system in Jordan is both mature and customer-focused.

Jordan is home to 24 commercial banks, a number of which have also become involved in the provision of e-wallets.

An emerging mobile PSP sector is developing in Jordan. The provenance of the PSPs in Jordan varies significantly, from multinational giants such as Orange to Zain Cash, launched by the mobile network operator Zain in Jordan; to Gate2Pay, a financial service provider specializing in B2B, which recently acquired a PSP licence; to Dinarak, an independent Jordanian start-up specializing in e-wallets. This constitutes a sound basis for competition as the sector begins to mature.

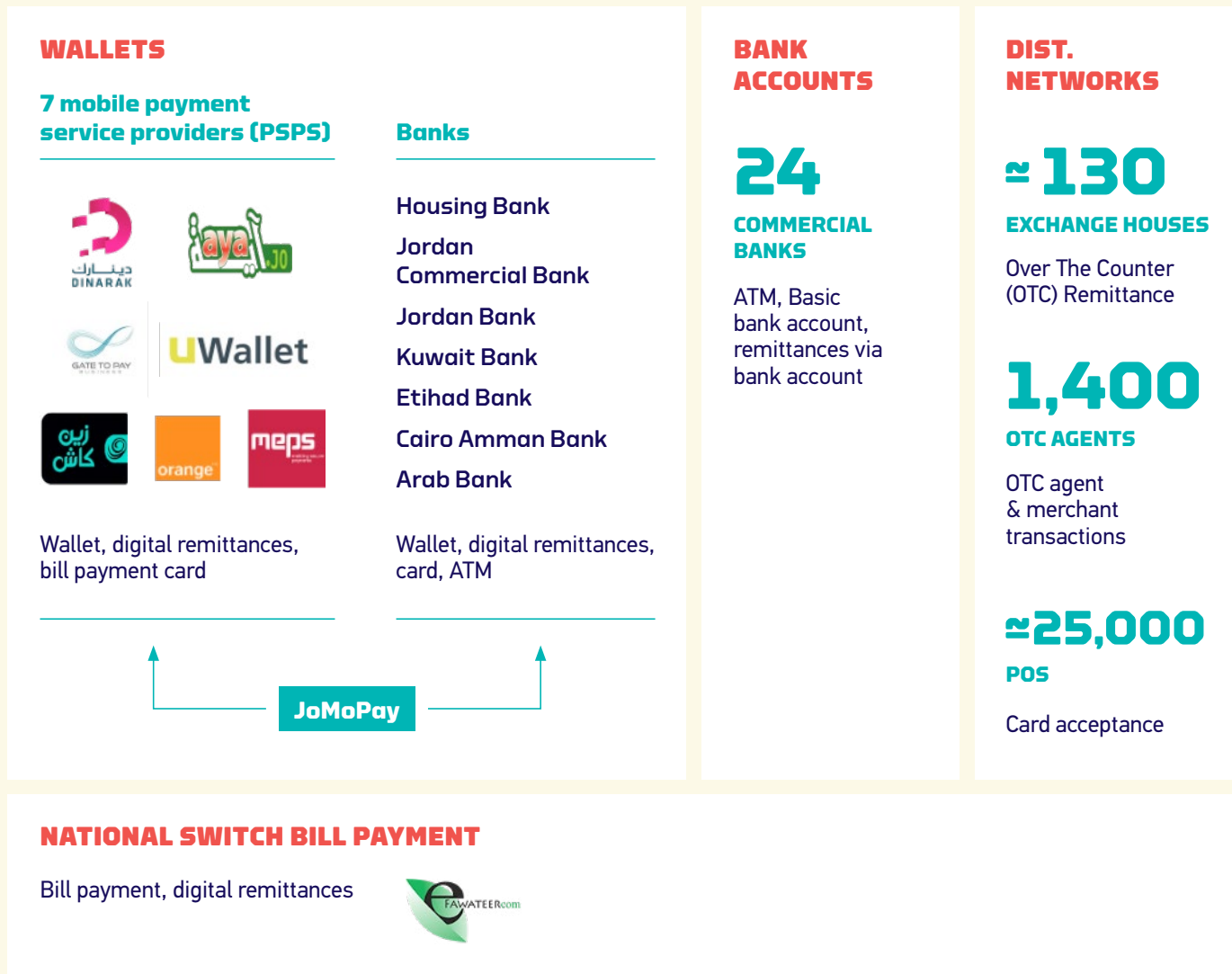
PSPs are enthusiastic about digital wages and claim to be technically ready with solutions to equip garment companies to transition to digital payments, covering all phases, from onboarding to disbursements and reporting. Remote onboarding is being implemented and many PSPs offer a payment card attached to the e-wallet to permit users to cash out using ATMs. Encouraged by JoPACC, PSPs are also involved in a common initiative to increase uptake of merchant payments via e-wallets in Jordan. To be effective, the issue of cooperative agreements to support interoperability will need to be addressed in parallel.

Figure 7 provides an overview of the key players in the ecosystem as of mid-2020, who form some of the building blocks already in place to achieve the vision of Digital 2.0.

Well-targeted initiatives by PSPs, is making the transition easier, as is greater digital financial awareness and literacy among workers. A wide range of organizations from the ecosystem already contribute to improving digital financial literacy, including PSPs and banks, FinTech companies, and governmental, local and international organizations. This provides an excellent starting point to build the financial capacity of the workforce. Segments such as women (who make up 73 percent of the garment sector workforce) or migrants (who represent 75 percent) have specific preferences and need tailored services. Semi-structured interviews and focus groups can highlight the current practices of specific segments, map their user journeys and co-design potential solutions. For example, supporting international remittances for migrant workers can be a low-cost intervention to drive digitization among this segment. Careful segmentation also enables a PSP to create more appropriately focused services and communication materials, ranging from user guides, information leaflets and marketing brochures to audio-visual training materials and in-person training sessions. Recommendation 1 builds on this point further.

FIGURE 7:

Overview - Central Bank of Jordan (CBJ) regulation & supervision



The promotion of the use of DFS, and digital payments in particular, has been a focus of the Central Bank of Jordan (CBJ) since at least 2014, when it launched the Jordan Mobile Payment (JoMoPay) electronic payment system and started to develop the eFAWATEERcom bill payment system. In 2017, the CBJ, in partnership with 25 banks, created Jordan Payments and Clearing Corporation (JoPACC). JoPACC now manages JoMoPay, promotes innovation in DFS, and owns the eFAWATEERcom systems (although they are still administered and operated by Madfoatcom).

BUILDING
BLOCK

4

Committed worker associations and international organizations ensure a responsible digitization process

A responsible and sustainable transition to digital wages means ensuring that workers are treated fairly and feel protected from risks such as unauthorized fees, loss of privacy and exposure to fraud which could occur as a result of workers sharing their details with others when seeking help during the adjustment period. The Better than Cash Alliance has developed eight principles to support financial services providers as they design and deliver payments services that protect their clients. Companies also play their part in selecting payment providers that meet the needs of their workers and in supporting the digital and financial literacy of workers. Regulators also have a vital role in ensuring a sound consumer protection framework that supports innovation and enhances inclusion.¹¹

The trade union for workers in the garment sector recognizes the benefits of digital payments and is committed to ensuring workers' perspectives are taken into consideration when companies transition to digital payments.

Each member factory in the garment sector has its own worker committee, which includes representatives of all nationalities in direct proportion to the number of workers from a given nationality working in that factory. A workers' committee, formed to discuss worker concerns, meets monthly in most of the factories. In a number of factories, worker representatives have played an important role in supporting workers through the transition to digital.

Better Work Jordan is focused on supporting national stakeholders in Jordan's garment sector and ensuring that working conditions are adequate and workers' interests are protected. Although digital wages are a positive step, it is important that worker needs and interests are taken into account, ensuring privacy, transparency, protection and sustainability.

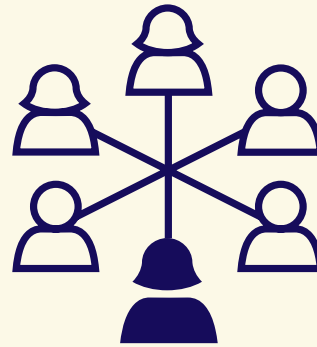
The UN-based Better than Cash Alliance and GIZ have consistently promoted and supported the digitization of transactions, implementing a range of technical assistance programs that benefit both factories and workers directly, and support them indirectly through studies, initiatives and capacity-building of other ecosystem members. Working with its members, including the ILO, IFC, Better Work and international brands, The Better Than Cash Alliance encourages a responsible transition to digital payments,¹² based on eight good practices for engaging with clients who are sending or receiving digital payments and who have previously been financially excluded or underserved. For clients, especially women, to adopt and use digital payments, they need to feel protected from risk.





SECTION 2

Leading the change to overcome existing barriers



Companies in Jordan have begun the move toward digital payments. Some are already benefitting from efficiency gains and savings. In the short term, some costs have risen, but companies have also seen important financial savings as well as other intangible benefits. However, workers currently convert any wages paid digitally into cash as quickly as possible. This does not give workers additional benefits which could empower them economically.

Government and regulators responded to COVID-19 by unleashing far-reaching changes to create an environment in which digital wages, as well as digital payments and other operations, were much easier to set up and implement.

The Jordanian ecosystem is committed to digitization, but, to effectively respond to the needs of both garment companies and workers, it must continue to evolve. The basic building blocks are already in place, and there is a clear road map for Jordan to follow. Success will require effort from all members of the ecosystem, including regulators, service providers, brands, garment companies, industry associations and workers.

MARKET INSIGHTS:





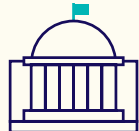



COVID's immediate impact has created a more conducive environment for digital payments in Jordan.

- The COVID-19 crisis highlighted the need for digital payments and accelerated adoption by encouraging the development of the surrounding ecosystem. Digital payments benefitted from a strong push from the Government of Jordan.
- CBJ, working with other members of the ecosystem, made onboarding easier, reduced barriers to transacting, and enabled the introduction of e-wallets for making social payments to Jordanians and refugees.
- 12 percent of the workers surveyed experienced a change in the method of their wage payments, from cash to digital. Most workers who experienced this change were concentrated in a single factory.
- 57 percent of survey respondents who experienced this change converted from cash to e-wallet, while the remaining 43 percent converted from cash to bank transfer.

The rapid reaction of government and regulators created a legal and regulatory environment that made adoption of digital payments easier for both factories and workers. This encouraged other companies to consider making the transition to digital wage payments themselves.

The remainder of this section provides a series of recommendations for all Jordanian stakeholders as they work toward the vision of Digital 2.0. Specific recommendations for each of the key actors are highlighted. A summary of the challenges outstanding and recommendations for stakeholders are presented in Table 2.

TABLE 2:
Summary of recommendations by stakeholder

RECOMMENDATIONS	<p>1</p> <p>Design worker-centric and value-added solutions</p>	<p>2</p> <p>Create conditions for merchants and others within the ecosystem to adopt digital payments</p>	<p>3</p> <p>Build a sustainable business model that appeals to workers</p>
CHALLENGES	<p>The use cases for Jordanian and migrant workers are different.</p>	<p>Workers have very few opportunities to use their digital money to pay for goods and services in Jordan.</p>	<p>Companies have difficulty understanding the medium- and long-term business case for the transition.</p>
STAKEHOLDERS	<p> Financial service providers</p> <p> Companies</p> <p> Workers' representative</p>	<p> Financial service providers</p> <p> Government bodies</p>	<p> Financial service providers (secondary)</p> <p> Companies (primary)</p> <p> Government bodies (secondary)</p>

4

Manage the change process responsibly by working with garment companies, in collaboration with selected FSPs, workers and the trade union

Capacity-building and awareness-raising among workers is needed to ensure that any transition to digital runs smoothly.



Financial service providers



Companies

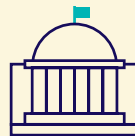


Workers' representative

5

Create conditions for a more robust market for e-wallets

Interoperability at the agent level is still not available in Jordan and individuals are limited to two e-wallets.



Government bodies and regulators (Central Bank of Jordan)

6

Build workers' trust and adoption of digital solutions by improving liquidity at cash-out points and increasing network density

Workers experience long queues at ATMs and with agents on payday. Sometimes they have to return on a second or third day to cash out.



Financial service providers

RECOMMENDATION



Design worker-centric and value-added solutions

MARKET INSIGHTS:

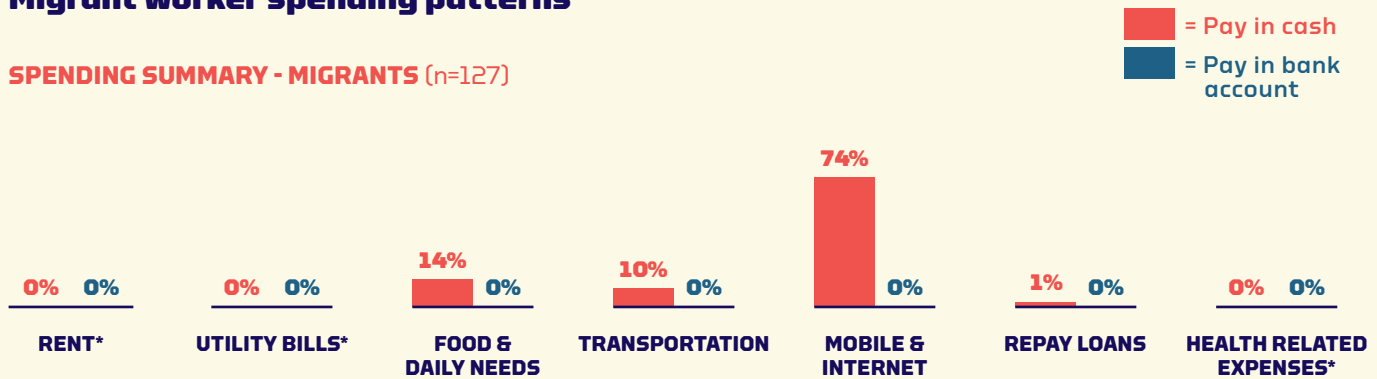
Target remittance payments to increase adoption by migrant workers

- Smartphone ownership might improve the experience and entice workers experience with digital wages and entice them to use digital payments for purchases or remittances. 58 percent of migrant workers own a smartphone as do 54 percent of Jordanian workers. But only 31 percent of migrant workers were paid through digital means compared to 69 percent of Jordanian workers. Among migrant workers, ownership of a bank account is also more likely (87 percent) than an e-wallet (13 percent).
- Workers interviewed had limited understanding of digital payment apps. Migrant workers in particular were worried about having to rely on others to make effective use of them, as sharing their information with others could expose them to fraud. They also worried that if they were not able to immediately locate someone who could help them, their transactions could be delayed.
- The majority of migrant workers are from South Asia. Only 9 percent of migrant workers surveyed speak Arabic, and 4 percent speak English. Just 3 percent read and write in one of the two languages. These workers need instructions, SMS, apps, agent services and customer care in their native languages (Hindi, Bangla, Sinhala, etc.).
- Sending remittances is an important issue for migrants. All migrants surveyed remit part of their wages back home, and 62 percent of migrants indicated that they remit at least two-thirds. The survey highlighted that workers organize these remittances after they cash-out their wages. Of the migrants surveyed, 83 percent also indicated that they pool their remittances with other migrants at least some of the time.

It is important to build user-centric solutions that take into consideration the user's capability, characteristics and functional needs

FIGURE 8:
Migrant worker spending patterns

SPENDING SUMMARY - MIGRANTS (n=127)



*Employers provide support for these services for the workers surveyed

ENGAGEMENT NEEDED FROM:



Financial service providers



Companies



Workers' representative

User journeys for Jordanian and migrant workers are different. Migrant workers predominantly spend wages on mobile and Internet services and send remittances home (Figure 8). Differences in the digital or financial experience of men and women may also impact the extent to which they would be comfortable with digital wages. Some women surveyed lacked access to any kind of mobile phone and some had neither a bank account nor an e-wallet.

- » FSPs would benefit from careful **segmentation of the market**. Research has provided insights into the behaviours of migrant garment sector workers, which can support the design of more appropriate and adapted service offerings. One significant opportunity in this market is facilitating digital international remittances to migrant origin countries at low cost to workers. A number of stakeholders would need to work together to make this happen.
- » FSPs would benefit from collaborating with companies in the garment sector and the sector's workers union to ensure that the concerns and desires of workers inform the design process. Whatever their experience level, workers want attractive, easy-to-use solutions that will provide them with tangible benefits.
- » Working with all other actors in the ecosystem, PSPs could develop the necessary rules, process protocols and pricing structures to build on existing technical interoperability and create functional interoperability across e-wallets, agent and merchant networks.

RECOMMENDATION



Create conditions for merchants and others within the ecosystem to adopt digital payments

MARKET INSIGHTS:

Keep funds digital by targeting merchant payments to increase adoption by Jordanian workers.

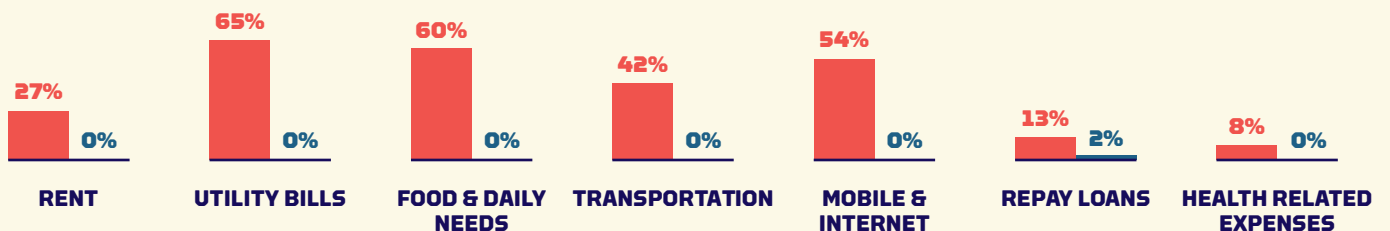
- All workers surveyed indicated that they pay their expenses in cash rather than using a digital payment method.
- Workers interviewed in factories that were making the transition to digital payments raised doubts that they would be able to use their e-wallets to make purchases in the industrial zone.
- Of the 94 respondents who provided information about their saving habits, 79 percent indicated that they keep their savings in cash, 'in a safe place'. A minority of migrants send their savings home, while a minority of Jordanian workers take savings to the bank or store them in an e-wallet.
- Of the respondents who have needed loans, 61 percent have received them from family and friends. The remaining 39 percent received loans from the factory. Family loans are generally cash transactions. Factory loans are cashed out if they are not initially paid in cash.

If workers were certain that they could use their e-wallets widely at no additional cost, some would make more use of them for day-to-day purchases.

FIGURE 9:
Jordanian worker spending patterns

SPENDING SUMMARY - JORDANIANS (n=48)

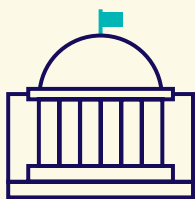
■ = Pay in cash
■ = Pay in bank account



ENGAGEMENT NEEDED FROM:



**Financial service
providers**



**Government
bodies**

One of the key weaknesses in the current ecosystem is that workers have very few opportunities to use their e-wallets to pay for goods and services in Jordan. Jordanians are most likely to use wages to pay for rent and utilities, food and transport (Figure 9). Without a critical mass of merchants, who accept digital payments, e-wallets are of limited utility to workers. This only reinforces the current tendency to cash out. To overcome this challenge, FSPs can work in collaboration with government to overcome foundational barriers (such as paperwork and licences) to accepting cash payments. They can also develop the right conditions and initiatives to encourage the widest range of providers to accept all forms of digital payments, including providers of food, small consumer goods, transport, and mobile and internet connectivity. Specific recommendations include:

- » Provide help to overcome negative perceptions among merchants about accepting digital payments, including worries about data protection vulnerabilities and tax implications. The government will have a critical role to play in this.
- » Work with PSPs to come to an agreement on commercial terms that will allow interoperable transactions. The CBJ will have a critical role here.
- » Create awareness campaigns directed at merchants and providers of goods and services about the benefits of accepting digital payments. This will help increase the use of e-wallets, particularly in the case of Jordanian workers.
- » Support merchants and others as they set up necessary systems to accept digital payments and help them invest early. One example: support merchants in rural areas working to get their papers submitted to the Ministry of Information and Communications Technology (MoICT).
- » Provide capacity-building to merchants and others to help them effectively manage digital payments and make the most out of these innovations for their businesses.

As the market becomes more sophisticated, service providers will increasingly offer more differentiated solutions based on the needs of merchants, to address key pain points based on an understanding of the whole customer journey. With time, data collected from digital payments will become the most valuable commodity, which will allow the reduction or elimination of fees charged to merchants and end users.

RECOMMENDATION



Build a sustainable business model that appeals to workers

MARKET INSIGHTS:

Disbursing wages in cash incurs a number of costs.

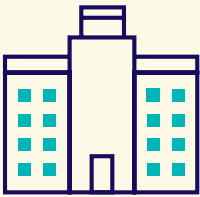
- The main costs of cash are the administrative price of disbursing cash wages, the cost of transporting cash and corresponding insurance, and opportunity costs as a result of workers leaving the production line to collect their wages.
- Across the three companies interviewed, which represent 12 percent of the garment industry in Jordan, the average monthly cost of disbursing wages in cash was 1.062 JD (US\$1,427) per factory. This is equivalent to the wages of 4.4 workers per month or, the value of 2,508 long sleeved shirts.
- Among the three companies studied that pay wages digitally, administrative staff saved 66 percent of the time spent disbursing cash wages to bank accounts and saved 70 percent when disbursed to e-wallets.
- All three companies also saved approximately 308 JD per month by reducing costs for cash for transport, security and insurance of cash.
- Companies interviewed identified other intangible benefits of digital wages, including greater transparency and better governance, as well as more security and less risk of loss or theft.

The increased functionality of a mature Digital 2.0 financial services market will be more cost-effective for companies and more attractive for workers.

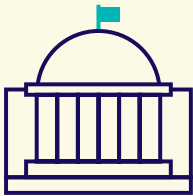
ENGAGEMENT NEEDED FROM:



**Companies
(primary)**



**Financial service
providers
(secondary)**



**Government
bodies
(secondary)**

Many companies have positive attitudes about wage digitization, but often have difficulty understanding the medium- and long-term business case for the transition. To gain the long-term benefits of digital wages, companies must factor in upfront investment and recurrent costs. In the short term, the overall cost to the factory may increase, to hire mobile ATMs or install an ATM in the factory. Longer-term benefits begin to accrue as the ecosystem develops, transaction fees fall, and workers use bank transfers and e-wallets rather than relying on cash for all transactions.

- » **To find internal resources to allocate for the transition to digital solutions,** companies can look carefully at all hidden direct and indirect costs that accrue when workers are paid in cash.
- » It is important for management to **articulate and measure the benefits of digital payments, both tangible and intangible, immediate and longer-term.**
- » **Selecting the most suitable financial service provider will be a critical driver of success for garment companies.** This means having a clear idea of what is needed and being able to articulate these needs as part of a request for proposals (RFP). A proper RFP process allows the company to gather information, define requirements and receive competitive offers from bidding FSPs. The RFP process allows the company to negotiate a good deal from the selected FSP, ensuring that the FSP will support the factory during the transition process. Companies can then build a business model that allows for the optimum pricing mechanism, minimizing the potential cost of the transition to the worker. (The average cost per transaction for workers is still relatively high, with workers surveyed citing average figures of 2–3 JD per e-wallet transaction).
- » When exploring options for a digital payment solution, companies should avoid passing on banking costs to workers. Hidden costs, for balance enquiries in particular, should be avoided. Research has shown that waiving the fee on balance enquiries builds user confidence in their account and makes users more likely to use accounts to store money and save. Workers should also be granted a number of free withdrawals per month.
- » Building the right business model will require collaboration across companies, FSPs and government. JGATE could support this process, working with companies to explore the best business model and in negotiating terms with FSPs.

RECOMMENDATION



Manage the change process responsibly

MARKET INSIGHTS:

To drive change, factory management needs to be supported by garment companies, in collaboration with selected FSPs, workers and the trade union.

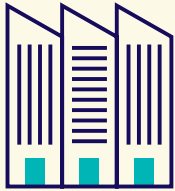
- Jordanian factory managers interviewed acknowledged the importance of securing worker buy-in prior to introducing changes, and supporting workers throughout the transition process.
- Many workers interviewed are not familiar with digital money, making them hesitant to change from cash which feels more secure. However, those that have tried digital payments are extremely satisfied. Creating familiarity is an essential part of the transition process.
- Some workers share their bank or card details with others to receive help managing their transactions. This leaves them vulnerable to potential fraud.
- Workers interviewed indicated that if they witness a small group in the factory successfully using DFS, they will be more likely to adopt digital services themselves.

Sustained, appropriate capacity-building and awareness-raising among workers is necessary for a smooth transition to digital.

Although garment companies are the clear leaders of the transition to digital wages, they will be most successful when they work in collaboration with key actors in the ecosystem.

- » Companies can prepare for change by **raising worker awareness** of the benefits of wage digitization and the advantages of digital payments, while **engaging in a dialogue** with Jordanian and migrant workers to understand how best to get their buy-in. It is important for companies to be transparent about their intentions, time the transition well and consider the transition's impact on workers. It is also crucial to address misconceptions or fears about who has access to bank accounts opened by management on behalf of workers, which can greatly affect trust. FSPs can provide technical support, while trade unions can help allay potential hesitation and fear. Better Work Jordan can play a key role in this process, given their strong understanding of worker needs and their role in working with factories on positive practices for efficiency and impact.

ENGAGEMENT NEEDED FROM:



Companies



**Financial service
providers**



**Workers'
representative**

- » The most effective way for companies to build enthusiasm for a transition to digital among workers is to present realistic role models, both Jordanian and migrant workers. The successful adoption of digital wages by their peers can be a significant encouragement for other workers to follow suit. Training during the transition period will help workers have a positive experience. Negative experiences of transition can have a long-lasting negative impact on worker perception, leaving workers with the idea that e-wallets, apps and ATMs are complex and not user-friendly. These experiences not only influence the opinion of those directly affected, but also colleagues they may tell. Therefore, it is critical to **address negative stories and myths** that may circulate among workers. Better Work Jordan, along with national partners such as the trade union and HR staff in the factories, can support companies by providing effective support in capacity-building among the workforce.
- » To maximize the chances of success, companies should ensure that they have the **necessary skills to manage this transition** before starting on the journey. The transition will impact not only garment workers, but also the processes of administration. Management can identify potential pitfalls in advance through training all staff involved, and budgeting enough time for testing before large-scale deployment. Identifying champions among workers can also provide powerful advocates for the rest of the workforce to follow.
- » Finally, **implementing a financial and digital literacy campaign for workers**, in partnership with other providers, can help workers develop the skills needed to make effective use of the digital channel for wages and payments. This training can include formal workshop sessions, or one-to-one assistance and coaching around pay-day. Better Work Jordan could also play a supporting role.

Experience in Bangladesh confirms the importance of awareness-raising and capacity-building.

In Bangladesh, awareness-raising prior to the transition to digital took the form of a detailed poster and training. This helped reduce anxiety, prepared workers, and helped them deal with digital payments better and more securely. Feedback from workers highlighted that the impact of the training could be improved by delivering it in smaller groups, using video and practical demonstrations and having multiple sessions rather than just one. Workers also indicated that was important for training to tackle any prevailing rumors and myths head-on. Some evidence showed that women exhibited greater preference for multiple sessions and were less likely to be able to use the e-wallet without assistance after limited training. Given the large number of women working in the garment industry in Jordan, this is a significant factor.

RECOMMENDATION

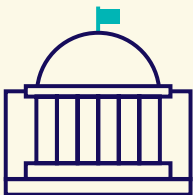
5

Create conditions for a more robust market for e-wallets

MARKET INSIGHTS:

- Currently, person-to-person transactions between e-wallets from different providers is possible, using Jordan Mobile Payment (JoMoPay), operated by the Jordan Payments and Clearing Corporation (JoPACC) and overseen by the Central Bank of Jordan (CBJ).
- Interoperability at the agent level is still not available in Jordan. Although technically the system is ready to accommodate payments involving the agent networks of different PSPs, there is no clear agreement between ecosystem actors on the commercial elements (e.g. establishing the processes involved, fixing pricing, etc.)
- Current legislation allows each individual only two e-wallets. But seven PSPs currently serve the Jordan market, with two more PSPs set to join in 2021, and banks are increasingly being encouraged to connect to JoMoPay and issue e-wallets linked to bank accounts. Limiting the number of e-wallets per person may impede free market dynamics that would allow an individual to choose to sign up for multiple e-wallet offers.

ENGAGEMENT NEEDED FROM:



**Government bodies
and regulators
(Central Bank
of Jordan)**

- » Current regulation limiting individuals to two e-wallets could be reviewed. Individuals would then be free to open any wallets they find interesting, and close those that no longer serve them, as is currently the case with bank accounts, cards, etc.
- » Government could also play an important part in stimulating the use of e-wallets for wage payments. Encouraging companies to adopt digital wage solutions will enable a sector-wide shift in the garment industry. Timed appropriately, with an increase in cash-out points, better liquidity and more widespread acceptance of digital payments by merchants, government encouragement can lead to stronger uptake of digital payment services among garment workers, contributing to more secure and responsible digital wages and greater financial inclusion for Jordan's workers.



RECOMMENDATION

6

Build workers' trust and adoption of digital solutions by improving liquidity at cash-out points and increasing network density

MARKET INSIGHTS:

Garment workers' habit of managing their finances in cash leads to liquidity crunches at ATMs or cash-out points, and long queues at peak times.

- 90 percent of workers surveyed who receive digital wages were very satisfied with the method. Not a single respondent registered dissatisfaction. However, 100 percent of workers receiving digital wages cashed out their wages. The majority cashed out immediately, in response to anticipated difficulties with accessing their cash.¹³
- When transitioning to digital wages, the main difficulties companies encountered occurred on pay day when workers attempted to convert their wages into cash, resulting in long queues at ATMs and agents' offices. Other difficulties arose from workers' initial unfamiliarity with both the technology and the cashing-out process.¹⁴
- Some workers interviewed indicated that they were unable to withdraw all of their wages. This occurred, because ATM machines did not contain denominations small enough to cash them out. These sums of money were significant to workers, and they wanted immediate access to the entire balance in their accounts.

Building workers confidence in their ability to access their funds digitally or in cash where and when they want is a combination of: (1) improved liquidity to deal with peak demand (2) denser and more easily accessible network of agents and ATMs and (3) increased merchant acceptance.

ENGAGEMENT NEEDED FROM:



Financial service providers

Because workers experience long queues on payday they sometimes have to return on a second or third day to cash out. This fuels the rush to be first to cash out as soon as wages are credited to workers' accounts and e-wallets. If workers could be sure that they could access their funds quickly, at any time, this rush would abate.

- » Ensuring that cash points have **sufficient liquidity and can dispense small denominations will build workers' trust and adoption of digital solutions.**
- » If financial service providers develop a **network of cash points** that is dense enough to serve the needs of workers, workers will also have more opportunity to make transactions digitally from the account or e-wallet while the market matures.
- » Workers may need financial advice from agents on payday, which could encourage workers to store money in accounts, and create confidence for using other services, benefitting FSPs in the long term.

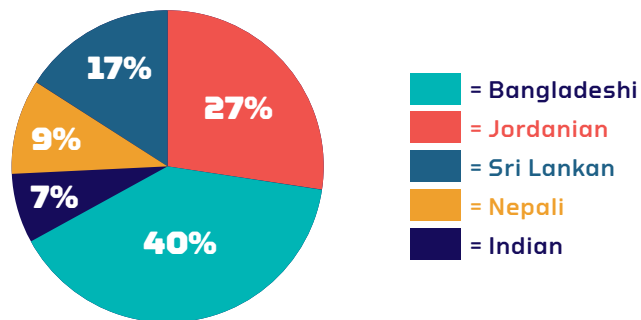
ANNEXES



Understanding the Digital Payments Journey for Jordanian and migrant workers in the garment sector, to design responsible solutions

From our survey, two user groups with distinct preferences and needs were identified: Jordanian workers and migrant workers, primarily from Bangladesh, India, Nepal and Sri Lanka.

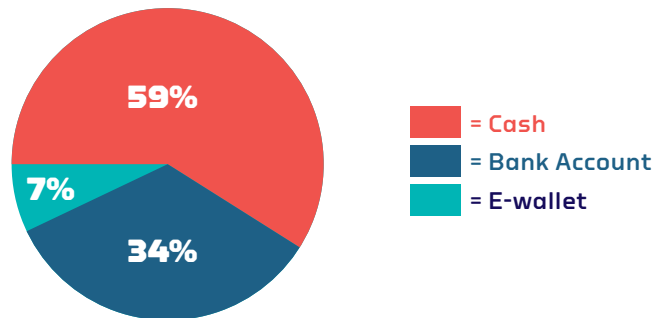
FIGURE 10:
Breakdown of workers surveyed by nationality



In this brief we document the user journey of each user group to identify specific considerations for the design of appropriate digital services in order to enhance uptake and sustained usage.

The user journey for all workers begins when they obtain their wages. Although the majority of the workers surveyed were paid in cash, over 40 percent are being paid through digital means, including bank transfers and e-wallets. The trend toward digital payments is likely to grow in factories because of the efficiencies and transparency of digital wages and in response to COVID.

FIGURE 11:
How workers are paid

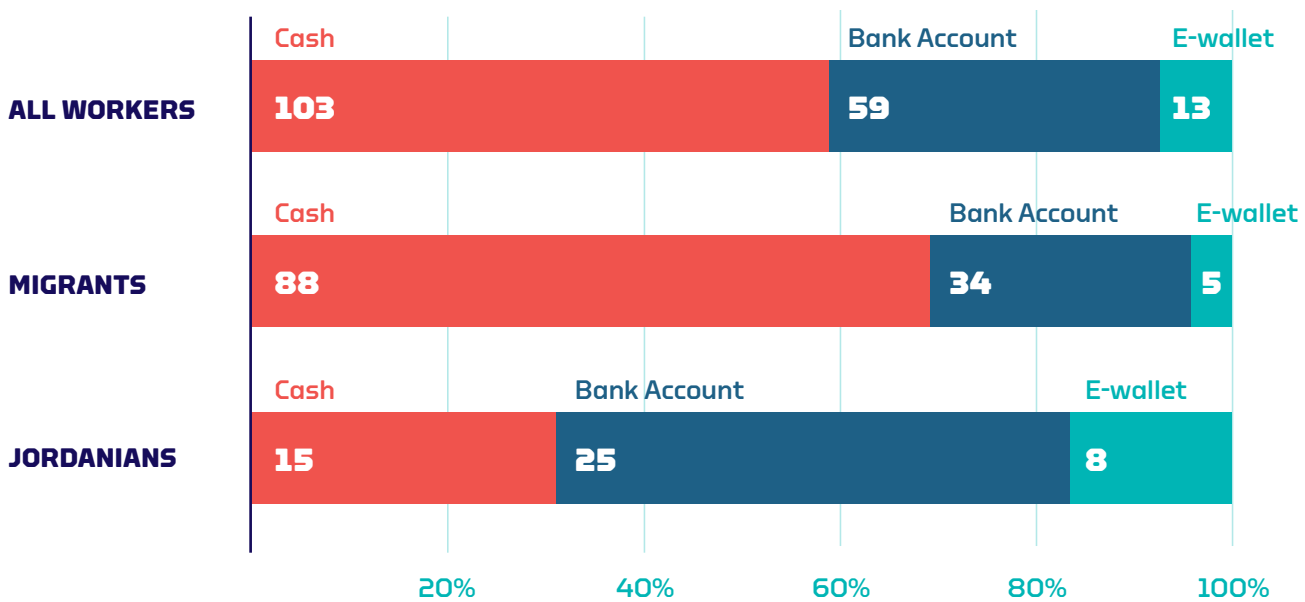


Migrant workers surveyed were twice as likely to be paid in cash than by a digital method. This appears to correlate with a higher proportion of Jordanians in the sample having a Jordanian bank account that enabled digital payments. In addition, male migrants may be more likely to have a Jordanian bank account than women. Ensuring migrant women have access to a Jordanian bank account or other financial services is a critical step for digital financial inclusion and participation.

For migrants workers choosing financial products, interoperability with payment service providers in their home countries, where they send remittances, was a significant concern.

Language could also present a barrier to usage, with fewer than one in ten migrant workers speaking Arabic and only 6 percent speaking English. Less than 0.5 percent of migrants surveyed could read or write in one of these languages. It would be helpful to have options in their own languages for e-wallet and bank applications, ATM instructions, and mobile/bank agents.

FIGURE 12:
Breakdown of wage payment method by nationality

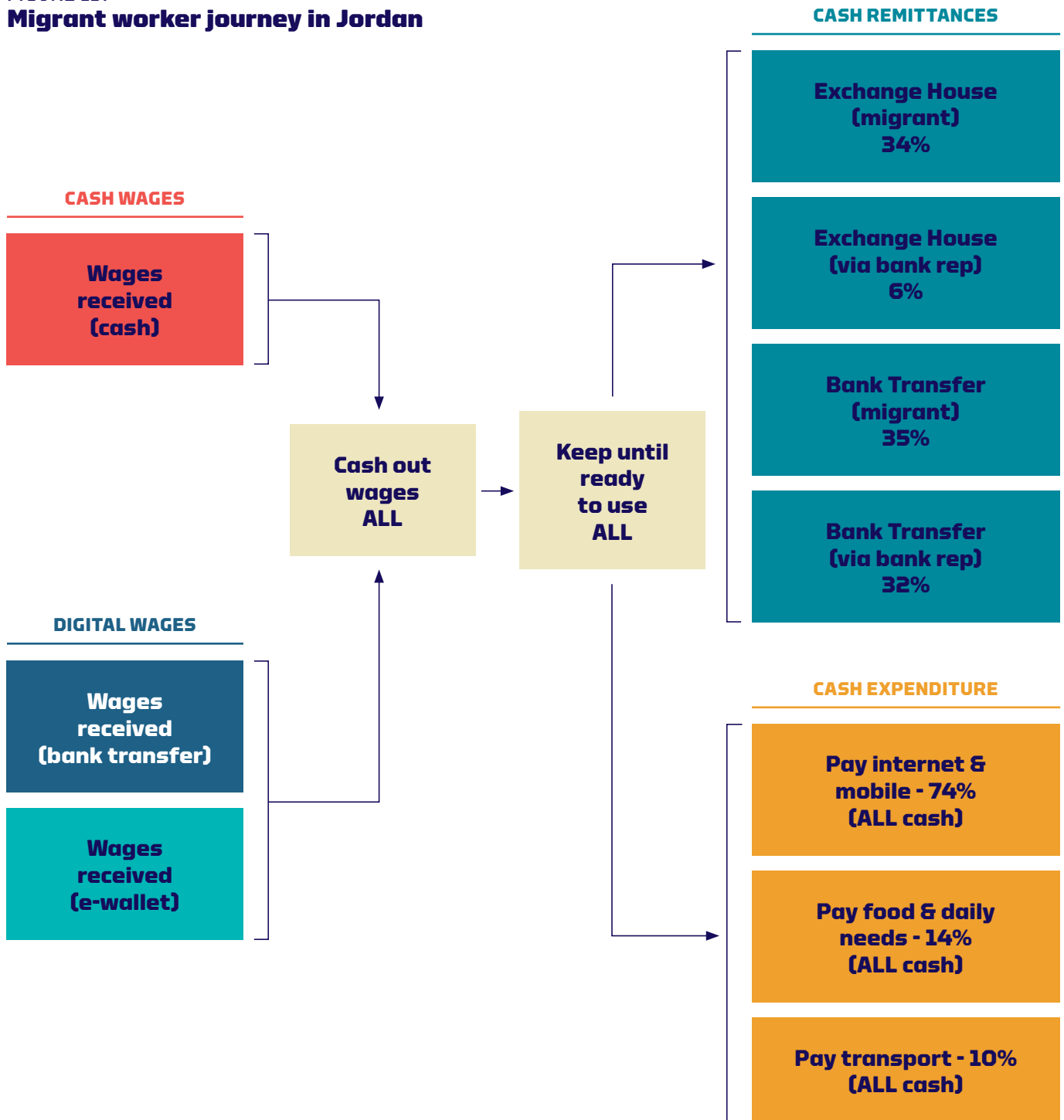


Once they have cashed their wages, the user journeys of migrant and Jordanian workers begin to diverge.

THE MIGRANT WORKER JOURNEY

Figure 13 provides an overview of the behavior of migrant workers surveyed: 127 workers, representing 73 percent of the total sample.

FIGURE 13:
Migrant worker journey in Jordan



For expenditures, the percentage indicates the proportion of the sample that has this expense.

All migrant workers that were paid their wages digitally, cashed them out as soon as practicable.

Migrant workers surveyed had minimal expenses locally. They did not pay rent or utility bills and their expenses for food and transportation were very low, since their employer provides them with accommodation, as well as meals and transport to and from the factory. They did not have expenditures related to health, because they are insured through their employer. Any purchases they did make, such as internet, mobile, food and transport, were paid for in cash.

Those who reported saving tend to save informally (79 percent), keeping the cash in a safe place. Only a minority (14 percent) sent their savings home.

A critical part of the worker journey for migrants is the ability to send their wages back home. The majority remit over two thirds of what they receive. Bank transfer, used by two thirds of respondents, was the most popular method for sending money abroad. The remaining third transferred money via Exchange Houses. More than half of migrant workers did not send money every month but tended to wait for two to three months. 80 percent of those surveyed said that they pool their money in order to send bulk remittances home at least some of the time.

Box 1 supplements these insights with the experience of one migrant worker from Nepal.¹⁵

BOX 1:

Worker experience: Ghita Bardewa

Ghita Bardewa is a young woman from Nepal, educated to primary level. She is currently working in a garment factory in Jordan. She owns a smartphone.

Ghita's wages are paid into her Ghada e-wallet. She was originally given a choice between a bank account and an e-wallet and chose the latter, largely because her family back home does not have a bank account. Despite her limited experience with this payment method, she has found it easy to use and is satisfied, although she converts her wages into cash because she prefers to keep the money on her.

Ghita pays for any small purchases she makes in cash, and is content to continue doing so, because she does not have experience in using her e-wallet card. She is also aware that most local markets around the factory are not currently prepared to accept payment through e-wallets, so for the time being she is not interested in changing her habits, even if she were offered special deals and discounts.

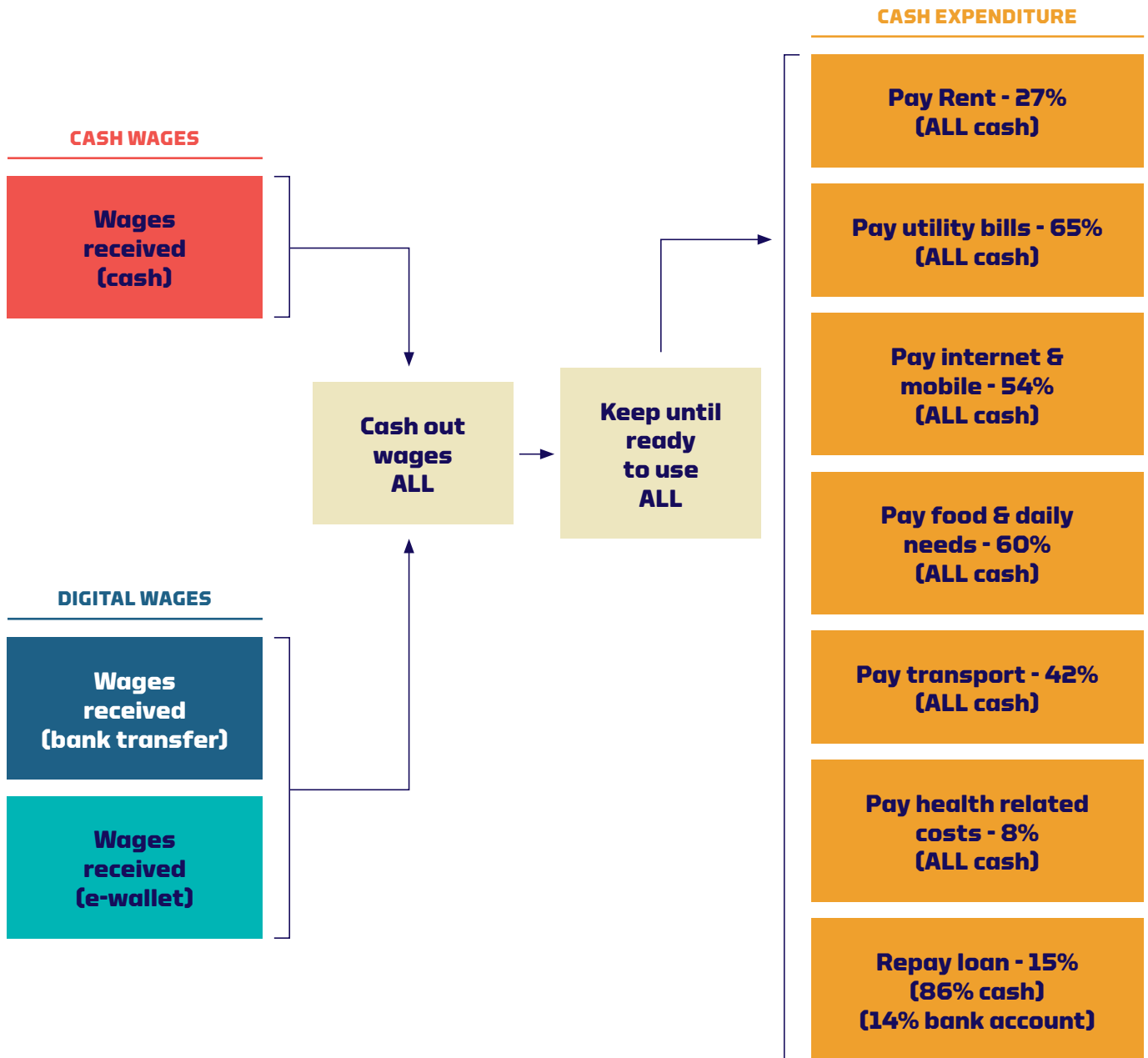
To send remittances home, she takes cash she has previously withdrawn to an agent. She keeps her savings in cash, because it is important to her to have immediate access to cash whenever she needs it.

Ghita is a relatively new user with only three months experience of receiving digital wages through her e-wallet. With additional training, she would be interested in using the e-wallet to save money and to send remittances home.

THE JORDANIAN WORKER JOURNEY

Figure 14 provides an overview of the behavior of the Jordanian workers surveyed: 48 workers, representing 27 percent of the total sample.

FIGURE 14:
The Jordanian worker journey



For expenditures, the percentage indicates the proportion of the sample that has this expense.

With the exception of loan repayments, ALL expenses are paid in cash.

More than twice as many Jordanian workers surveyed were paid digitally, compared to those paid in cash. But all workers paid digitally cashed out quickly.

Jordanian workers tended to have a much wider range of expenditures than migrant workers, although there was significant variation among the sample depending on personal circumstances. Just over a quarter of Jordanian workers were responsible for paying rent and two thirds paid utility bills. Other main areas of expenditure were food and daily needs, mobile and internet connection and transportation. A small minority paid health-related expenses. Despite the differences in spending patterns from migrant workers, all Jordanian workers also indicated that they use cash exclusively for payments.

15 percent of Jordanian workers surveyed indicated that they were repaying loans, principally obtained from friends and family or from the factory. With the exception of one respondent who was repaying a loan via bank transfer, the respondents made their loan repayments in cash.

Only 7 Jordanian workers disclosed their savings habits. They save using both cash and digital methods.

Box 2 supplements these insights with the experience of one female Jordanian garment worker.

BOX 2:

Worker experience: Batoul Hussain

Batoul Hussain is a young Jordanian woman with a college education, currently working in a garment factory in Jordan. She owns a smartphone.

Batoul receives her wages via bank transfer. She has been paid through the Jordanian Kuwaiti Bank for over two years. She finds this method of payment both much more convenient and safer than cash. There have been no problems receiving her wages during the pandemic as they continue to be paid into her bank account and she then withdraws her money from the ATM without the need for any human contact.

Batoul has recently started to use “eFAWATEER.com” on her bank’s mobile application to pay her bills. This has been a positive experience for Batoul, who finds that paying bills this way is much easier than in person. She now plans to start paying her mobile and internet bills via the bank’s application.

Batoul does not use her Visa card to pay for any purchases, mainly because the shops near her don’t accept card payments. She would definitely be interested in using her card more often, especially if she could take advantage of special deals or discounts in this way.

At the moment, Batoul does not save any of her income, but she would keep her savings in the bank if she were to start.

Source: Worker Interviews 2020

ANNEX 2

Framework of common direct and indirect costs for paying wages

COMMON DIRECT & INDIRECT COSTS FOR PAYING WAGES

COST ASPECTS	COST CARRIED BY (as a result of each method of wages payment)		
	CASH	BANK ACCOUNT	E-WALLET
Dedicated HR to accomplish payroll every month	Factory	Factory	Factory
Productivity loss during payroll days affecting management staff and workers	Factory	-	-
Cash withdrawal fee from bank branch (bank notes + coins)	Factory	-	-
Bank transfer fee if any (from factory bank account to supplier bank account)	-	Factory	Factory
Cash transport & security (to different units)	Factory	-	-
Cash counting machines used in factory to prepare envelopes	Factory	-	-
Service fee charged by the bank to factory for wages service	-	Factory	-
Service fee charged to factory by the PSP for wages service	-	-	Factory
Secured space allocation/construction for ATM if any brought to factory	-	Depends on supplier negotiation & chosen business model by factory	Depends on supplier negotiation & chosen business model by factory
Welfare team to help in digital financial services usage	-	Factory	Factory
Monthly maintenance fee on individual bank account (if any) or e-wallet	-	Worker	-
Minimum balance on individual bank (if any) account or e-wallet	-	Worker	-
Cash out* fee from ATM	-	Depends on supplier negotiation & chosen business model by factory	Depends on supplier negotiation & chosen business model by factory
Cash out* fee from bank branch	-	Depends on supplier negotiation & chosen business model by factory	-
Cash out* fee from agent	-	-	Depends on supplier negotiation & chosen business model by factory
Card issuance fee	-	Depends on supplier negotiation & chosen business model by factory	Depends on supplier negotiation & chosen business model by factory
Smartphones purchase	-	-	Depends on supplier negotiation & chosen business model by factory
SIM cards purchase	-	-	Depends on supplier negotiation & chosen business model by factory
International remittances cost for cash or digital based (Migrant workers usually remit 75 to 90% of their salary)	Worker	Worker	Worker
Transportation to/from Exchange House for cash based international remittances	Worker	Worker	Worker

* Usually 1 cash out is negotiable. Additional cash outs fall under regular service fee

Source: Interviews with garment factory management, garment factory workers and payment service providers

Partners and methodology

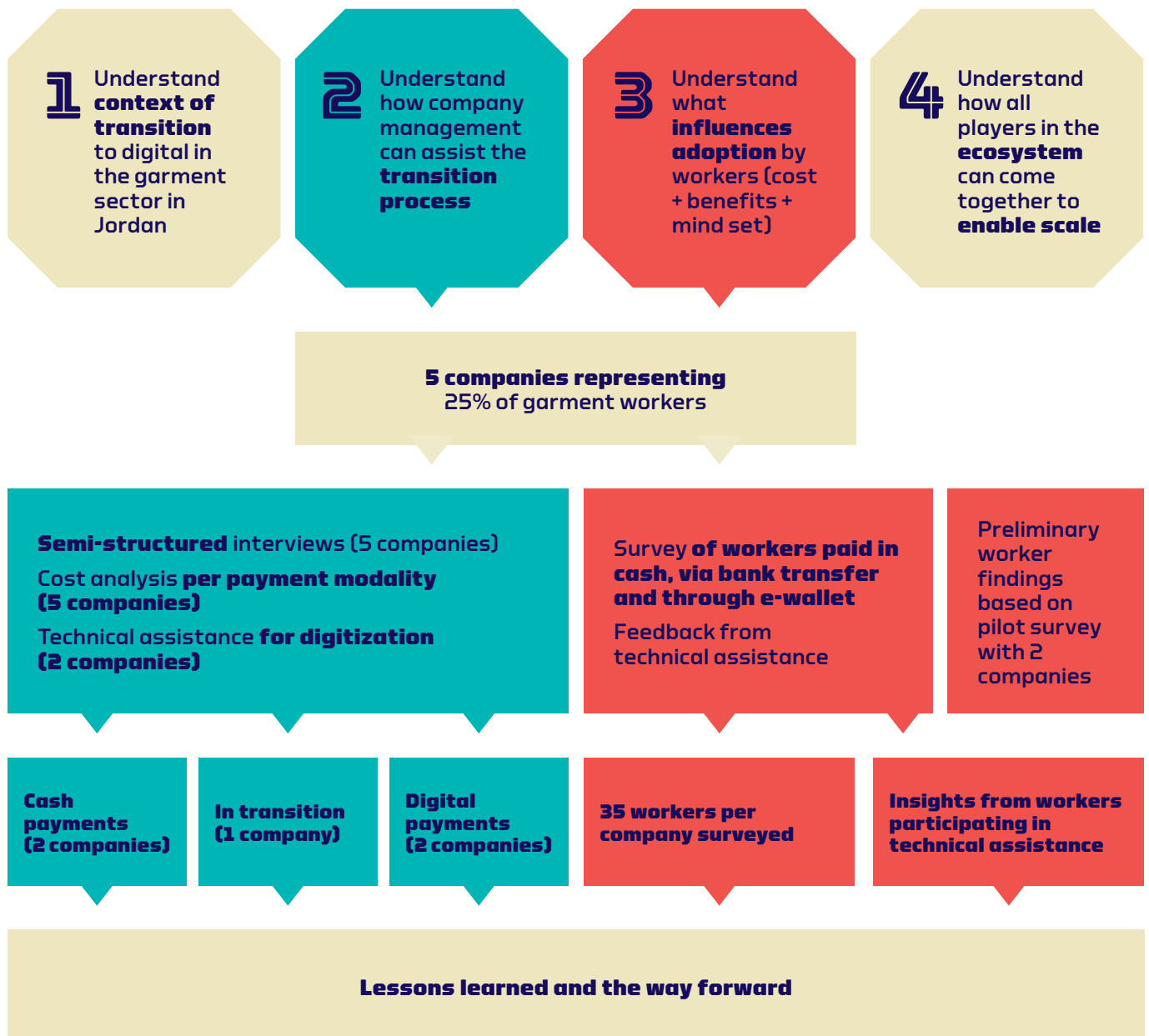
This research is the result of a collaboration between the International Labour Organization (ILO), Better Work (BW), the United Nations-based Better Than Cash Alliance and GiZ to document the acceleration of wage digitization in Jordan, while assisting two factories in their transition to digital wages for decent work during the COVID crisis.

To study the costs, benefits and factors that influence the adoption of wage digitization in the Jordanian garment industry, we began our research with:

- a review of the digital payment regulatory environment and infrastructure in Jordan;
- a stakeholder mapping exercise;
- interviews with representatives from more than 10 key stakeholder organisations in the ecosystem including the financial and garment sectors (these conversations included semi-structured interviews with senior management of 5 large garment companies, representing 25 percent of the total workers in the sector);
- interviews and focus group discussions with workers in the 2 factories that received technical assistance during the transition process; and
- a survey of 175 garment workers (73 percent female), 35 from each of the 5 factories that participated in the research.

In addition, we conducted an analysis of the cost of paying workers digitally for each factory, segmented by the mode of payment. We also engaged and consulted government stakeholders to ensure integration of feedback and perspective.

FIGURE 15:
Methodology: Driving Digital Wage Payments in the Garment Sector in Jordan



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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

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