

Responsible Wage Digitalization in the GFT Sector

Sustainability
Recommendation
Paper



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អាជីវកម្ម

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Acronyms

ABC	Association of Banks in Cambodia
BFC	Better Factories Cambodia
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry of Economic Cooperation and Development)
BSR	Business for Social Responsibility
CAMFEBA	Cambodian Federation of Employers and Business Associations
CGTI	Cambodian Garment Training Institute
CMA	Cambodian Microfinance Association
CSDDD	Corporate Sustainability Due Diligence Directive
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
CWPD	Cambodia Woman for Peace and Development
EU	European Union
EuroCham	European Chamber of Commerce in Cambodia
FDR	FinTech Development Roadmap
Findex	World Bank's Global Financial Inclusion Index
FSP	Financial Service Providers
GFT	Garment, Footwear, and Travel goods

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
HR	Human Resources
HREDD	Human Rights and Environmental Due Diligence
ILO	International Labour Organization
INGOs	International Non-Governmental Organizations
LDC	Least-Developed Country
NFIS	National Financial Inclusion Strategy
NiDA	National Information Communication Technology Development Authority
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnerships
RBH	Responsible Business Hub
RISE	Reimagining Industry to Support Equality
SMEs	Small and Medium Enterprises
SRP	Sustainability Recommendation Paper
TAFTAC	Textile, Apparel, Footwear & Travel Goods Association in Cambodia
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization



Sustainability Recommendation Paper on Responsible Wage Digitalization in the Garment, Footwear and Travel Goods (GFT) Sector

Disclaimer

The organizations involved in this paper agree that responsible wage digitalization offers significant potential and improves payroll management and transparency in the sector and employers and can increase financial inclusion and financial security for workers.

This paper presents findings related to wage digitalization in the GFT sector; however, it is important to note that not all parties and organizations may agree with every viewpoint

expressed. Despite any differences, all organizations have put their names and logos on this paper in solidarity. They are committed to actively supporting efforts to promote wage digitalization in the sector.

Findings presented in this paper should not be attributed to any organization without the context of this important disclaimer. The intention of this paper is to facilitate cooperation among various entities representing different stakeholders in the garment supply chain for the greater good. The essence of this paper is collaboration and joint action.

Five Key Takeaways:

1. There has been significant increase in wage digitalization in the Cambodian GFT sector, leading to benefits for employers, workers, and the wider economy. In 2018 approximately 22% of the BFC member factories paid wages into accounts (as opposed to in cash), and by 2024 this had increased to 72%, covering 84% of the workforce. This was made possible due to initiatives to promote responsible digital wage payments by the industry stakeholders, the digital and financial reforms of the Royal Government, and the National Bank of Cambodia.
2. Wage digitalization is supporting private sector competitiveness in the GFT sector - The garment, footwear, and travel goods (GFT) sector is crucial for Cambodia's economy, directly employing at least 925,000 workers, nearly 75% of whom are women. Digitalizing wage payments in this sector enhances transparency and efficiency, reduces risk, and demonstrates modernity. This contributes to making Cambodia an attractive sourcing country for global supply chains which in turn supports the Government of Cambodia's Pentagonal Development Strategy goal 3: Development of private sector employment.
3. Wage digitalization is playing a key role in advancing Cambodia's strategic objectives for building a digital economy and society. The Cambodian Pentagonal Development Strategy, specifically Goal 5, focuses on developing the digital economy and society. Alongside this, the National Financial Inclusion Strategy (NFIS) 2019-2025 emphasizes financial inclusion and digital transformation. Integrating responsible wage digitalization more deeply into these initiatives can expand financial inclusion and help foster a formal, active market for financial service providers (FSPs). Moreover, wage digitalization often supports businesses shift from operating informally to formally registering economies, enhancing transparency and financial security for workers.
4. Wage digitalization increases financial inclusion and financial security for workers, especially women. This is particularly true when accompanied with financial capability training that considers the needs of women. This supports the NFIS goal to enhance financial inclusion by increasing access to quality formal financial services, reduce financial exclusion for women by half and improve household welfare. With the right support, and considering the needs of women, wage digitalization enables workers to access and benefit from a range of financial products and services, including digital payments, remittances, and savings accounts, and improve money management skills, leading to greater financial security and women's economic empowerment.
5. Collaborative efforts and stakeholder engagement are crucial to continue scaling digital wage uptake and deepening impact: Positive progress has been made, and to continue to increase the benefits from wage digitalization, key stakeholders, including the government, FSPs, global buyers and suppliers, industry associations, trade unions, and civil society organizations, are actively working together. This includes identifying and acting on opportunities to provide advice to employers to transition from cash to digital wages in a way that considers the needs of women, improving financial ecosystem to drive access and usage to financial products and services across the country, investing in gender intentional financial capability training to build women and men workers' confidence, knowledge and skills. Continuous support and targeted interventions are necessary to address the remaining challenges, such as the lack of digital payment infrastructure in rural areas, limited financial literacy, and gender-specific barriers, to ensure that the benefits of digital wage payments reach all workers, particularly the most vulnerable populations.

Executive Summary

This Sustainability Recommendation Paper (SRP) highlights the importance of responsible wage digitalization in Cambodia's GFT sector, which has experienced significant growth in the number of factories utilising digital wage payments from 22% in 2018 to 72% in 2024. The paper underscores that wage digitalization benefits employers, workers, and the broader economy by enhancing transparency, financial inclusion, and security, particularly for women. It also aligns with Cambodia's strategic goals of digital economy development and private sector employment growth, as laid out in the core strategic documents below:

- Cambodia Digital Economy and Society Policy Framework 2021-2035
- National Financial Inclusion Strategy (NFIS) 2019-2025
- Cambodian Pentagonal Development Strategy
- FinTech Development Roadmap (FDR) 2020-2025
- Cambodia Digital Government Policy 2022-2035
- Cambodia Financial Technology Development Policy 2023-2028
- National Strategic Development Plan 2019-2023
- GFT Sector Development Strategy 2022-2027

Key stakeholders – including the Cambodian government, financial service providers (FSPs), global buyers, and civil society organizations – play a crucial role in promoting wage digitalization through collaboration, gender-sensitive financial training (80% of GFT workers are women), and improving digital infrastructure. However, challenges such as limited digital payment infrastructure in rural areas and low financial literacy remain, requiring ongoing cooperation to maximize the impact of digital wages.

Key Findings

- **Cost Savings for Factory Owners:** Transitioning from cash to digital wage payments can significantly reduce expenses for factory owners.
- **Adoption of Digital Solutions:** With appropriate digital wage solutions and support, both male and female workers are likely to accept and use payroll accounts, enabling them to access a variety of financial products and services. This creates a robust market for FSPs.
- **Supportive Ecosystem:** Cambodia's existing infrastructure is conducive to wage digitalization, featuring accessible smartphones, affordable internet, advanced digital payment systems (e.g., ABA, Bakong, Wing Bank, ACLEDA), and a growing number of merchants in urban garment areas accepting digital payments.
- **Need for Continued Support:** Lessons from countries such as Bangladesh reveal that ongoing assistance is

essential to facilitate wage digitalization, particularly for non-export facing factories that have been slower to adopt these changes.

Challenges Identified

- **Limited Experience:** Many managers lack experience with digital payroll, preferring familiar cash-based systems.
- **Inadequate Support for Workers:** Workers, especially first-time account users, require education and support to confidently use financial products.
- **Lack of Access to Cash-Out Options:** Limited automated teller machine (ATM) access in rural areas makes workers hesitant to fully embrace digital wages.
- **Financial Ecosystem:** A cash-centric ecosystem is still prevalent, with insufficient acceptance of digital payments outside urban areas.
- **Gender-Specific Challenges:** Women face unique barriers, including societal norms that may limit their control over finances, necessitating targeted support.
- **Non-Export Facing Factories:** These factories are slower to adopt digital payments, making their workers particularly vulnerable and unaware of their rights.
- **Banking Practices:** Digital wages can facilitate access to formal financial services, but aggressive lending practices could lead to over-indebtedness. Financial products should focus on promoting savings rather than loans.

Recommendations

To overcome these challenges and facilitate the transition to responsible wage digitalization, the report presents specific recommendations for various stakeholders:

1. Government

- Incorporate wage digitalization into national strategies and labour laws, providing incentives for factories that adopt these practices.
- Establish consumer protection frameworks to prevent costs associated with digital payments from being passed onto workers.

2. Factories and Brands

- Support financial capacity-building initiatives for workers and incentivize suppliers to adopt digital wage practices.
- Leverage their influence to drive the transition to digital wages, ensuring that costs do not burden workers.

3. Worker Organizations

- Advocate for the integration of digital wage topics into social dialogue initiatives and enhance workers' financial literacy.

4. Financial Service Providers and Banking Associations

- Develop use cases for GFT sector workers, focusing on the unique needs of women and vulnerable groups.
- Offer training to ensure workers can safely navigate and utilize their digital accounts.

5. Civil Society Organizations

- Provide insights into the financial needs of workers and deliver gender-responsive training to build confidence in financial services.

From Recommendations to Action

To move from recommendations to action, it is essential to create an enabling environment for responsible wage digitalization. The following actions are recommended:

1. Actions by the Government

- **Conduct a Legal Analysis:** Assess current laws related to wage digitalization and consider reviewing them so that they more specifically facilitate the transition to digital wage payments.
- **Incentivize Adoption of Digital Wage Payments:** Encourage GFT sector employers to adopt digital wages by recognizing those that provide financial capability training. Establish training subsidies for non-brand-facing factories and strengthen community training centres in garment areas.
- **Enhance Access to Financial Services:** Regulate interoperability among financial service providers to allow workers to withdraw funds from various ATMs without extra costs. Consider creating standard operating procedures or expanding guidelines for responsible wage digitalization and a grievance redressal system for fraud cases.
- **Create an Enabling Environment:** Improve internet access for all and promote gender and disability inclusion in digital services.

2. Government and Industry Associations collaborate to Strengthen Factory Capacities

- **Incentivize Digital Transition:** Encourage factories currently paying in cash to switch to digital payments.
- **Capacity-Building Support:** Provide necessary training and resources to both cash-paying and digitally paying factories to support their workers.
- **Monitoring System:** Establish a system to recognize and reward employers who successfully implement digital wages and training programs.
- **Engage FSPs and CSOs:** Collaborate with financial service providers and civil society organizations to offer financial capability training to workers.
- **Share Best Practices:** Promote the benefits of digital payroll and share successful digitalization strategies and case studies among suppliers.

3. Support from Global Brands and Buyers

- **Public Commitment:** Brands should publicly commit to responsible wage digitalization, as seen with companies like Gap, H&M, Inditex, M&S, PVH and Target, through the UN Better than Cash Alliance.
- **Supplier Support:** Encourage suppliers to transition responsibly to digital wages by financing necessary training and advisory services, ensuring that costs are not shifted to workers.

Conclusion and Way Forward

The advancement of wage digitalization in Cambodia's GFT sector is not only a pathway to economic efficiency but also a means to empower workers, particularly women. By encouraging collaboration among all stakeholders and implementing strategic recommendations, Cambodia can significantly enhance financial inclusion and contribute to the overall development of its economy.

All stakeholders are urged to engage actively in promoting responsible wage digitalization through legal reforms, financial education initiatives, and support for factories transitioning to digital systems, ensuring that the benefits are shared equitably among women and men workers and employers alike.



1. Introduction

1.1. Background of the Sustainable Recommendation Paper (SRP)

The **garment, footwear, and travel goods (GFT) sector** are of vital importance to the Cambodian economy. Following the integration of Cambodia into the global trade system, the industry has attracted significant foreign direct investment, particularly from China, and has been **the country's main employer and dominant export sector** for many years. This was enabled by preferential market access for Cambodia to main consumer markets, such as the US and the EU, based on Cambodia's status as a least-developed country (LDC). At the same time, with the support of the international community, notably the ILO's Better Factories Cambodia (BFC) program, Cambodia aims to ensure good working conditions in the sector that comply with national labor law as well as with the requirements of global buyers in the industry.

Over the years, these buyers – mostly international fashion brands – have intensified their social as well as ecological responsibility commitments, and various international standards and certifications have emerged to measure and verify their performance.

An even more recent trend is the emergence of international legal requirements for industrial players sourcing globally to ensure **human rights and environmental due diligence** across their supply chains. An example of such pieces of legislation is the German Supply Chain Act of 2021, which entered into force in 2023 and significantly expands due diligence requirements for German companies – and accordingly inspires cooperation concerning sustainability in supply chains around the world. On 24 May 2024, the European Parliament also voted to adopt the long-awaited EU Corporate Sustainability Due Diligence Directive (CSDDD), which will be transposed into legislation in all EU Member States and thus further extend the scope and coverage of due diligence requirements.

Against this background, the Cambodian Government launched the **GFT Sector Development Strategy** in 2022. The strategy outlines a comprehensive set of measures to support the sustainable transformation of the industry to remain competitive in the face of these recent developments.

Maintaining the industry's competitiveness is also a high priority as Cambodia is set to graduate from LDC status to become a lower middle-income country by the late 2020s, which means that trade preferences to markets will phase out in the medium term. To stay competitive, an outstanding sustainability performance should become the hallmark of GFT products “made in Cambodia”, as it would give buyers

continued incentives to procure from Cambodia. This, however, would require a concerted effort of all relevant stakeholders to make the industry's sustainable transformation a reality.

German development cooperation (via GIZ) has supported the sustainable development of the textile industry in Asia and specifically Cambodia since 2014 through various projects on regional, national, and global levels. Relevant cooperation activities in Cambodia are implemented by GIZ under the heading “FABRIC” (Fostering and Advancing Sustainable Business and Responsible Industrial Practices in the Clothing Industry in Asia), which constitutes an integrated implementation structure of various commissions of the German Federal Ministry of Economic Cooperation and Development (BMZ). To support the roll-out of the GFT Sector Development Strategy in Cambodia, GIZ-FABRIC is engaging in **extensive dialogue with public and private partners as well as with civil society** to develop concrete recommendations for action to realize the ambitious agenda. These efforts included a series of public-private dialogue events in 2023 and 2024 organized in cooperation with the Responsible Business Hub (RBH) Cambodia, which is embedded in the European Chamber of Commerce in Cambodia (EuroCham) and supported by Cambodia's primary GFT sector association, TAFTAC.

As a result of the continuous dialogue, GIZ-FABRIC, along with several partners, including CARE, RISE (Reimagining Industry to Support Equality), Global Fashion Agenda (GFA), and individual experts, have prepared **Sustainability Recommendation Papers (SRP) for the Cambodian GFT Sector** on the following topics:

- Prevention of Gender-Based Violence and Harassment (GBVH) at the Workplace
- Promoting the Inclusion of Persons with Disabilities in the GFT Sector
- Promoting Textile Waste Management and Recycling in the GFT Sector
- Enhancing Sustainability Reporting in the GFT Sector
- **Responsible Wage Digitalization in the GFT Sector**

This paper forms part of the series of five SRPs. It presents a set of recommendations for various stakeholders relevant for responsible wage digitalization and aims to inspire multi-stakeholder cooperation around this important topic for GFT workers in Cambodia. The drafting process was led by RISE and drew on dedicated interviews with, as well as inputs from various GFT stakeholder at related dialogue events in Cambodia.

1.2. Background on Wage Digitalization

Context & Opportunity

Cambodia's focus on digital transformation as part of the broader **'Industry 4.0' revolution**, has enhanced its capacity for **e-governance** and created a pathway for responsible wage digitalization¹ (i.e. transition from wage wages to direct payment into workers financial institution accounts that bring benefits to workers, employers, and governments) in the GFT Sector.

This has been a long-term objective. As far back as 2000, the Cambodian government initiated the establishment of e-governance by creating the National Information Communication Technology Development Authority (NiDA) under the Office of the Council of Ministers. Currently, the Cambodian Government is implementing the **Cambodia Digital Government Policy 2022-2035**. Additionally, the **Cambodia Digital Economy and Society Policy Framework 2021-2035**² addresses key areas such as digital infrastructure, reliability and confidence, business, government, and digital citizenship. This has enabled Cambodia's financial institution landscape to rapidly evolve, with a growing number of FSPs and fintech solutions³ offering a range of digital financial services, including payroll accounts.

The potential efficiency gains from digitalization are evident, and Cambodia has already made strides in utilizing innovative technologies to "leapfrog" in many aspects of its rapid economic development. An impressive example is the **Bakong system**, a blockchain-based digital payment system, officially launched in October 2020. With this SRP, we suggest that now is the time to also "**leapfrog**" in terms of how Cambodia handles wage payments.

The GFT sector is a cornerstone of Cambodia's economy, employing a sizeable portion of the workforce and contributing to GDP. When considering both exporting factories, as well as tier 2 and 3 suppliers, the GFT industry in Cambodia provides direct employment to **925,000 workers** (around 75% women).⁴

Until recently wages in this sector were paid in cash, **leading to business inefficiencies**, security risks, and a lack of transparency. **Some factories still pay their workers in cash**. For workers, cash wages make it harder to manage and save money, and easier to spend, lose, or have it stolen, especially for women, who make up most of the workers in the sector.

Wage digitalization aims to address these issues, offering numerous benefits for both employers and employees.

Digitalizing wages in the private sector, when accompanied with financial capability training considering the needs of women and other vulnerable workers, can be a win-win opportunity, **promoting both social and economic progress**. For garment workers, it means greater transparency over pay, the opportunity to open financial accounts, and increased economic empowerment. For the wider economy, it brings efficiency savings for factories, opens a new market segment for FSPs, encourages more savings and remittances, and helps countries meet the **UN's Sustainable Development Goals**, especially **End Poverty (Goal 1)**, **Gender Equality (Goal 5)** and **Decent Work and Economic Growth (Goal 8)**.

There is Momentum on Wage Digitalization, but Challenges Remain:

Recognizing the opportunity for increased transparency and efficiency, the financial sector and GFT industry have been **collaborating to digitize wages**, which has led to many exporting factories having efficient digital payment mechanisms. In 2018, it was estimated that just **22%** of export facing factories paid digital wages⁵, whereas in 2024, more than **72%** of BFC member factories, covering **84%** of the workforce, had adopted a digital payroll system.⁶ The Textile, Apparel, Footwear & Travel Goods Association in Cambodia (TAFTAC), has supported these efforts since 2018.

However, **gaps in regulatory frameworks**, limited digital and financial infrastructure in rural areas, limited capacities of factories to transition (especially in non-export facing factories), **lack of digital and financial literacy**, inadequate financial services and banking practices mean that workers, especially the most vulnerable ones and women, are not able to benefit. The 2021 World Bank Global Findex estimates that in Cambodia only **31%** of women and **34%** of men have a financial institution account.⁷ And only **5%** of women and **6%** of men have a mobile money account, thereby reducing access to convenient and timesaving digital payments such money transfer and bill payments.⁸ Financial literacy is in general also low, and only **40%** of women workers have completed up to primary education.⁹ The World Bank Global Findex Index estimates that **55%** of Cambodians above the age of fifteen have borrowed money (of which **31%** was from a formal financial institution) and only **32%** of adults in Cambodia report saving money of which **7%** is at a financial institution account.¹⁰

For many garment workers, receiving a digital wage is their first experience with having a financial account. They may lack the skills, knowledge, or confidence to use their accounts safely, especially women. In 2021 it was estimated that **40%** of Cambodian garment workers withdraw their entire salaries

on the same day they are paid.¹¹ Those who lack confidence in using ATMs may even hand over their account details to someone else to cash out for them, exposing them to the risk of fraud. 51% of women reported relying on a family member, friend or agent or not knowing how to conduct financial transactions.¹² It is crucial that employers and workers are provided with information, guidance, and advice throughout the wage digitalization process. For women, adopting and benefiting from wage digitalization can be a bigger step. Activities that promote wage digitalization, and more general financial literacy must explicitly consider gender differences and address the specific needs of women workers.



2. Government and Private Sector Existing Strategies on Wage Digitalization

2.1. Legal and Regulatory Framework and Government Initiatives

The Cambodian Government is clearly supportive of adopting digital wage payments, and there are numerous strategies, policies, and guidelines demonstrating this:

MLVT Guidelines

The Labour Advisory Committee of the MLVT highly encourages employers to explore digital wage payments. It provides guidelines for employers on promoting and implementing responsible digital wage payments while ensuring worker benefits and compliance with wage protection provisions¹³.

Pentagonal Strategy – Phase 1

The overarching Cambodian Pentagonal Development Strategy, launched in August 2023, does not specifically mention digital wage payments, but the Cambodian government is clearly supportive of adopting such measures. One of the five pillars of the Pentagonal Strategy is fostering a "digital economy and society," which focuses on¹⁴:

- Building digital government and digital citizens
- Developing the digital economy, digital business, e-commerce, and digital innovation systems
- Building and developing digital infrastructure
- Establishing trustworthiness in the digital system
- Developing financial technology

The Government of Cambodia's 2030 vision and Pentagonal Strategy include a focus on private sector development and employment (Pentagon Side 3), as well as the development of the digital economy and society (Pentagon Side 5), including building digital businesses and digital citizens. Working with the GFT sector to responsibly digitize wages will improve efficiency and demonstrate transparency in the supply chain. Global brands and buyers increasingly require transparency.

Cambodian National Financial Inclusion Strategy (NFIS) 2019-2025

The Cambodian National Financial Inclusion Strategy (NFIS) 2019-2025¹⁵ also emphasizes the importance of financial inclusion for sustainable economic growth. It addresses strategies to promote the use of digital payment systems, including encouraging digital wages, promoting financial literacy, and designing relevant products and services with particular attention to women.

The NFIS specifically aims to reduce financial exclusion of women by half, from 27% to 13%, and to increase the usage of formal financial services from 59% to 70% by 2025. Working with the GFT sector, which employs approximately 925,000 workers, 75% of whom are women, is an effective channel towards achieving these targets.

“Increase access to quality formal financial services, reduce the financial exclusion of women by half from 27% to 13%, and increase usage of formal financial services from 59% to 70% by 2025 as well as improve household welfare and support economic growth through the following priority activities:

1. Encourage savings in formal financial institutions
2. Promote innovative credit products for Small and Medium Enterprises (SMEs)
3. Enable the expansion of payment system capabilities
4. Improve broader access to insurance
5. Strengthen the capacity of the financial sector regulators
6. Increase consumer empowerment and protection, and financial sector transparency”

- Aims of the National Financial Inclusion Strategy 2019-2025

FinTech Development Roadmap (FDR) 2020-2025

In line with the NFIS, the National Bank of Cambodia has formulated the FinTech Development Roadmap (FDR) 2020-2025¹⁶ to provide a flexible regulatory environment to launch new digital financial services in Cambodia. The FDR promotes the use of digital payments through registration of mobile wallet accounts by adults in Cambodia – aiming to improve from a baseline of 5.7% in 2021 to a target of 15% in 2025. Working with the GFT industry and providing support for women and men workers to use digital financial services will contribute towards this goal.

Cambodia Digital Economy and Society Policy Framework 2021-2035

The "Cambodia Digital Economy and Society Policy Framework 2021-2035"¹⁷ states that the Cambodian Government will focus on building digital infrastructure in key aspects:

- Digital connectivity
- FinTech infrastructure
- Digital payment systems
- E-logistics
- Last-mile delivery.

Cambodia Financial Technology Development Policy 2023-2028

In response to the Cambodia Digital Economy and Society Policy Framework 2021-2035, the Cambodian Government launched the “Cambodia Financial Technology Development Policy 2023-2028” with a long-term vision: “Developing FinTech based on the enhancement of financial inclusion, the maintenance of financial sector stability, and the promotion of financial innovation to take maximum advantage of digital transformation in the financial sector and to provide opportunities for all actors, aiming to contribute to the acceleration of the development of Cambodia’s vibrant digital economy and society”.

National Strategic Development Plan 2019-2023

The “National Strategic Development Plan 2019-2023”¹⁸ emphasized on building a larger customer base through enhancing trust in the financial system and promoting financial inclusion to better assist the unbanked and underbanked portion of the Cambodian population.

Cambodia GFT Sector Development Strategy 2022-2027

Furthermore, the “Cambodia GFT Sector Development Strategy 2022-2027”¹⁹ recognizes the importance of transitioning to digital wages. It specifically emphasizes the need to enhance financial literacy among GFT workers, mentioning efficiency, transparency, and digital literacy as key priorities.

Arguably however, there is a lack of clarity regarding digital wages in the labor law

Labor Law

While Article 113 of the labor law primarily focuses on cash payments made “directly to the workers” at the workplace, it also allows for alternative payment methods with the employee’s written consent. This theoretically allows for “direct” digital wage payments with employee agreement. On October 5, 2021, Cambodia enacted the third amendment to the country’s main employment legislation - this amendment also makes no direct mention of digital wage payments.

Relevant Prakas

Prakas No. 442 on Wage Payment for Workers/Employees, issued by the Ministry of Labour and Vocational Training (MLVT) in 2018, outlines the frequency of wage payments. Employers must pay salaries twice monthly, with the first payment being at least 50% of the monthly wage during the second week and the remainder at the end of the month. This Prakas also does not explicitly mention wage payment methods, be it cash or digital.

The lack of explicit mentioning of digital wage payments may represent a challenge to their uptake. Further clarity in the labor law through specific wording in this regard may reduce uncertainties for employers seeking to adopt digital wage payments.

2.2. Industry Initiatives on Wage Digitalization

GFT industry stakeholders including the Textile, Apparel, Footwear & Travel Goods Association (TAFTAC), Cambodian Garment Training Institute (CGTI), global fashion brands and buyers, suppliers/manufacturers, Better Factories Cambodia (BFC), the ILO’s Global Centre on Digital Wages for Decent Work, RISE and the Cambodian Women for Peace and Development (CWPD) have been working collaboratively to support the scale up of wage digitalization, including through building the business case and providing advice for employers to transition from cash to digital payroll, **provid-**

ing financial capability training for workers to be able to use and benefit from their accounts, and sharing insights with FSPs to develop their payroll offering and use cases for the sector.

TAFTAC

The Textile, Apparel, Footwear and Travel Goods Association (TAFTAC) recognizes the benefits of wage digitalization in line with the “Cambodia GFT Sector Development Strategy 2022-2027” and is currently supporting its members to make a responsible transition to digital wage payments.

In 2018, TAFTAC began collaborating with Financial Service Providers (FSPs) such as ACLEDA Bank²⁰ and Wing Bank to introduce digital payroll services for their members. Since then, TAFTAC has been working closely with BFC to engage a range of stakeholders, including employer associations such as CAMFEBA, trade unions, the Government, brands, development partners, and FSPs. Their efforts aim to raise the profile of digital wages and mobilize resources to support the transition.

In 2023-2024 TAFTAC, co-hosted a series of workshops with BFC to raise awareness among factory managers about the benefits of digital wages - to build capacities for responsible wage digitalization; and to facilitate matchmaking between financial service providers and factories. A total of 8 workshops were held in the capital and selected provinces of Cambodia, hosting 180 participants across from 141 factories. In addition, 4 follow up workshops were held for factories in Phnom Peng, Svay Rieng, Sihanouk, and Kampong Speu provinces, case studies and video resources were developed for dissemination in factories, and 9 local trainers conducted 25 trainings for over 400 workers on financial literacy.

Cambodian Garment Training Institute (CGTI)

CGTI (a subsidiary of TAFTAC) worked closely with the BFC team to promote the transition to digital wage payments and financial literacy of workers. CGTI is working with GIZ, RISE and Primark to develop a management advisory service to help TAFTAC members transition from cash to digital wages. This program provides coaching and support for factory managers as they plan, prepare, and deliver the transition from cash to digital wages.

CGTI and TAFTAC have also supported the Government of Cambodia and UNESCO's Factory Literacy Programme, with BFC playing a key role in its rollout. This program provided workers with a better lifelong learning environment by

equipping them with basic literacy skills to improve reading, writing, critical thinking, daily work communication, performance, and productivity. It also promotes Public-Private Partnerships (PPP) in the educational sector and Corporate Social Responsibility (CSR) in Cambodia. Although this program does not currently include financial literacy, it could serve as a channel to support wage digitalization.

Better Factories Cambodia (BFC)

BFC, in partnership with TAFTAC, CGTI, factories, trade unions, brands, MLVT, RISE, civil society organizations, and other stakeholders, is supporting the transition to responsible digital wage payments in Cambodia's GFT industry. This collaboration includes developing guidance and training materials, training local trainers and factory management staff, organizing experience-sharing workshops, and engaging with the financial sector (regulators, FSPs, and their associations). BFC has integrated digital wages into its core services, assisting factories with wage digitalization and financial literacy for workers. They also monitor the progress of wage digitalization and study its impact on working conditions and compliance.

With support from the ILO's Global Centre on Digital Wages for Decent Work and BFC, TAFTAC and its training arm CGTI developed training modules on responsible digital wage payments and trained hundreds of management staff from member factories. TAFTAC organized forums for learning exchanges among factories and engaged with FSPs to raise awareness and increase options for digital payroll services. Additionally, **TAFTAC has adopted ILO's Financial Education Training Modules and built local trainers' capacity** to deliver financial education to garment workers, which is crucial for scaling up financial education in the sector.

RISE: Reimagining Industry to Support Equality

RISE in partnership with Mastercard and CWPD is working closely with global garment brands and buyers and their suppliers to scale responsible wage digitalization and increase financial inclusion and financial security for garment workers. This has included supporting **29 factories** in Cambodia, supplying global brands such as Gap, Target, Inditex, PVH, Ralph Lauren, The Children's Place and Carters with **41,209 workers** to digitize wages and provide financial capability training for workers. This training helps workers use and benefit from a range of financial products and services, **improve their money management skills** and have more **control over how wages are spent and saved**.

A RISE impact study conducted in 2023 demonstrated the benefits to women, men, and employers who took part in RISE activities:²¹

- **Increased efficiency:** 84% reduction in admin costs of preparing and disbursing payroll.
- **Increased financial inclusion:** 90% of workers (women & men) using mobile money accounts (up from 35%) for merchant payments, remittances, airtime and paying bills.
- **Improved financial resilience:** 83% of women saving regularly (up from 45%) including for expected expenses (e.g. medical bills, household items), for emergencies, and to buy land.
- **Increased confidence:** 80% of women reported confidence to manage a financial emergency in the next 2 years (up from 55%).

Women's World Banking

Women's World Banking have partnered with Wing Bank, focusing specifically on financial literacy and economic empowerment for women. This ongoing project identified barriers that women factory workers face in accessing and using formal financial services (including digital payroll). Having access to financial services is just the beginning of a woman's financial journey, the next step is to increase the usage of different financial products and services²².

2.3. Good Practices from Other Countries

In a clear trend across multiple geographic areas, once employers and employees embrace digital wages, they rarely go back to their previous payroll systems – if appropriate support is provided.

RISE has implemented digital wage and financial health initiatives in other countries too – notably working with the garment sectors of Bangladesh, Egypt, and India. These country case studies highlight the government's role in driving wage digitalization and the importance of supporting workers, particularly women, in accepting and using payroll accounts. The studies also emphasize the need for long-term support to ensure sustained gains.

Bangladesh: The Government of Bangladesh has recognized the importance of digitalising wage payments in the garment sector. Like Cambodia, the garment sector represents its largest export industry. In 2020, the Government of Bangladesh, with support from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), included wage digitalization as a channel to deliver the COVID-19 stimulus package for garment sector.²³

The stimulus package enabled export facing factories to get a low interest loan to continue to pay wages for 3 months. One of the criteria to receive the loan was to pay these wages directly into workers financial accounts. This program resulted in 1.2 million women opening digital bank or mobile money accounts within a single month—demonstrating that digital wage payments can enable access to critical funds during an emergency.²⁴ However, once the stimulus package ended, those using their new digital accounts reduced – with just 56% of those employees being paid into those same accounts today.

For the 44% that returned to cash, they did so for a variety of reasons: payroll processes were not yet being fully embedded, the costs associated with withdrawals (which were subsidized by the government during the time of the stimulus package) were high, there was a limited financial payments ecosystem, and a general lack of digital financial capability amongst the workers - all of which led to workers struggling to use their new accounts.²⁵ This pilot demonstrated that the nascent digital ecosystem was an improvement to the baseline, but not yet strong enough to keep workers and factories fully engaged, at least without support.

RISE has found that with the right support and preparation, wage digitalization does become sustainable, and women and men workers prefer to be paid into accounts. In partnership with the Bill & Melinda Gates Foundation, RISE supported 70 factories, supplying global brands including, H&M, Inditex, Target, M&S, Bestseller, Fast retailing and Li & Fung to digitise their wages, enabling over 150,000 workers (58% women) to be paid into digital bank accounts. Following financial capability training, workers became active users of their accounts, with women conducting eight transactions a month and men 13 transactions. 71% of workers reported saving regularly (up from 50%). 68% of women reported confidence to meet unexpected expenses (up from 44%). Factory managers reported a 59% decrease in admin time dedicated to payroll.²⁶

Insights from Bangladesh

- Digital wages must be implemented alongside improvements in the wider **digital payment ecosystem**, to reduce the need for cash.
- Careful preparation and attention and support to workers, especially women, in the transition process are critical to ensure smooth and sustainable adoption.

Egypt: The Central Bank of Egypt financial inclusion strategy²⁷, includes a requirement for all FSPs to have a financial inclusion strategy. The Government of Egypt is also developing a National Financial Literacy Strategy²⁸, with support from the OECD. RISE and Mastercard are collaborating to demonstrate the benefits of responsible wage digitalization combined with financial capability training in Egypt's garment sector, which employs 2.5 million workers, about 50% of whom are women. In Egypt, RISE's founding partner HERproject, in partnership with Mastercard, supported nine garment factories supplying global brands and buyers including Levi Strauss & Co, Inditex, PVH, M&S and Koutoor, with 24,649 workers (42% women) through wage digitalization and training. An impact study conducted in 2024²⁹ found this led to a 19-percentage point increase of workers using mobile money accounts including for merchant payments, sending remittances, topping up airtime and paying bills. There was a 14-percentage point increase of workers saving regularly. Employers reported a 53% reduction in admin costs dedicated to preparing and disbursing payroll.

Insights from Egypt

- The central bank has a significant role to play in supporting the scale up of wage digitalization.
- It is important to offer **support for workers** to build confidence to use payroll accounts.
- Special considerations must be taken for the financial **needs of women workers**.

India: The Indian government has invested substantially in its financial ecosystem, enabling all Indian citizens to open a basic account, with valid identity proof that can easily be linked to their mobile phone enabling access to digital financial services. The garment and textile sector in India employs over 45 million workers, 60% of whom are women. Workers have been paid into accounts since 2017, following the government of India's demonetization drive. However, limited support was provided to workers to use and benefit from their payroll accounts. Research conducted in 2019 found that most workers were withdrawing 100% of their wages on payday. 57% of women garment workers reported needing assistance to use an ATM, and many handed over their ATM card to others to withdraw money.³⁰ RISE found that with the right support, one in three workers (women and men) started using mobile financial services, including to pay electricity bills, send remittances, and top up airtime.³¹ 1 in 3 workers (women and men) started saving most or every month and keeping savings in their bank account. For the employers themselves, managers observed that workers were taking less short notice leave to withdraw cash, or to pay

electricity bills and school fees as these activities could be conducted digitally.

Insights from India

- A **holistic approach on scaling digital payments** and products is most effective.
- The importance of integrating gender responsive financial capability training enables women to build knowledge, skills, and confidence to use financial products and services.



3. Stakeholder Consultations on Wage Digitalization

Since 2019, RISE, and BFC have conducted ongoing stakeholder consultations and meetings with global brands/ buyers, suppliers, FSPs, government, funders, and industry stakeholders. These sessions aim to share insights and receive continuous feedback on scaling responsible wage digitalization. RISE and BFC collaborated with IFC, World Bank and Microfinance Opportunities to conduct a sector-specific survey involving **114 factories, 413 garment workers** (82% women), and **41 ecosystem stakeholders**.³² RISE shared their survey findings during the consultations, helping to build the business case and secure long-term commitment from key stakeholders. Please see **Annex – 1: Stakeholder Consultations on Wage Digitalization**, for further details.

3.1. Major findings from Stakeholder Consultations

The consultations and research demonstrated that responsible wage digitalization benefits women, businesses, and key stakeholders. The stakeholders agreed on the following:

- Switching from cash to digital wage payments **can save money for factory owners.**

- With the right digital wage payment solutions and support, **both women and men workers will accept and adopt payroll accounts and access a range of other financial products and services**, creating an active market segment for FSPs.
- **Cambodia’s ecosystem supports wage digitalization**, with accessible smartphones and payroll products, cheap and easy access to internet, quite advanced digital payment infrastructure (ABA, Bakong, Wing Bank, ACLEDA etc.) and an increasing number of merchants around urban garment factories starting to accept digital payments for goods and airtime.
- **Continued support is required to support the whole sector to digitalize wages**, especially for non-export facing factories who have been slower to transition.

Global brands and buyers have in general encouraged and supported their suppliers to digitalize wages. Suppliers have recognized the reduced risk and increased efficiency of digital payments in payroll:



“When it became mandatory to pay wages to workers twice a month, our admin time on payroll increased significantly. Now that we have digitalised our payroll it is much faster. We save 2-3 days a month that we would have spent on payroll admin and workers are now saving, buying goods online, transferring money, paying bills, and buying insurance for the future of their children.”

Khin Chomnab, Compliance Officer, Sun Hsu³³

“Digitalising wages can take time but the benefits for both business and workers are clear. Ensuring factory managers understand the gains from digitalising wages and making sure workers are well supported and receive the right training through the process is crucial. We are happy to encourage participation from our suppliers and share learning with other stakeholders.”

Sokha Yun, Senior Specialist, CSR, Carter’s³⁴

The government has recognised the potential of digital wages:

Bronch Sopheana, Deputy Secretary-General General Secretariat of the National Council for Minimum Wage, emphasized that advancing responsible digital wage payments in Cambodia aligns with and supports the Cambodian Government of Cambodia’s implementation of her Garment Strategies 2023-2027, the Policy Framework on Digital Society and Economy 2021-2035, and the National Policy Framework for Cambodia’s Economic Productivity 2022-35. It also complements recent government efforts to transfer wage subsidies to garment workers through digital payments in response to the COVID-19 crisis. Noting that about half of exporting factories are already paying their workers digitally, he underscored the need to ensure that this transition is responsible for workers and factories.³⁵

Mr. Heng Bomakara, First Deputy Director General at the National Bank of Cambodia (NBC), provided updates on the implementation process of the National Financial Inclusion Strategy (2019-2025). He underscored the importance of financial inclusion for sustainable economic growth and highlighted challenges, such as the prevailing poor level of financial literacy in the country.³⁶

RISE and BFC have also consulted widely with garment workers to understand their financial needs and challenges, including gender norms which impact how financial decisions are made:

“I prefer to be paid into an account [than cash wages]. It is safer and more convenient. I can cash out whenever, pay bills online and top up airtime. I use a QR code to pay merchants. I used to keep my savings [in cash] at home in a cabinet. Now I would keep my savings in a savings account.”

Female Garment Worker³⁷

Getting paid in cash is quick. If you get paid via digital system, you have to wait a long time at the ATM counter. It is hard for someone who is in urgent need. Some workers live far from the ATM, it will be hard for them to go back and forth. Garment Worker³⁸.

“For example, one worker had given her ATM card to her brother, who controlled her financial practices including making withdrawals of wage payments on her behalf. “I do not know [if my account charges fees for withdrawals] because my brother always withdraws the money instead of me... He manages my money. [I keep my ATM card with my brother] because I live alone, and it is not safe to keep money with me... After I get paid, my brother gives me 200 thousand riels for daily expenses. Then, I keep the money with my aunt, and I bring only 50 thousand riels with me. And I spend 10 thousand riels per day... Of course, because I am the baby of my family, I must listen to my brother”³⁹.

Female Garment Worker⁴⁰

3.2. Remaining Barriers for Responsible Wage Digitalization in Cambodia

While key stakeholders recognize the business case for responsible wage digitalization, there is often a lack of consensus on who should provide the resources to address the barriers such as inadequate financial infrastructure in rural areas, limited experience of wage digitalization in non-export facing factories, lack of confidence and knowledge to use financial products and services. Additionally, there is limited recognition of the importance of considering the needs of women workers and addressing gender norms to improve women's economic empowerment.

Addressable barriers include:

- **Lack of experience with digital payroll among managers and employers:** Payroll is crucial, and any mistakes or delays can cause challenges in the factory. Therefore, especially in smaller, non-brand-facing factories, employers may prefer to stick with a cash-based payroll, with which they are familiar. In addition, rapid digitalization without giving workers, especially women, enough time to adapt to their new accounts can also be problematic.
- **Insufficient investment in supporting workers:** Workers, often using their first financial account, need support to build skills, knowledge, and confidence to use their accounts safely and make informed decisions about financial products such as loans.
- **Lack of access to cash-out options in some areas:** Workers may be reluctant to accept digital wages if there are no nearby ATMs. While the goal is to reduce reliance on cash, workers need to build confidence in accessing their wages and making digital payments. This is particularly important in more rural provinces. Until then, they will need cash access to meet their immediate needs.
- **Cash-based financial ecosystem:** Though rapidly changing, Cambodia's current financial infrastructure often encourages workers to cash out their wages on payday. Digital payments are becoming more available, but they are not yet uniform, especially in rural areas. What works in Phnom Penh, may not work elsewhere. More investment is needed to support merchants, schools, health centres, and landlords to begin accepting (and indeed welcoming) digital payments.
- **Gender-specific challenges in accessing, using, and benefiting from payroll accounts could widen the gender gap in financial inclusion.** Almost 80% of garment workers are women. It is therefore crucial to understand and address their specific needs. Women may face additional barriers, such as discriminatory social norms or traditions that limit their control over wages and financial accounts. There are cases where women, not feeling comfortable managing an ATM card or bank account themselves, grant financial access to family members, or friends⁴¹. Women are also not a homogenous group; different vulnerabilities, including age, marital status, and disability, must be considered.
- **Reaching non-export facing factories:** These factories are most likely to use cash payments. They are often places where workers may be particularly vulnerable and unaware of their rights and labour standards.⁴² Efforts to promote digital wages should ideally go alongside / complement the wider government efforts to encourage business formalisation. Non-export facing factories (those who supply to the exporting factories), will be under increased scrutiny with new Human Rights and Environmental Due Diligence HREDD legislation.
- **Banking practices and risk of indebtedness:** Digital wage payments provide an opportunity for many workers to access and own their very first financial account. It also enables them to access other formal financial services, such as payments, savings, and loans. Aggressive lending practices have translated into many issues of over-indebtedness in Cambodia. It is crucial that FSPs design and offer financial services that meet the needs of the workers. The focus should not necessarily be on loans or credit products for low-income workers, that could lead to increased indebtedness. Instead, they should promote and encourage savings products for short-term expenses and future financial goals. They should carefully balance their need for financial sustainability with a sense of societal responsibility to the financial wellbeing of their customers.

4. Recommendations

To promote responsible wage digitalization in the garment sector, key stakeholders suggested a series of recommendations during the consultation workshop. These recommendations included:

4.1. For the Government

The Government of Cambodia could specifically **incorporate wage digitalization in its future strategic roadmaps and documents**. For example, digital wage uptake may have happened faster if digital wages were **mentioned more directly** in core documents such as the National Financial Inclusion Strategy (NFIS), the Pentagonal Strategy, or the revised Cambodian Labor Law. The Cambodian Government could **consider amending labour laws** or other **relevant legislation** to specifically include provisions for **using digital wage payment methods**. Additionally, the government could incentivize factories that digitize their wages and provide financial capability training for workers, especially women, by, for example, offering tax breaks or financing at preferential rates. The government should promote responsible banking practices and ensure through its relevant laws, policies and measures, and that the costs associated with digitalizing wages, such as account opening and maintenance fees and cash-out fees, are not passed on to workers, and that effective financial consumer protection frameworks are in place.

4.2. For Factories/Employers' Associations/ Brands and Buyers

Supplier groups and factory owners should **provide financial capacity-building support to workers**, both in workplaces transitioning from cash to digital wages and those already using digital wages. They should also encourage their suppliers to digitalize wages and provide support for workers as part of their sourcing strategy. Industry associations can play a crucial role in **motivating and supporting factories** to pay workers digitally by recognizing factories that have implemented digital wages and **offering incentives and support to those planning to transition**. Brands and buyers can drive the wage digitalization process at scale through motivating and supporting their supplier factories. This could be through recognition for factories who have digitalized wages as part of sourcing strategy, and incentives and support for those who are planning to transition.

4.3. For Workers Organizations/Trade Unions

Trade unions could support the transition and advocate for the **integration of responsible digital wage payment** topics

into their **social dialogue initiatives**, emphasizing wage protection benefits. They could initiative and participate in activities to enhance workers' financial and digital literacy, focusing on effectively receiving, accessing, and using digital wages. Workers' organisations could **collaborate with private and public actors to strengthen capacities**, ensuring that low-income workers, especially women and vulnerable groups, gain confidence and trust in financial services and fully benefit from digital wage payments.

4.4. For Financial Service Providers

Banks, Banking Associations (such as the Association of Banks in Cambodia) and other FSPs should **develop use cases for garment sector workers**, considering the specific needs of women and other vulnerable workers. They should provide workplace financial training for their payroll clients, enabling workers to safely use payroll accounts and access additional financial products and services. Improving financial literacy among their customers should also be seen as part of their **Corporate Social Responsibility (CSR) efforts**. This initiative is a rare win-win, benefiting both the businesses and their customers by enabling better monetary management and increased product usage. This study notes that many FSPs such as Wing, TrueMoney, ACLEDA, are already doing this to various extents, but initiatives must place customer wellbeing before corporate profitability. Financial industry associations such as ABC or CMA also have a key role to play in encouraging their members to adopt responsible banking practices and develop adapted digital wage payments solutions and associated services.

4.5. For Civil Society Organizations (CSOs)

CSOs, particularly those working closely with the Cambodian garment, footwear, and textile (GFT) sector, can provide valuable insights and recommendations on the financial needs and challenges of workers, especially women and other vulnerable workers. They can deliver gender-responsive training to build workers' knowledge and confidence in using financial products and services.



5. From Recommendations to Actions

To move from recommendations to actions, based on the suggestions made during the Consultation Workshop on this Sustainability Recommendation Papers (SRP) in February 2024, it is essential for **all relevant key actors**—including the Government (**MLVT and National Bank of Cambodia**), industry associations, private sector representatives (buyers), and civil society organizations—to **collaboratively create an enabling environment** for responsible wage digitalization in Cambodia's GFT sector.

The following would immediately help the situation:

5.1. Actions by the Government

- **Conduct a Legal Analysis:** Determine the advantages and disadvantages of labor law reforms and identify specific legal documents or guidelines that need to be reformed or introduced to specifically promote the transition to digital wage payments.
- **Incentivize Adoption of Digital Wage Payments:** Encourage garment sector employers to adopt digital payments by recognizing organizations that offer financial capability training. Provide training subsidies to non-brand-facing factories and establish digital / financial literacy training centers in garment communities (particularly Kandal, which surrounds Phnom Penh). Alternatively, existing training facilities in such communities could be strengthened by the addition of financial literacy related course offerings.
- **Enhance Access to Financial Services:** Incentivize and regulate interoperability (between financial service providers) to enable workers to withdraw money from different ATMs at no additional cost. Increased interoperability will also encourage employers to allow workers to choose their preferred payroll accounts. Additionally, develop standard operating procedures (SOP) and guidelines for responsible wage digitalization (see Annex 2 for resources), and establish a grievance redressal system for garment workers (that could be later expanded to other sectors) in cases of fraud.
- **Create an Enabling Environment:** Prioritize improved internet access for all individuals. Ensure disability inclusion by providing (or encouraging FSPs to provide) reasonable accommodations for accessing apps and ATMs, such as voice-over features in multiple languages and promoting universal design.

5.2. Government and Industry Associations Collaborate to Strengthen the Capacities of Factories to Implement Digital wages

- **The Government and relevant industry associations should incentivize factories paying cash wages to transition to digital wage payments.**
- Both cash-paying and digitally paying factories **need capacity-building support for workers**, along with the sharing of relevant toolkits and supporting documents (Annex 2).
- **Develop a monitoring system to reward and recognize employers** who have digitalized wages and provided training for workers. Work with organizations such as TAFTAC, and EuroCham, to strengthen their Sector Award Programs to specifically target wage digitalization.
- The GFT sector employers' associations could **use the CGTI management advisory service on implementing digital wages**.
- **Engage FSPs and CSOs to provide financial capability training for workers during working hours** to enable them to use and benefit from payroll accounts. Current materials from RISE, BFC, the government, and CGTI could be used by FSPs.
- **Share the benefits of digital payroll and best practices for digitalization within suppliers.**
- **Focus on supporting vulnerable workers**, both women and men, to adapt to digital wages, access their wages, and use relevant services.

5.3. Support from Global Brands and Buyers

Buyers and brands have vast influence in Cambodia's GFT supply chain. They could leverage this influence for good by promoting digital wage uptake:

- **Brands could make a public commitment to responsible wage digitalization** – for example Gap, H&M, Inditex, M&S, PVH and Target, have made a commitment through the UN's Better than Cash Alliance.
- **Brands and buyers could encourage and support their suppliers to transition responsibly to digital wages.** This could involve financing training and advisory services for the HR/finance/management staff in charge of the transition, ensuring that in the process, costs are not passed onto the workers for example, and financing digital and financial literacy training or solutions for workers. See Annex 2 for resources.

6. Conclusion

6.1. Summary

Wage digitalization in Cambodia has already come a long way, and the country is well-placed to continue this rapid uptake trend. Responsible wage digitalization in the GFT sector could be an essential tool and win-win mechanism for of the Cambodian Pentagonal Strategy, which focuses on building a "**digital economy and society**" (**pillar 5 of the pentagon**), while benefitting workers and employers. It could also contribute to the National Financial Inclusion Strategy and GFT Sector Development Strategy.

To achieve this, the Government, along with all industry stakeholders—including private sectors (buyers, suppliers, vendors, and industry associations), FSPs, CSOs, and development partners—should **adopt an integrated approach to creating an enabling environment for digital wage payments**. The Government can support this by implementing appropriate **legal instruments and incentives**, and by **ensuring financial education and uninterrupted internet access for all**. FSPs can enhance their ATM networks, design appropriate apps, and develop savings products and services tailored to the specific needs of women and people with disabilities. Private sector stakeholders should support the transition from cash to digital wage payments by providing management advisory services and worker training on the benefits of digital wages and the use of relevant financial services.

6.2. Way Forward / Call to Action

To promote responsible wage digitalization in the GFT sector, all stakeholders should consider the following call to action:

- **The Ministry of Labor and Vocational Training (MLVT)** and the **National Bank of Cambodia** should take measures, including **legal reforms and guidelines**, to incentivize digital wage payments, foster interoperability, and continue financial education. They should also focus on developing relevant infrastructure, products, and services to enhance access to affordable digital financial services for all.
- **FSPs** should focus on **interoperability, expanding the network and service quality** of ATM and agents and developing accessible apps and affordable digital financial products and services tailored to the specific needs of women, low-income individuals, and people with disabilities.
- **Private sector stakeholders and CSOs** should continue promoting, motivating, and supporting factories in transitioning from cash to digital wage systems. This support should include incentives, appropriate management advisory services, and training for workers on how to use and benefit from wage digitalization and relevant financial services.



Annex 1: Stakeholder Consultations on Wage Digitalization

- **HERproject Digital Wages breakfast briefing** in June 2019 – profiling the business and social benefits of wage Digitalization and getting feedback into developing the HERproject Digital Wages program (now RISE Financial Health) in Cambodia – attended by global brands/buyers, suppliers, FSPs, government, funders, and industry stakeholders.
- **HERproject and BFC Digital Wages Webinar** – April 2021 – a webinar attended by brands, FSPs and industry stakeholders to discuss the results from research into the business gains of digitalising wages conducted by HERproject, IFC, BFC and Microfinance Opportunities.⁴³
- **BFC and RISE on 08 April 2022 co-hosted a webinar on Responsible Digital Wage Payments** with 29 representatives from brands and buyers sourcing from Cambodia. The webinar aims to introduce participants to the concept of responsible digital wage payments and relevant guidance materials and support available to support factories and workers' transition to digital wage payments.
- **BFC – Navigating Wage Digitalization: A Rapid Qualitative Review of Garment Workers' Experience in Cambodia.** August 2022⁴⁴ stakeholder feedback session.
- **TAFTAC, CGTI, and BFC jointly hosted a Digital Wage Forum** with member factories and development partners to launch the digital wage project and introduce factories to relevant support provided by TAFTAC, BFC, RISE, interested financial service providers and development partners - 150 (60 women) attended the forum organized on 25 August 2022.
- **HERproject and BFC - Wage Digitalization in Cambodia's Garment Sector: Benefits for Women and Business - Stakeholder Event** in October 2022. Panel discussion and Q&A with Gap, Supplier Sun Hsu, and NGO CWPD – attended by a range of stakeholders including global brands/buyers, suppliers, FSPs, government, funders, and industry stakeholders.
- **BFC, in collaboration with the Ministry of Labour and Vocational Training in Cambodia and the ILO's Global Centre on Digital Wages for Decent Work, hosted a one-day workshop on promoting responsible digital wage payments in Cambodia's garment industry – Nov 2022.**⁴⁵ The event gathered 55 participants, including 35 officials representing the Provincial Departments of Labour, the National Employment Agency, the Department of Employment and Manpower, the Department of Labour Inspection, the National Institute of Labour, and the General Secretariat of the National Council for Minimum Wage. The officials engaged with guest speakers from a leading digital financial service provider (Wing Bank), a major brand (Gap Inc), and a supporting organisation (BSR).
- **BFC Digital Wages Session** during the BFC Business Forum March 2023. An interactive session between brands and suppliers.
- **RISE, Mastercard and BFC Webinar for Financial Service Providers 'Responsible Wage Digitalization in Cambodia's Garment Sector: A Pathway to Greater Financial Inclusion.'** November 2023. The webinar discussed the results from the RISE Financial Health pilots⁴⁶ and speakers included Mastercard, TAFTAC, Carters (Global Buyer), TY Fashion (a supplier) and Women's World Banking. 40 people joined the webinar including 8 FSPs in Cambodia, as well as the National Council for Minimum Wage in Cambodia, and the ILO.
- **GIZ, EuroCham and Responsible Business Hub Public Private Dialogue, supported by RISE and BFC, 'Responsible Wage and Digitalization: Empowering Cambodian Industry'** in December 2023⁴⁷. The event speakers included the National Bank of Cambodia, the Ministry of Labour and Vocational Training, RISE, and BFC. The 50-person audience represented a diverse mix of private and public sector entities.
- **GIZ supported a Feedback and Consultation Workshop on Sustainability Recommendation Papers (SRP) for Worker Empowerment in Cambodia's GFT Sector, February 2024.** Over 50 participants took part, from organisations including the MLVT, the Cambodia Microfinance Association (CMA), brands, International Non-Governmental Organizations (INGOs), FSPs, BFC, employer associations, and various UN Agencies such as UNIDO.
- **ILO and BFC Workshop Responsible for Digital Wage Payments with the Financial Sector, 24 June 2024,** more than 40 representatives from major Financial Service Providers, the National Bank of Cambodia, the Association of Banks in Cambodia, and support organizations. The workshops organized to raise the profile of responsible digital wage payments and, the progress of wage digitalization in the garment industry, and discuss challenges, opportunities, and ways forward to complete the transition and ensure financial inclusion for the workers.
- **BFC's Business Forum, 26 June 2024** - progress on digital wage payments in the sector, impacts on workers, challenges and opportunities of the transition presented to more than 120 representatives from brands, trade unions, employer associations, the government, the financial sector, and development partners.

Annex 2: Financial Inclusion and Resilience Resources

- ILO Global Center on Digital Wages for Decent Work
- ILO financial education materials and certified trainers
- RISE Digital Wages Toolkit for Managers
- RISE videos and animation
- RISE Posters
- RISE Audio Message
- UN's Better Than Cash Alliance Responsible Digital Payments Guidelines



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