

STI Forum Side Event Summary

Advancing Decent Work through Digital Wage Payments

Co-organized by the Permanent Mission of the State of Qatar, Permanent Mission of the Republic of the Philippines and the ILO

5 May 2021

At the margins of the 6th Multi-stakeholder Forum on Science, Technology and Innovation for the Sustainable Development Goals (STI Forum), the Permanent Mission of the State of Qatar and the Republic of the Philippines and the ILO co-organized a side-event focused on “Advancing Decent Work through Digital Wage Payments”. The event showcased country-level initiatives that have helped businesses and workers transition from cash-based wages to more efficient digital payment systems.

In recent years, digital technologies have disrupted the financial system and transformed the way workers and businesses alike conduct their financial transactions, quickly embracing digital means. The COVID-19 pandemic has accelerated these digital changes, as it is a way to minimize human interactions during financial transactions. Several governments have been implementing policy and regulatory changes to encourage the transition to digital payments, including for wages and temporary wage subsidies. Yet, over 230 million workers around the world still receive their wages in cash. Cash-based wage payments are inefficient for employers and they are risky and disempowering for workers, in particular vulnerable women workers. Evidence shows that the transition from cash to digital wage payments has the potential to increase the efficiency of payroll services, the respect of labour rights and workers’ financial inclusion.

Digital Wage Payments in Qatar and the Philippines

H.E. Mr. Gil Beltran, Undersecretary for Finance of the Philippines, stated that the COVID-19 pandemic had highlighted the need to shift digital payments, in order to reduce the risk of carrying cash and to advance labour formalization. Digital payment systems were key in building resilience as economies were rebuilding from the pandemic. H.E. Alya Ahmed bin Saif Al-Thani, Permanent Representative of the State of Qatar to the United Nations, added that digitalization of wage payments was vital in detecting and remedying wage violations, particularly for migrant workers. About 96% of eligible workers in Qatar were now covered by the wage protection system. Qatar had invested in digital infrastructure, becoming a driving force for social, environmental and economic transformation.

Positive Impact on Governments, Workers and Employers

The side-event’s highlighted the numerous benefits of digital wage payments, including cost-effectiveness and security, as mentioned by Mr. Craig Churchill, Chief of the ILO’s Social Finance Programme and lead of the ILO’s Global Centre on Digital Wages for Decent Work. Digital wages supported transparency of financial transactions, thereby benefitting taxation as well as social security payments. Ms. Sharan Burrow, General Secretary, International Trade Union Confederation (ITUC), stated such transparency – when coupled with a compliance system – had the potential to deliver a guarantee against wage theft. Digital payments could also be used for social protection payments, but privacy and costs had to be addressed. Mr. Matthias Thorns, Deputy Secretary-General, International Organisation of Employers (IOE), stated that digital wage systems made it easier to show compliance, and they empowered, in particular, women to have ownership over their earnings. It also had significant productivity gains. Yet, proof of identity, bank access and a cultural shift were key elements to make digital wages a reality.

Partnering to Scale Digital Wages

There was consensus that, to scale digital wage systems, payments had to be coupled with digital infrastructure and an ecosystem of merchants and stores accepting digital payments. Such payments could significantly contribute to financial inclusion, as highlighted by Ms. Pia Bernadette Roman Tayag,

Director, Office of the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, who also emphasized the need to implement digital ID and interoperable payment systems. Cybersecurity and consumer protection frameworks were also necessary. In order to address these aspects, multi-stakeholder partnerships are needed. One such partnership was the Better Than Cash Alliance, which brings together the UN, governments and the private sector. The Alliance's Head of Private Sector Digital Payment Innovation, Ms. Marjolaine Chaintreau, added that the right ecosystem for digital wages was dependent on various digital payment solutions being jointly implemented. Bringing the perspective of a financial provider, Ms. Laura Mackenzie, Senior Vice President, Financial Inclusion, Mastercard, underscored that not only was alignment between the digital solutions and the cash-in cash-out infrastructure important, but the technologies had to be combined with digital and financial literacy, simplicity of the solutions, accessibility and equipment compatibility.

Accelerating Financial Inclusion for Women

The transitions to digital wage payments could be particularly transformative for women. Ms. Harsha Rodrigues, Chief Strategy Officer, Women's World Banking, highlighted women's disadvantages in the labour market and noted that they were typically less likely to have access to financial services. However, when women did receive payments, they were more likely to invest the funds into their families, thereby creating a positive multiplier effect. Empowerment would require their ability to spend and use digital payments, further emphasizing the need for a full digital ecosystem.

Supporting Transitions to the Formal Economy

The right financial tools, such as mobile money, could facilitate digital wage payments and serve as a financial intermediation by converting unbanked individuals' resources to full credit, as mentioned by Mr. Rishi Raithatha, Senior Advocacy Manager, Mobile Money, GSMA. In Uganda, higher mobile money balances had been positively associated with long-term increases in private sector credit. Digital wage payments and mobile money solutions could support workers in the informal sector transition into the formal economy and help them access business networks, formal banking, insurance and savings.

As the global economy recovers from the COVID-19 pandemic, digital solutions can improve wage payment systems, empower workers, support business productivity and ultimately accelerate the achievement of decent work. The ILO's Global Centre on Digital Wages for Decent Work provides an avenue for multi-stakeholder partnerships that can jointly implement such solutions and promote the adoption of responsible practices and standards to accelerate the transition to digital wage payments.

Key Messages:

- Over 230 million workers around the world still receive their wages in cash. Cash-based wage payments are inefficient for employers and they are risky and disempowering for workers, in particular vulnerable women workers.
- Transitioning to digital wage payments has the potential to increase the efficiency of payroll services, the respect of labour rights and workers' financial inclusion.
- Digitalization of wage payments is vital in detecting and remedying wage violations, particularly for migrant workers.
- In order to be effective, digital wage payments have to be coupled with digital infrastructure and an ecosystem of merchants and stores accepting digital payments.
- Public-private partnerships and multi-stakeholder collaboration is needed to scale digital wage systems globally. A comprehensive digital infrastructure requires cooperation between governments, companies, and mobile service and financial providers. Social dialogue should be the basis for implementing inclusive and sustainable digital wage systems.
- Digital payment systems can support economic recovery from the pandemic while also improving resilience.