

GARMENT WORKER DIARIES



MFO

microfinance
opportunities

Garment Workers
Experience with Wage
Digitization in Bangladesh

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EXECUTIVE SUMMARY

Microfinance Opportunities, in collaboration with the Social Performance Task Force, conducted research to understand the experiences of garment workers in Bangladesh whose employers changed from paying them in cash to paying them digitally, either into a bank or a mobile money account. The purpose of the research is to identify ways in which an awareness raising campaign and education materials can better prepare workers for this change to digital wages.

In June and July 2019 MFO's field research team conducted 14 Focus Group Discussions in and around Dhaka with garment workers currently receiving digital payments. Discussions focused on their attitude towards the change to digital wages, their experience throughout the process, changes they experienced in money management and family dynamics, and their thoughts on how to improve the process shifting to a digital wages system.

The vast majority of participants recalled feeling nervous at the prospect of receiving digital wages. Very little information was provided at the onset, often poorly disseminated, leaving workers feeling powerless and voiceless to enter a system they did not understand but felt obligated to enter. Perhaps the most serious unintended consequence was reported by a majority of married women, who stated that digital payments made it easier for their husbands to know how much they were paid, resulting in a loss of control over their finances and, in some cases, an increase in domestic violence.

There are however reasons to feel hopeful, with many workers reported a change in their attitude over time as they adapted to the system and started enjoying advantages such as increased savings, a reduction in daily expenditure and the ability to transfer money to help each other in times of need. The problems most commonly discussed, other than the one described above, related to trouble

using ATMs (distance, long lines, no cash) as well as fees and withdrawal limits.

More can and should be done to ensure workers understand the benefits and risks of having a digital account, how this can and will affect their life and how to best prepare and make use of this change for the betterment of their finances. Taking into account the feedback and experiences shared by the workers, MFO is currently developing a poster meant to raise awareness of the benefits and challenges workers can expect, as well as advice on how to better deal with some of these. A peer-to-peer educational module to complement and enhance the impact of the poster is also under development.

INTRODUCTION

In June and July 2019 MFO's field research team conducted 14 Focus Group Discussions (FGDs) in and around Dhaka with garment workers currently receiving digital payments. The groups included 70 garment workers in total, 50 women and 20 men. Each Focus Group was comprised of four to six garment workers who were at the time receiving wages digitally; 59 of the participants were also part of MFO's Garment Worker Diaries Project (GWD) in Bangladesh, who helped recruit the remaining 11 workers that lived in the areas selected and were also receiving digital wages.

The FGDs explored the following topics:

- Garment workers' experience of the wage digitization process, including the information and training they were given

- How the experience could have been different to give workers more **choice, respect, voice, and control** over the process¹
- Understand whether wage digitization has resulted in worker empowerment in terms of money management and financial service use, again, looking at this from the point of view of choice, respect, voice, and control.
- The extent to which women and men have experienced wage digitization and its consequences differently.

KEY FINDINGS

1. Workers' Experience

The initial reaction to wage digitization was overwhelmingly negative for most participants, who reported feeling scared and nervous upon first hearing the news. The most often cited issues were related to what would happen if they lost their card, mobile or PIN; how troublesome it would now be to get cash; how they would need to learn and follow new rules and formalities; and a lack of general understanding of how the system worked.

"We want to receive our salaries in cash here. There is a risk to make a mistake and my money may go to elsewhere. It happened when we recharge our mobile talk-time. What happened if I forget my PIN number?"

Very few participants saw it as a positive step from the start, but the ones that did felt very happy about the possibility of learning something new.

"I was happy to know the news first because I had no idea about the digital wage payment system before. I was brought up in the rural village. I thought I could learn new things through this new system."

¹ Choice, respect, voice, and control are four dimensions of customer empowerment developed by CGAP. See

"I also thought that I can read and write as I studied up to class ten. So, I was curious and happy to hear all these information"

The main reasons behind the widespread anxiety can be traced back to (a) the kind of information given (or lack of thereof) and, (b) the manner in which it was disseminated. Most workers first heard the news on a general announcement through loudspeakers or through general meetings held on each factory floor. The vast majority of participants felt they were not given enough information and had no one they trusted or were comfortable with to ask questions or relay concerns, especially women. They were given no choice and reported feeling powerless and voiceless. Though in some cases the change was implemented gradually giving workers time and training to adapt, many participants reported the change was very sudden, with very little time for training or to understand the new system.

"We had many questions in our minds but we could not express them all. We knew that we can talk but it is not always respected. This is also true that I may be terminated from my job if I say so many questions. As a consequence, many workers were refrained from saying their questions. I can raise my questions if other workers do the same. The factory authority gives value if most workers jointly shouted"

Training was mostly focused on teaching workers how to withdraw money and the importance of keeping their PIN and debit cards safe. Overall, the general understanding among the groups was that the change was meant to be safer for both the factory and the workers to avoid robberies but that it would mainly benefit factories as there would no longer be a need to stop production during the distribution of cash during payday.

https://www.cgap.org/sites/default/files/Perspective-Customer-Empowerment-in-Finance-Aug-2017_0.pdf

"Why the company is changing the wage payment? To reply our question, the management said, the company loses a lot of time, need additional staff to give salaries and there is a high risk for carrying all the cash at the factory premises".. Another respondent continued: "So, the company has been spoiling our times now. For company's benefit, it gave us bank accounts."

2. Changes Experienced

Feeling towards wage digitization evolved as the participants got used to the new system. Many became more comfortable as they started noticing some of the advantages, particularly single/independent women and men. An important number of workers, however, continued to prefer cash payments mainly due to (a) access to and/or problems with ATM machines, (b) withdrawal limits and fees, and, for married women, (c) having issues with their spouse (see more below).

THE MOST COMMONLY CITED ADVANTAGES:

- ↑ Safer than carrying cash
- ↑ A reduction in unnecessary daily expenditure
- ↑ Good for savings
- ↑ Ability to transfer money to friends and family, particularly in times of need or emergencies

"In our village, once my brother had problem. I sent 200 taka at late night. I felt proud of myself that I did it even at midnight. They need this money urgently because there were in troubles. I delighted after doing this transfer"

Another important advantage cited, though not nearly as often as the ones listed above, was related to factory accountability and increased transparency over the salary paid.

THE MOST COMMONLY CITED DISADVANTAGES:

- ↓ Long lines, network disruption and other issues related to ATMs such as distance, insufficient cash, fake notes and power cuts; which for some means resorting to outside loans at high rates to cover immediate needs
- ↓ Extra costs on transportation or help to get to or when at the ATM (many workers pay Tk. 10-20 to the security guard for help)
- ↓ Withdrawal limits and fees associated with their accounts

Notably, there's an important issue that plagues married women specifically, which is the loss of privacy and pocket money. The vast majority of married women who participated in the FGDs stated that they did not like the new system as it exposes their salary to their husbands who now have complete control over their finances. In the cash system, married women would keep part of their salary (Tk. 500 to 2000 referred to as "pocket money"), for their own expenses or to help their children or other family members, while giving the rest to their husbands. With the current system, workers now get a text message on their mobile phones detailing their salary, which is then visible to their husbands due to (a) both sharing the same mobile or having one mobile per household (the husband's), (b) husbands demanding to see the text message, or (c) husbands going with their wives to withdraw their salary. This has led to a loss of control over their finances among married women and a reported increase in domestic violence and marital problems.

"Both our factory management and the bank officials did not tell us on risks and problems. The bank sends an SMS to the mobile number they have in each account, as soon as their payout money is deposited. Tensions, disputes and violence have now escalated in

the family as the amount of the salary was handed over to the spouses (husbands)”

In response some factories have accommodated special requests for certain women, such as allowing them to inform the factory prior to sending the text how much they would like to keep to deduct that amount from the amount they will receive in their text, or receiving part of the salary (such as overtime, for example) in cash. This option is not available in all factories though and husbands are well aware of this practice.

3. Changes in Money Management Practices

There was no general consensus on whether digital wages had changed money management practices. Many reported no changes—they withdraw all their earnings and every taka earned is needed to meet their expenses. Others, particularly married women, believed it changed for the worse. However, a good number of respondents reported important changes such as increased savings or a reduction on the need to take outside loans thanks to the ability to transfer money.

“We frequently recharge our mobiles from our accounts. We can help each other in the new process. But we don’t take or give loans to anybody”

Very few respondents mentioned additional financial services, one mentioned having access to a loan and another mentioned a pension account. While many agreed it made it easier to monitor their pay, very few saw this as a significant improvement.

4. Recommendations for How to Educate Workers About Wage Digitization

“The management gave us very little information. And only gave information when we asked for explanation. They told us, how to keep PIN number safe. How to withdraw cash from bKash account. Very little”

Overall, workers want more information, given with more time in advance and more properly disseminated. They expressed an interest in knowing about the benefits and risks associated with digital accounts as well as the fees and costs of having one, the availability of loans or other financial services, and information on what to expect and how to address any issue that may arise.

“This would be very good if the owners make us known, how this new system works, the benefits, problems/risks, way of solving those problems. We have had fear. The owner has responsibility to remove our fears”

They ask for an opportunity to be heard and to have their questions and opinions addressed. They want factories to take into account their feedback and make sure everyone has at least a general understanding of the new system. They want workers trained so they can help other workers and, importantly, they want gradual implementation.

WHAT TO DO MOVING FORWARD

It is abundantly clear that the initial anxiety about wage digitization, as well as how to cope with some of the most cited disadvantages, can be lessened by making sure that garment workers are given ample time to learn about and become comfortable with the idea of digital wage payments before a factory implements a change to the digital payment of wages. Workers tend to be confused by the technology and fear their access to cash will be curtailed. They should be given the opportunity to learn about what digital payments are and what the benefits and risks associated with it are in advance, to

be prepared for the change if and when it comes and know what questions to ask when given the chance.

With this in mind and taking into account the workers' feedback and experiences described above, MFO is in the process of developing a poster and educational video meant to raise awareness on wage digitization. The poster will be placed within building blocks in and around areas with heavy concentrations of garment workers starting where current GWD respondents reside. The video will be made available online and will be used in peer-to-peer training sessions that are also under development. Both the poster and video will be heavily illustrated covering three main topics: what benefits to expect, what challenges to prepare for and a few tips on how to deal with or manage these issues.

While significant, it is important to acknowledge that these and similar types of initiatives do not sufficiently address all the shortcomings described by the workers. Importantly, these do nothing to address the increased violence and loss of control over their finances plaguing married women that have deep rooted cultural, gender and power dynamics at its core. These initiatives are meant to give workers a head start, get them better prepared to face the changes and challenges that will come with wage digitization.

More can certainly be done at the factory level. The implementation of a change to the digital payment of wages needs to consider the experience, background and education of workers. It is not just a matter of providing more training or information. Timing, trust in who delivers the training and information, and how it is delivered are all important considerations. Gradual implementation, peer-to-peer training, information designed specifically for the type of digital payment and a service provider selected by the factory are all basic steps that factories should be able to follow. Lastly, more engagement with the workers throughout the process should be encouraged. The change to digital payment of wages is mandatory

for workers—they have no choice. Often it is mandatory for the factory as well. Workers have no choice with respect to how they will get paid. Nevertheless, even within this constraint, a lot more can and should be done to ensure they are afforded an opportunity to voice their questions and concerns and (ideally) have someone they trust hear these questions and concerns and address them.