

Wage Digitization in Egypt's Garment Sector:

Impact for Business, and for Female and
Male Workers at Lotus Garments Group



The majority of the Egyptian garment industry's 1.5 million workers, 50% of whom are female, are unbanked, and are paid in cash.¹ This presents a great risk for employers, who face theft or fraud in the transportation and distribution of cash wages. It's also inefficient, and it's disempowering for workers, especially women, who have less control over their wages when paid in cash.

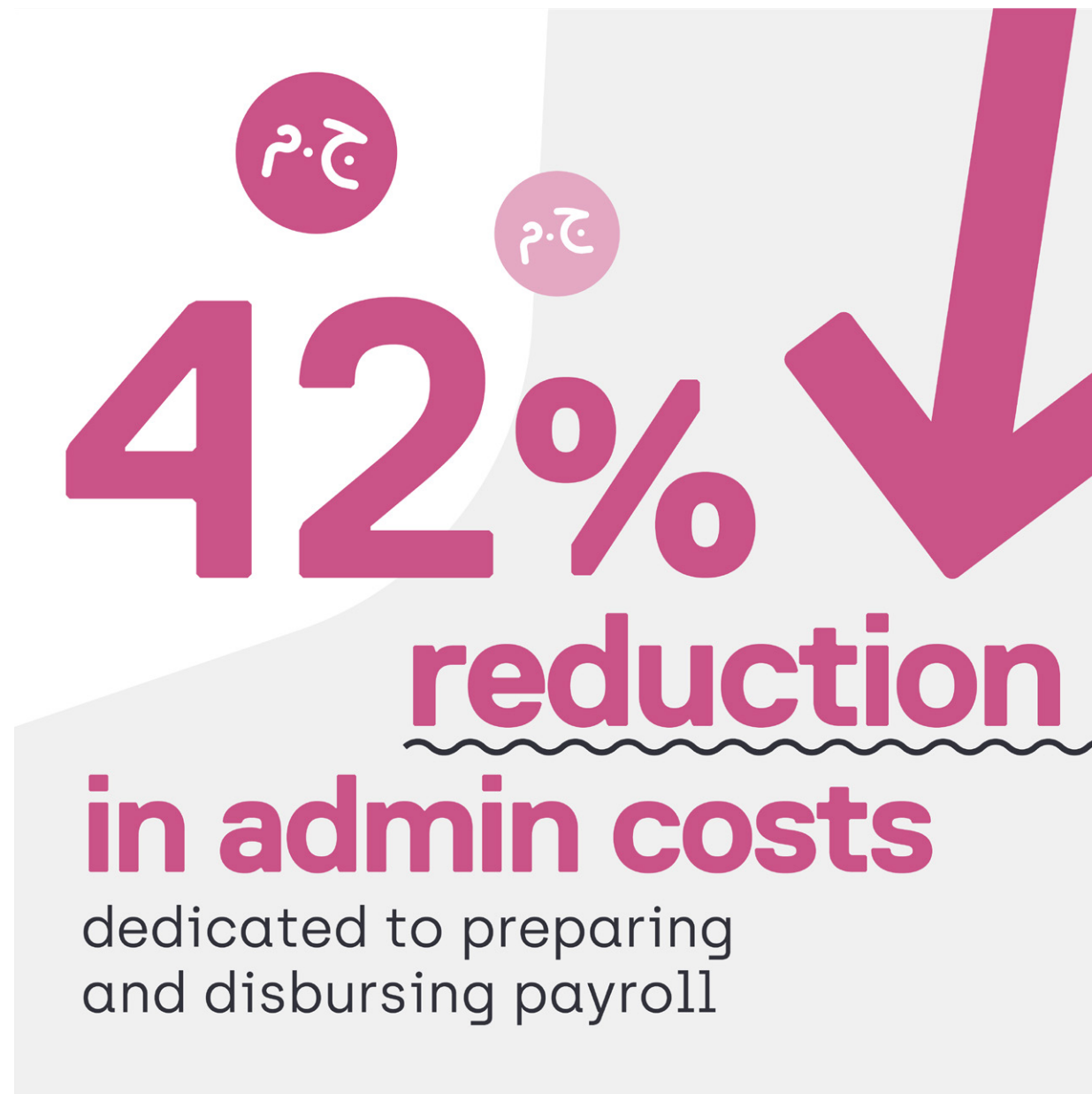
Mastercard, Levi Strauss & Co and BSR's HERproject have partnered since 2019 to pilot gender responsive wage digitization among workers at Lotus Garments Group, a clothing manufacturer in Egypt. Through the partnership, managers receive guidance and advice on planning, and digitizing their payroll while ensuring the specific needs of female workers are considered.

Building financial capability for workers, especially women, is vital part of wage digitization so they build the knowledge and confidence they need to accept, use and ultimately benefit from their new payroll accounts. Employees receive gender sensitive training including the technical aspects of how to use their new payroll accounts and associated financial services, as well as lessons on financial planning, budgeting savings and discussing finances with their families, designed to help them manage and control their money, building independence and resilience in the process.

This lead to benefits for workers and for business. By September 2021, **8,716 employees** at Lotus Garments were being paid into digital accounts, increasing payroll efficiency and reducing production time losses on payday. Workers started using a range of financial products and services, including savings, and mobile financial services. Female workers reported an improved financial resilience which helped them during the COVID-19 pandemic. There also was a ripple effect, with workers sharing learning with their families and communities.



Wage Digitization increased payroll efficiency



Managers spend approximately 4 minutes per worker to count, batch and distribute cash wages. Wage digitization reduced payroll admin costs by 42% per month. The set-up costs (to support workers to open accounts) was covered within four months²



Workers are away from the production line for around 3 minutes to receive their cash wages.³ With 8,716 workers paid into accounts, this represents a saving of around 400 hours of production time each payday

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Digital payments have become a key tool for promoting financial inclusion in Egypt. As one of the largest garment factories with a workforce of more than 10,000 employees, we took the initiative to digitize wage payments and teach our employees to use their new payroll accounts. Working in cooperation with our business partners made this transition smoother for us.

One of the barriers to digitizing payroll was the lack of opportunity for workers to cash out wages on payday. There was only one ATM near the factory. We addressed this by arranging a mobile ATM on site for payday and the following few days. Managers staggered workers' breaks to reduce demand on the ATM, and factory transport buses stopped at ATMs on the way home. The next step is to encourage workers to use more financial services, which will reduce their need to cash out on payday.

- TAMER EL-DESSOUKY, SUSTAINABILITY MANAGER,
LOTUS GARMENTS GROUP

Garment workers increased their acceptance and adoption of digital wages

By September 2021, 8,716 workers (31% female) were paid into accounts, around 83% of the workforce. For the vast majority of these workers this was their first bank account



96% of workers preferred to be paid into accounts

100% of women and 87% of men surveyed in 2021 preferred to be paid digitally up from 25% (both men and women) in 2019.³ The main reasons cited were being able to save time on financial transactions, and being able to keep savings safely



Workers' average ATM withdrawal changed from withdrawing 100% of wages on payday to making 2 withdrawals per month.⁴ This shows growing trust from workers to leave a portion of the salary in their bank account



HOWEVER, 59% of women and 44% of men reported sharing their bank card with others, including colleagues, reducing control over their accounts⁵

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In the beginning, I knew only how to withdraw money from an ATM, and I used my bank account in the same way as a cash envelope. I mean, once my salary was put on my account, I withdrew all my money. After the training sessions, I learned about the many services offered by my payroll account and other financial skills. Now I save part of my salary on my account and withdraw only the needed amount of money.

- AMAL FAHMY, GARMENT WORKER, PORT SAID, EGYPT



Garment workers increased their access to formal financial services



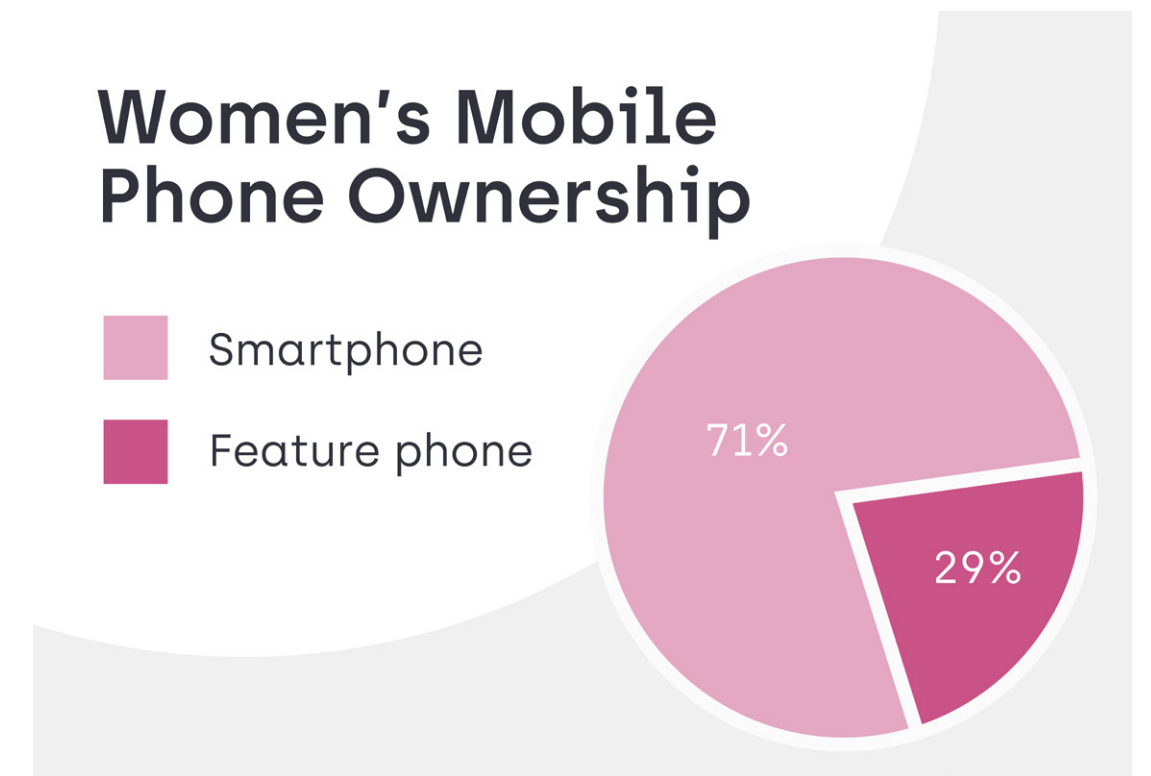
↑ Women reported an increase in opening savings accounts following participation in HERfinance from 19% in March 2019 to 45% in February 2020, however there was no change for men. Men are seen as the primary wage earner and therefore their salaries are allocated to household expenses. Women as the 'secondary' wage earner, are more likely to have their salaries allocated for saving.



↑ 36% of women surveyed in February 2020 preferred to keep savings in their bank account, compared to 15% surveyed in March 2019



↑ 80% of workers who participated in HERfinance Peer Educator training would recommend banking services to others⁷



↑ 1,200 workers opened Smart Wallets, during the program. The most popular transaction reported was paying bills online⁶

↑ In August 2021, 71% of women reported having a smart phone, and 29% a feature phone. In comparison 100% of men reported having a smart phone¹⁰

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After [HERfinance] training, I understood the benefits of using a debit card and how to use it for purchasing, and the bonus system when paying by the card. [I also learned about] smart wallet and its uses for paying bills, transferring money, and [airtime] top-up. I also leave some money in my account to save.

- ALI IBRAHIM, GARMENT WORKER, PORT SAID, EGYPT



Workers improved financial resilience which helped them manage during the first year of COVID-19

During 2019, the first year of the HERfinance program, women reported increased financial resilience following participation in training.⁸ This helped them in 2020 to manage during the COVID-19 lockdown and the temporary suspension of Lotus Garments Group operations.⁹



↑ In February 2020, 45% of women reported saving monthly up from 23% following participation in HERfinance training. There was a decrease seen for men – going from 44% to 36%. Men are considered to be the primary wage earner, and their salary is allocated to household expenses ahead of saving, whereas women are seen as the secondary wage earner and more likely to be able to save part of their salary



↑ In February 2020, 63% of female workers reported confidence about financial emergencies (up from 53%). Men's confidence remained similar going from 54% to 52%



↑ 55% of workers reported that savings skills helped them to manage during the pandemic. 35% of them said budgeting was especially relevant



↑ 73% of female workers and 83% of male workers believe having a bank during the crisis made a difference. They shared that bank accounts allow them to control and manage their wages more easily and pay their bills

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I receive my wage through an account. It is safe, useful and saves time and effort. I am using my bank account for saving too. I've been using what I learned [from HERfinance training] to follow up on my expenses and build a budget. I think this knowledge on saving and financial planning was especially useful during the COVID-19 crisis.

- MARWA, GARMENT WORKER, PORT SAID, EGYPT



Lowest paid workers: men report increased financial resilience, women remain vulnerable

The adoption rate of digital wages varied across Lotus Garments Group, with lowest paid workers needing more support to access and use payroll accounts. Therefore, in 2021 HERfinance decided to explicitly target this group which led to a deeper penetration of digital wage adoption across the workforce.¹⁰



↑ Male workers who had previously put less effort on savings, shared that the COVID-19 pandemic demonstrated the importance of saving. 60% of men reported saving most months mainly for financial emergencies for unexpected emergencies



↑ 60% of female workers reported being unable to save due to family and personal expenses, especially married women. Only 37% of female workers reported saving most months, especially for expected expenses such as medical bills and household items



↑ As a result of increased ability to save, 52% of male workers reported they were confident to manage unexpected costs, of which half said they were very confident to handle a financial emergency



↑ 39% of female workers reported they were confident to manage unexpected costs, of which two thirds said they were very confident to handle a financial emergency

Change in attitude around financial decision making

Both men and women changed their attitudes around financial decision making, including in the lowest paid worker group at Lotus Garments Group targeted in 2021¹¹:



↑ 78% of women, and 86% of men increased agreement that financial decisions should be made jointly up from 42% and 21% respectively. They identified long term financial planning as the main benefit of jointly decision making



↑ 81% of women reported making decisions about how to spend their salary following participation in HERfinance training compared to 52% in February 2021



↑ 73% of men agreed they believe that women should have equal rights to financial services, compared to 36% in February 2021. 74% of women believe that women should have equal right to access financial services, compared to 53% following participation in HERfinance

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Being paid into an account has many advantages - my money is safe because I reduce the risk of theft and loss. I also reduce unnecessary expenses. It's aligned with the current trend of digital payments, especially for government fees, university tuition, and health costs where it is mandatory to pay by card. I taught my mother how to use a card and an ATM. I convinced some of my family members to open a bank account and told them all advantages of digital services.

- JEHAN, GARMENT WORKER, PORT SAID, EGYPT

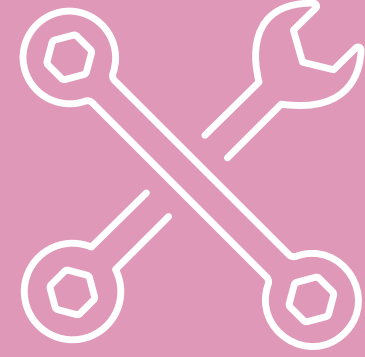


Digital Wages and Financial Capability Resources

The following resources developed with Mastercard Center For Inclusive Growth and Levi Strauss Foundation are readily available online:

HERfinance Digital Wages Toolkit for Managers

Sets out best practice and guidance for managers to transition towards digital payroll in a responsible and efficient manner. Available online in [Arabic](#) and [English](#). For offline access, can be downloaded from [Google Playstore](#).



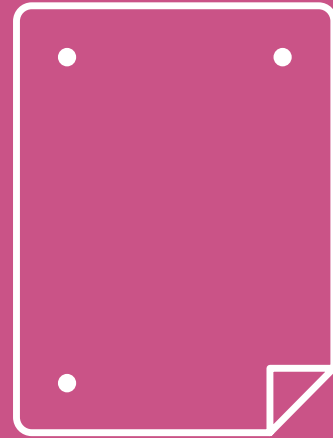
HERproject YouTube Channel

Digital Wages videos and animation, developed with QuizRR, can be used during training, or shown on their own – such as in factory canteens. Playlists are available in [Arabic](#).



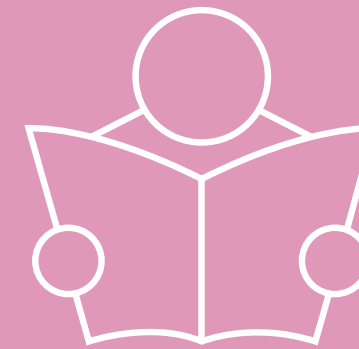
HERfinance Posters

A set of six posters with information about financial services and management. Available online in [Arabic](#).



HERfinance Tech Learning Tool for Workers

Developed in collaboration with QuizRR, uses engaging films, quizzes, and animation to support workers to increase their knowledge of financial services, improve financial health and build their digital literacy. Available online in [Arabic](#) and [English](#).



الخدمات المالية معمولة عشانك

الحساب الرقمي

مريح



تدفع فواتير



تقدر تحول فلوس



تشحن رصيد موبايلك



تحاسب بالكارت في المحلات

آمن و سهل



يمكن تدخل حسابك عن طريق موبايلك



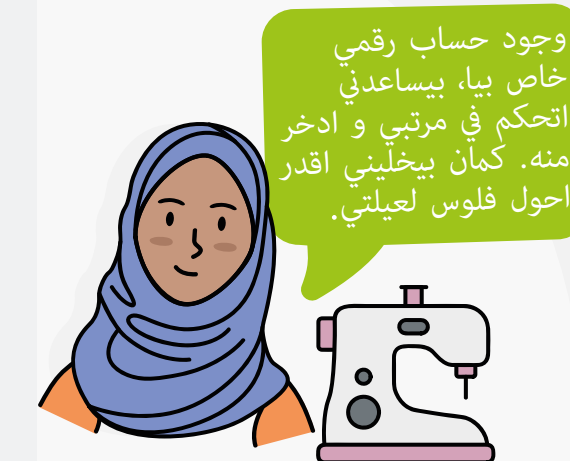
تقدر تستخدم كارت الائتمان



يمكن سحب فلوسك في اي وقت



تقدر تحافظ على فلوسك بأمان في البنك



وجود حساب رقمي خاص بيا، بيساعدني اتحكم في مرتبي و ادخر منه. كمان بيخليني اقدر احول فلوس لعيالتي.

- عن طريق حسابك، تقدر تتابع دخلك و مصاريفك كل شهر و تتحكم في فلوسك
- خليك حريص على معرفة الرسوم و حدود الحساب
- لو واجهت اي مشكلة اتصل علطول ب خدمة العملاء الخاصة بمقدم الخدمة المالية بتاعك

References

¹ World Bank Global Findex 2017 - <https://globalfindex.worldbank.org> and <https://sourcingjournal.com/topics/sourcing/egypt-apparel-industry-144897>

² The business benefit was calculated by Lotus Garments Group using the HERproject Business Benefit Analysis tool

³ HERproject conducted 204 worker surveys; 50 surveys in March 2019 (23 women, 27 men); 47 surveys in February 2020 (22 women, 25 men), 54 surveys in February 2021 (40 women, 14 men) and 53 surveys in August 2021 (38 women and 15 men)

⁴ Transaction data provided by CIB in May 2021

⁵ HERproject worker survey conducted in February 2020 with 47 workers (22 women, 25 men)

⁶ Smart Wallet data provided by CIB in September 2021

⁷ Survey conducted in December 2019 with 223 workers (140 men, 83 women) who had received HERfinance peer educator training

⁸ HERproject worker surveys: 50 worker surveys in March 2019 (23 women, 27 men); 47 worker surveys in February 2020 (22 women, 25 men)

⁹ HERproject conducted a COVID-19 Worker Survey in July 2020 with 136 garment workers (46 women, 90 men). In this group 104 had received HERfinance peer educator training (76%)

^{10,11} HERproject worker surveys: 54 surveys in February 2021 (40 women, 14 men) and 53 surveys in August 2021 (38 women and 15 men)

Acknowledgements

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This report was developed by Laura Macias and Ella Moffat at BSR HERproject and Amany Shalaby at CDS.

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The Center for Inclusive Growth advances equitable and sustainable economic growth and financial inclusion around the world. The Center leverages the company's core assets and competencies, including data insights, expertise and technology, while administering the philanthropic Mastercard Impact Fund, to produce independent research, scale global programs and empower a community of thinkers, leaders and doers on the front lines of inclusive growth. For more information and to receive its latest insights, follow the Center on Twitter [@CNTR4growth](#), or [subscribe](#) to the Center's newsletter.

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BSR's HERproject™ is a collaborative initiative that strives to empower low-income women working in global supply chains. Bringing together global brands, their suppliers, and local NGOs, HERproject drives impact for women and business via workplace-based interventions on health, financial inclusion, and gender equality. Since its inception in 2007, HERproject™ has worked in more than 900 workplaces across 14 countries and has increased the well-being, confidence, and economic potential of more than 1 million women and 620,000 men.

www.herproject.org

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Learn More

For more information about HERfinance, please visit [HERfinance Resource Hub](#), for insights, information and engaging tools that support financial capability and wage digitization in global supply chains.