International Labour Organization | Global Centre on Digital Wages for Decent Work

ILO brief

Research Brief

May 2025

Barriers to the full digitization of wage payments in Chinese supply chains

A rapid assessment

Key points

- Despite the rapid adoption of digital wage payments in China, some factories still pay wages in cash. The research focuses on identifying barriers to the adoption of digital wages in these factories.
- Certain groups, including older, less educated, and migrant workers, are more likely to receive cash wages. Similarly, workers with shorter or more recent contracts are less likely to be paid digitally.
- Greater use of digital payments for daily transactions drives the preference for digital wages, but security and transparency issues are still a challenge and may affect trust.
- There are notable differences between factories. Larger and newer factories are more likely to use digital payments, whereas those in provinces with larger migrant populations are less likely to do so. Factories' operational costs were identified as key barriers.
- Lack of understanding about income taxes and social protection inhibits employers' and workers' full adoption, but regulations have been implemented to facilitate workers' access to digital wage payments.
- The report provides targeted recommendations for brands, factory managers and other actors in the supply chain to overcome these barriers and promote the adoption of digital wage payments responsibly.

Introduction

China's digital economy is experiencing rapid growth, with a substantial impact on the uptake of digital financial services, including payments. As of December 2022, China's online payment users [1] amounted to 900 million people, with banks processing a combined total of 75.7 billion online payment transactions and 116 billion mobile payment transactions during the first three quarters of the year, a year-on-year increase of 1.5 percent and 7.4 percent, respectively.

As a driving force in the digital economy, businesses are actively embracing digital payment trends in their external business operations and internal human resources management. Currently, digital wage payments have become the predominant method adopted by most enterprises, primarily through bank cards or third-party payment platforms, such as Alipay and WeChat. According to the World Bank's Global Financial Inclusion Index database, as of 2021, no more than 3 percent of wage recipients over the age of 15 in China received wages in

[1] China Internet Network Information Center – CNNIC (March 2023). The 51st Statistical Report on China's Internet Development.

cash only, a substantive drop from the 51 percent registered in 2014 [2].

If designed and implemented responsibly, digital wage payments can benefit both businesses and workers [3]. Wage digitization can support businesses reduce payroll costs, enhance wage payment accuracy and security, and facilitate access to financial services. It can also promote business formalization and have a positive impact on workers' rights, particularly on wage protection. Workers that receive wages digitally have better control over their wages and access to formal financial services, including savings. In addition, the use of digital wage payments can benefit governments, by encouraging workers' registration with tax and social security institutions, and facilitating labour inspection.

Due to its many potential benefits, digital wage payments have increasingly been promoted by international buyers as a tool to ensure transparency and compliance with labour rights and wage protection in supply chains [4].

Given the widespread use of digital payments in China, the majority of local factories that supply international brands in garment, furniture, electronics and other sectors, have already transitioned to digital wage payments. However, some still rely on cash payments, either for the entire payroll or for a portion of their workers. The purpose of this research is to understand the remaining barriers to the full adoption of digital wage payments in these factories, even as digitization rapidly reaches scale in China. The report examines various factors influencing the transition from cash to digital wages, from the perspectives of factories and workers. Insights on their practical experiences contribute to targeted recommendations for brands, vendors and factory managers.

Methodology

In collaboration with a U.S. mass retailer, the research team identified and conducted on-site visits and in-depth interviews with 15 manufacturing enterprises in the provinces of Guangdong, Zhejiang and Shandong. All selected enterprises have less than 1,000 workers and are considered SMEs by the Chinese *Classification Standards for Small and Medium-sized Enterprises* [5]. Among them, seven factories have fewer than 100 workers, seven have between 100 and 299 workers, and one has more than 300 workers. Eight of them pay wages exclusively in cash, four rely solely on digital payments and three use both methods.

The intentional selection of enterprises using both cash and digital wage payments aimed to gather insights into the perspectives and current practices of management and workers regarding these payment methods.

In-depth interviews with managers were followed by interviews and/or focus group discussions with factory workers. Around 10 workers per factory (total of 156) participated in these activities, discussing salary management methods, consumption habits, and attitudes towards different wage payment methods. Workers' personal information and detailed wage payment data was collected through questionnaires.

The selection of workers was designed to reflect the demographics across the factories. Most of the interviewed workers (61 percent) were between the ages of 30 and 50, with nearly 60 percent being female. The typical education level was junior high school (54 percent). A majority of the workers (70 percent) were internal migrants from rural areas and other provinces. Most held positions as workshop or warehouse personnel, with a smaller number in management roles. Over half of them had worked in their current positions for less than ten years. Regarding the nature of employment, 95 percent were in regular positions, with only six in temporary roles and two in seasonal roles.

[2] Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar (2022). The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19.

[3] Internacional Labour Organization (2023). Promoting responsible digital wage payments.

[4] Better than cash alliance (2023). Digital wages progress: Based on SLCP data from over 5,500 facilities.

[5] Ministry of Industry and Information Technology, Bureau of Statistics, National Development and Reform Commission, and Ministry of Finance (2012). Provisions on the Standards for the Classification of Small and Medium-sized Enterprises [in Chinese]. National Bureau of Statistics (2017). Issuing the Statistical Classification Standards for Large, Medium, Small, and Micro Enterprises [in Chinese].

▶ **Descriptive statistics of interviewed workers**

	Number	%
Age		
Less than 30 years old	20	13%
30 – 50 years old	92	61%
More than 50 years old	40	26%
Gender		
Men	61	41%
Women	87	59%
Educational level		
Primary school or less	27	18%
Junior High School	82	54%
Senior High School	31	20%
Junior college or more	13	8%
Household registration		
Local	46	30%
Migrant	106	70%
Nature of employment		
Permanent worker	148	95%
Temporary or seasonal worker	8	5%
Seniority		
0-2 years	35	23%
2-5 years	44	28%
5-10 years	49	31%
More than 10 years	28	18%

In addition, a comprehensive survey of 38 vendors was conducted. Vendors are businesses that facilitate the connection between brands and factories. Collectively, the 38 vendors that participated in the research represent over 400 suppliers. Beyond their commercial objectives, vendors are key to integrating sustainability issues into supply chains, as they are often mandated to communicate the policies, strategies, and goals of brands.

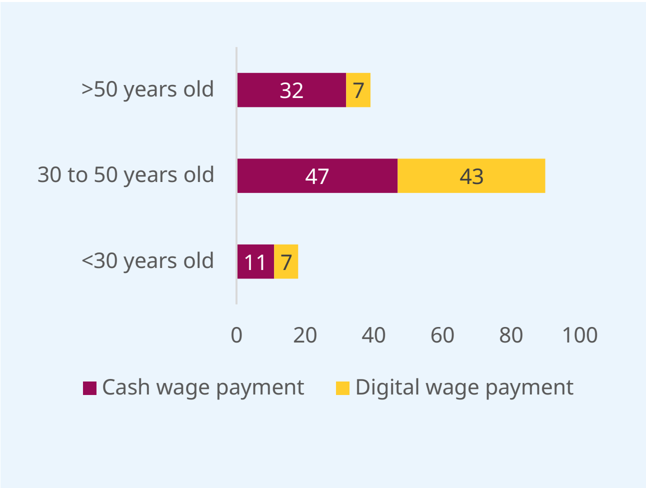
The workers' perspective

Older, less educated, and migrant workers are more likely to receive their wages in cash

Significant differences in wage payment methods were identified across various demographic groups in the sample of workers interviewed for this research. Regarding age groups, 82 per cent of workers aged 50 or more received cash wage payments (32 out of 39 workers), compared to 61 per cent of workers under 30 (11 out of 18 workers) and 52 per cent of workers from 30 to 50 (47 in 90 workers).

Focus group discussions unveiled various underlying reasons for the slow adoption among older workers. Firstly, they are accustomed to cash payments, since the widespread adoption of mobile terminals and online digital payments in China started around 2013. Prior to that, most daily transactions were conducted in cash. In addition, there is a steeper learning and adaptation curve for older workers. Age-related physical limitations and reduced learning abilities make it more challenging for them to master digital payment tools.

▶ **Wage payment method by age group, in number of interviewed workers**



Disparities in internet use among different age groups remain a relevant challenge in China. Individuals aged 60 and above account for only 14.3% of internet users, falling below their actual share in the population. This is consistent with evidence collected in focus group discussions. Many of the older workers interviewed still use basic cell phones that do not support online banking or mobile payment apps, an impediment for enjoying the benefits that wages received via bank transfers can offer.

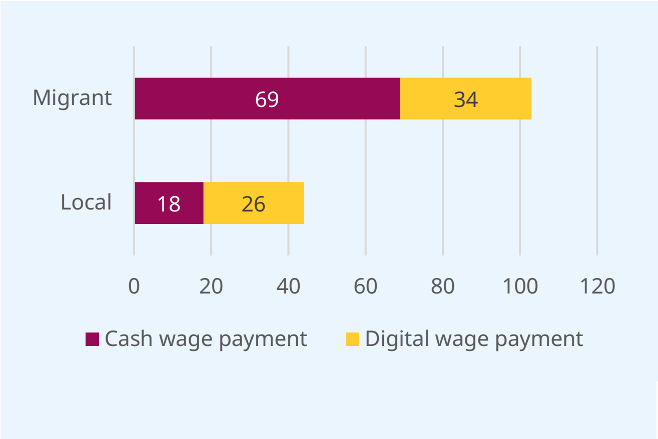
Digital literacy is also an issue. Older workers often require assistance from their children or bank staff to operate these technologies, with less than one-third of them being able to independently execute actions such as using online banking. Younger workers familiar with smartphones adapt more rapidly to digital wage payments, while older workers face greater challenges. The acquisition of skills to perform online transfers, utilize ATMs, and other digital tools requires relearning and adaptation. For this reason, many older workers believe that digital wage payments are not as convenient as cash.

> I can spend cash salary directly. If it turns into a bank card every month, I need to go to the bank to withdraw the money. I don't know how to use the nearby ATM, so I have to go to a bank branch farther away and ask the staff to withdraw money for me.
>
> ▶ **Female worker / Shandong Province**

The education level also plays a significant role. Among highly educated workers, bank transfers are the primary mode of wage payment (69 per cent), while only a minor portion of less-educated workers (18 per cent) receive their wages digitally. Educated workers are more likely to have a more comprehensive financial knowledge, which enables them to better understand digital payments, including security measures and control systems. Enhanced capabilities and proficiency in using digital payment tools may lead to a greater preference for digital over cash payments.

Most of the workers interviewed for the study are internal migrants, highlighting their significant representation in the manufacturing sector. Migrant workers are more likely to receive their wages in cash than workers hired locally. About 67 per cent of migrant workers interviewed for the research received their wages in cash, compared to 41 per cent of local workers. Two main factors may explain this difference. First, migrant workers tend to change jobs more frequently than local workers, making the transition to digital wage payments potentially inconvenient for both workers and employers. Second, migrant workers, particularly those who are older or less familiar with digital payments, are often separated from their family and social networks, which can make it difficult for them to find help when facing challenges with digital payment tools. As a result, migrant workers are more likely to prefer cash over digital wage payments.

▶ **Wage payment method by household registration, in number of interviewed workers**

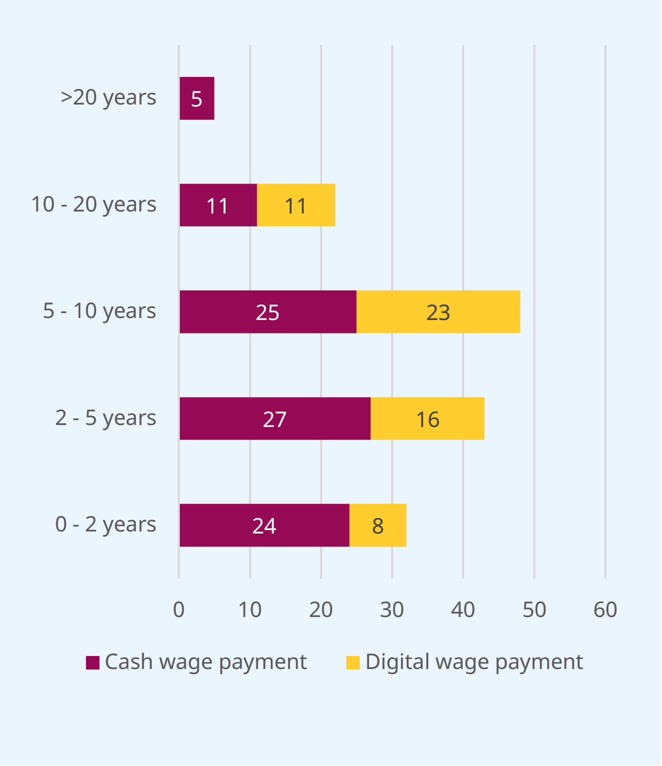


Gender disparities in wage payment methods were not as significant among the interviewed workers. A larger portion of women received wages digitally (46 per cent), when compared to men (37 per cent). This difference may be explained by a prevalent practice of keeping savings in cash among interviewed male workers. It may also reflect the higher proportion of younger female workers in the sample.

Workers with shorter and more recent contracts are less likely to receive digital wage payments

Work-related characteristics also significantly influence the method of wage payments. Seniority and the length of employment contracts are major factors affecting the likelihood of a worker receiving wages digitally. More than 70 per cent of interviewed workers with 0–2 years of service are paid in cash, compared to 50 per cent of those with 10–20 years of service. During interviews, workers with shorter tenures reported greater job mobility, frequently changing employers and being more prone to resignations. As a result, cash payments were more suitable for their circumstances. Conversely, workers with the longest service also tended to receive wages in cash. Given that their average age is close to 50, adjusting to digital payment methods is likely more challenging.

Wage payment method by years of service



Regarding the length of contracts, the sample size of temporary and seasonal workers in the research is small (5 and 2 workers, respectively). Although the results are not conclusive, it is noteworthy that all temporary workers were paid in cash. Temporary workers are typically hired to meet short-term increases in workload, with contracts usually lasting no longer than six months, as outlined by China's Labor Contract Law. Unlike permanent workers, temporary workers are typically not entitled to social insurance benefits and often receive lower wages. Their shorter-term contracts and higher turnover can complicate payroll management, especially for smaller factories. Additionally, the cost of financial transactions relative to the level of temporary workers' wages may make cash payments more convenient for employers.

Greater use of digital payments for daily transactions drives the preference for digital wages, but trust is still a challenge

Access to bank or mobile money accounts is essential for individuals to conduct various financial transactions, such as payments for goods and services, loan repayments and investments. In China, the use of digital payments is also crucial for accessing an increasingly digitized public infrastructure, such as public transportation or medical services, in particular in large cities. Workers who already use these services typically have accounts and possess the necessary skills for digital payments. Consequently, they are more likely to embrace digital wage payments and benefit from their use across various activities.

In contrast, most of the interviewed workers reside in China's second- and third-tier cities, with factories primarily located in suburban areas. In these areas, the digital infrastructure is less developed and workers can conveniently manage their daily expenses without the need for digital payments.

> I pay with cash more often. I can directly use cash for food shopping at the local market, paying rent, or my children's school fees. Receiving my salary in cash is more convenient.
>
> **Female worker / Shandong Province**

For workers paid in cash or digitally, issues of cybersecurity, privacy and aggressive commercial practices from financial institutions present a risk that could undermine trust. Interviewed workers in expressed concerns about potential security risks stemming from digital wage payments.

In recent years, China has witnessed a surge in telecom fraud cases, characterized by gang-related activities, clandestine operations, and escalating fraud amounts.

Data from the Chinese Ministry of Public Security [6] indicates that Chinese police cracked 437,000 telecom fraud cases and intercepted 328.8 billion yuan involved in 2023. According to China Mobile, Guangdong Province accounted for 35 percent of all victims. Individuals aged over 45 represented over 45 per cent of the fraud schemes' victims.

Many internet providers have also integrated financial services into their platforms, simplifying the process of acquiring online loans, but with comparatively higher interest rates. This form of lending, when not adequately designed, regulated or supervised, may lead to fraudulent activities, leveraging the victim's personal credit to defraud funds. Cases of fraud predominantly involve bank card transfers and digital wallets, leading some workers to doubt the security of digital finance.

In addition, there are privacy concerns and data breaches. According to the Financial Industry Network Security White Paper [7]released by China Bank and Insurance News, financial privacy breaches are growing at an annual rate of approximately 35 per cent. Financial institutions' network security technologies have certain vulnerabilities, thereby exposing financial information to substantial risks.

> I have been receiving wages in cash since I came here. It makes me feel more secure than bank transfers. I don't worry about information leaks. I also fear falling victim to telecom fraud.
>
> ▶ **Male worker / Guandong Province**

The factories' perspective

Location, establishment size and years of operation have an impact on the adoption of digital wages by factories

The proportion of factories implementing digital wage payments varies substantially across the different locations selected for this research. In Guangdong, all selected factories rely on cash, with only one factory also using bank transfers and mobile payments. In Zhejiang, three factories use cash for wage payments, while two have embraced digital wages. In Shandong, four factories pay wages digitally, two of them relying solely on bank transfers, while the other two maintain a hybrid approach that also involves cash payments.

These different patterns of wage payment methods by location seem to reflect the proportion of local and migrant workers. Among the workers interviewed in the selected factories, those in Guangdong (92 per cent) and Zhejiang (89 per cent) presented the highest proportion of migrant workers, whereas factories in Shandong the proportion was smaller (30 per cent).

This distribution likely relates to the size of transient populations across provinces, as noted by interviewed factory managers. Guangdong, with China's largest migrant population, relies heavily on non-local workers, while Shandong's workforce is mainly local. According to factory managers, Guangdong's transient workers often stay only a few years, making it inconvenient to establish bank accounts. Without close family or friends nearby, they receive little assistance in navigating smartphones and digital payment tools. By contrast, Shandong's local workers can more easily open bank accounts and draw on family support, facilitating digital payment adoption.

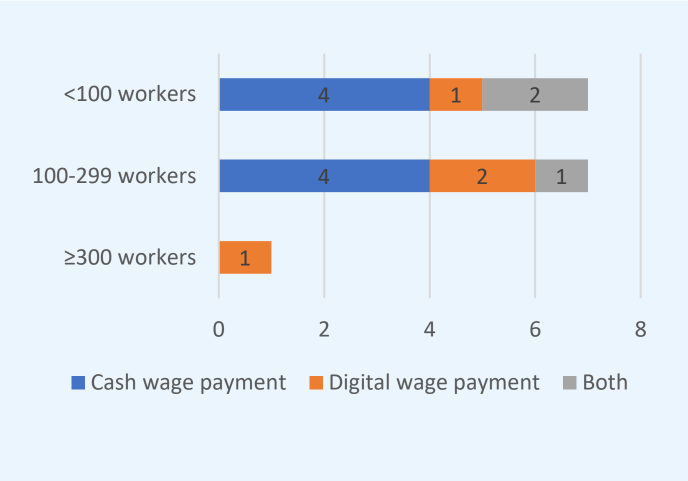
Other relevant factors influencing wage payment methods include factory size (in terms of the number of workers) and the number of years a factory has been in operation. Among the factories selected for this research, those with a larger workforce show a higher prevalence of digital wage payments. Among seven factories with fewer than 100 workers, only one adopts digital wage payment (14 per cent), while among eight factories with more than 100 workers, three adopt digital wage payment (38 per cent).

[6] China News Network (2024). 437 thousand cases of telecom and internet fraud uncovered in 2023. [in Chinese]. Accessed in 7 may 2025.

[7] China Banking and Insurance News (2020). Financial Industry Network Security White Paper [in Chinese].

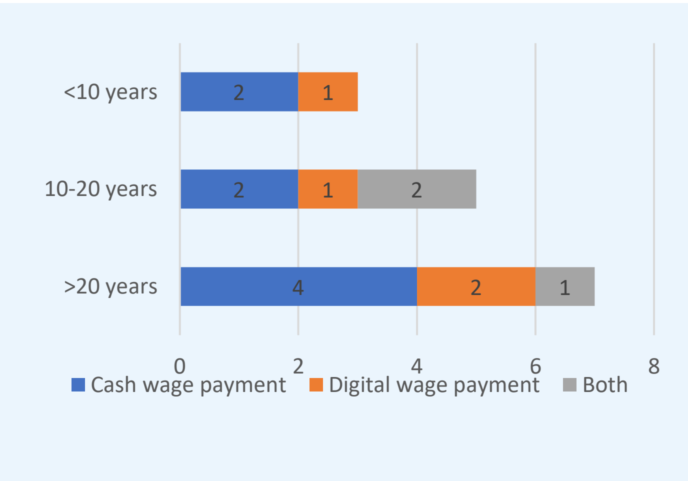
This is expected, as a larger number of workers makes it less convenient for factories to pay wages in cash.

▶ Wage payment method by factory size



Additionally, factories established more recently are more likely to adopt digital wage payments. Among factories established within last ten years, one adopts digital wage payment (33 per cent), while 25% of factories established more than ten years ago adopt digital wage payments. This could be due to the ease of implementing digital wage methods from the start, which is often simpler than converting existing systems. It is also easier to onboard workers into an already digital system than to persuade them to transition from cash payment methods at a later stage.

▶ Wage payment method by years of operation



Vendors are key to identifying barriers and providing factories with support in the transition

Vendors' longstanding collaboration with brands not only enables them to act as commercial intermediaries between multinational companies and local factories but also provides them with a nuanced understanding of the challenges they face. The proximity of vendors' local offices to the factories allows for proactive engagement, including on-site visits and the communication of brands' objectives and requirements on various topics, with digital wage payments being one of them.

Interviews with vendors revealed several barriers to the adoption of digital wage payments by factories. During the transition phase, the need to manage both cash and digital wage payments often adds to the workload of the financial department and increases operation costs. Additionally, workers' use of accounts across various financial institutions and regions can lead to higher processing fees for interbank or interprovince transactions, further increasing factory payroll costs.

The interviews also highlighted barriers related to worker resistance, such as the already mentioned preference among older workers for cash payments and the reluctance to incur monthly expenses for Short Message Service (SMS) notifications of account balances. Personal credit issues were also cited as obstacles for some workers in successfully opening bank accounts.

Finally, the adoption of digital wage payments introduces a more transparent and standardized framework for corporate tax and social security contributions, which may present challenges for factories that are not fully compliant. These factories may require support to adjust, including efforts to raise workers' awareness about legal deductions and the social security contributions they are required to make (further details in the next section).

In terms of support for factories, the interviews with vendors highlighted their active role in advancing the implementation of digital wage payments. Out of the 38 vendors that participated in the research, 36 reported providing support to factories on this topic, including offering targeted training and materials on the advantages of digital wages. Most vendors (28 out of 38) considered training to be an indispensable initiative. Among these, 13 emphasized the need for training factory managers, 11 supported training both factory managers and workers, and 4 advocated for training only workers.

In addition to trainings, vendors collaborate closely with factories to set specific goals, develop execution plans, conduct feasibility analyses, and systematically monitor project progress. Their involvement may include liaising with financial institutions to facilitate their engagement with factory management and workers. It may also include collaborating with factory management to raise workers' awareness of the potential benefits of digital wage payments.

Perspectives on the policy and regulatory frameworks

Creating a conducive regulatory environment is crucial for the successful and responsible adoption of digital wage payments, ensuring workers' rights and promoting financial inclusion. As new payment methods emerge, it is essential to update wage regulations and develop policies that address challenges such as access to affordable financial services, consumer protection, employment formalization, and social protection.

The Chinese Provisional Regulations on Wage Payments (1994) already allow employers to use banks for wage payments (Article 6). Additional initiatives have also been introduced to encourage the responsible adoption of digital payments and ensure that workers fully benefit from these advancements. But certain policy areas require further evaluation to identify improvement opportunities and ensure regulatory frameworks keep pace with emerging challenges.

The following section examines challenges presented by personal income tax and social protection regulations to digital wage adoption as seen by interviewed factory managers and workers. It offers context and insights to a discussion around these challenges. The final section presents regulations from the People's Bank of China and the Ministry of Human Resources and Social Security, providing examples of how policies can positively impact digital wage adoption by ensuring workers' access to bank accounts and lowering transaction costs.

Lack of understanding about income taxes and social protection inhibits digital wages

Personal income taxes

Factories' concerns about wage-related costs are primarily driven by workers' personal income taxes. China's current tax system was recently established, so many taxpayers still struggle to fully understand their obligations and rights regarding tax payments and eligibility for deductions. In 2019, China reformed its personal income tax regulations and improved the pre-tax deduction system. There are six categories for pre-tax deductions: children's education, the taxpayer's own education, personal medical expenses, support for the elderly, housing rental expenses, and housing loans. Taxpayers need to declare and submit the corresponding proof each year.

Although the tax department has launched a personal income tax app and other initiatives, the system may still be too complex for some taxpayers, such as workers with lower educational levels or the elderly. As a result, some workers fear heavy tax burdens and may be inclined to avoid the tax system. For factories, digital wage payments involve providing the bank with workers' information regarding their wages. Companies worry that the tax authorities will access this information and penalize those whose workers evade taxes.

Social protection contributions

Factories' concerns about social protection contributions come from the configuration of the national social protection system. In China, there are five employment-related social insurance schemes, funded by compulsory contributions from workers and employers, and two social security schemes for urban and rural residents [8].

The coexistence of different systems poses a challenge for migrant workers. On one hand, eligibility for resident schemes depends on household registration. Many workers who migrate from rural to urban areas do not change their household registration, making them ineligible for the schemes in their new places of residence.

[8] For a detailed description of Chinese social security programs and a discussion on the issues raised in this document, see International Labour Organization (2019) Improving social protection for internal migrant workers in China and International Labour Organization (2002). Assessment of social security coverage of workers in diverse forms of employment and in platform employment in China.

On the other hand, employment-related social insurance schemes are managed locally, and the integration of information systems has not been fully streamlined. As a result, transferring social security records to allow workers to benefit from their earlier contributions when they move to other regions may be a challenge.

For a rural migrant who moves to an urban area to work in a factory, there are limited incentives to register their new household and switch from a rural resident social security scheme to an employment-related social insurance scheme. Contributions to social insurance for factory workers are higher, and the process of transferring these contributions to other regions is insufficiently clear, including the possibility of transferring back to rural schemes if the worker decides to return to their original village.

These complexity and portability issues also pose challenges for the enterprises. Among the surveyed factories, the practice to ensure workers are protected, was to contract commercial insurance for all workers, and pay for social insurance schemes for workers with longer tenures and management. Enterprises are concerned that switching to digital wage payments will increase pressure to comply with social insurance obligations for all eligible workers, while the portability mechanisms are not clarified.

Regulations have been implemented to facilitate workers' access to digital wage payments

In 2021, the People's Bank of China issued the *Guiding Opinions of the People's Bank of China on Personal Bank Account Services for Migrant Employment Groups* [9]and the *Guidelines for the Inter-bank Salary Distribution Business of Banking Financial Institutions*. These policies aim to reduce the number of multiple accounts opened by the same worker to receive wages and to optimize inter-bank wage payment transactions by ensuring that:

- Workers can use their existing accounts to receive wage payments without the need to open new ones;
- Enterprises must sign agreements with banks outlining rights and obligations for payroll payments and stipulating no additional operational burden for inter-bank transactions;
- Banks are encouraged to reduce or waive fees for inter-bank payroll transactions;
- The opening of new accounts will not be used as a performance metric for bank staff.

Along similar lines but focusing on migrant workers in the construction sector [10], the Ministry of Human Resources and Social Security and ten departments issued the *Interim Measures for the Management of Special Accounts for Migrant Workers' Wages in the Field of Engineering Construction* in 2021[11]. The policy's main objective is to protect migrant workers' wages in the construction sector, but it also proposes measures related to financial inclusion. Article 20, for instance, states that no worker should be forced to open new accounts. Instead, they should be allowed to use their existing accounts to receive wages, including social security cards with financial functions.

In another attempt to enhance workers' access to digital wage payments, the China Banking Association and the China Payment and Clearing Association issued an initiative [12] in 2021 on reducing the handling fees for interbank cash withdrawals from automated teller machines (ATMs), guiding China's commercial banks and clearing organizations to reduce the handling fees for interbank cash withdrawals in the same city and in other places. Banks are expected to reduce or waive ATM interbank cash withdrawal fees for groups such as payroll cardholders, the elderly and active-duty military personnel.

Conclusions and recommendations

Field research with factory managers and workers, along with interviews with vendors, suggests that the conditions for increased adoption of digital wage payments are in place. No major issues with the financial infrastructure were identified, and both factories and workers

[9] Government of China, People's Bank of China (2021). Guiding Opinions of the People's Bank of China on Personal Bank Account Services for Migrant Employment Groups.

[10] For a comprehensive assessment of this policy, see Huang, Kun (2022). Technological solutions to guaranteed wage payments of construction workers in China. International Labour Organization, Working Paper 48

[11] Government of China, Ministry of Human Resources and Social Security (2021). Interim Measures for the Management of Special Accounts for Migrant Workers' Wages in the Field of Engineering Construction.

[12] China Banking Association and Payment and Clearing Association of China (2021). Proposal on Reducing the Handling Fee for Inter-bank Cash Withdrawal at Automated Teller Machines (ATMs).

demonstrated a favorable disposition towards the transition. However, several barriers remain:

- Resistance from vulnerable workers, particularly older and less educated individuals, who are uncomfortable with digital financial tools and continue to rely on cash for daily transactions;
- Internal resistance from factory management, due to concerns that transitioning from cash to digital wage payments may be burdensome and costly;
- Lack of clarity and awareness regarding the actual costs of worker registration with tax authorities, particularly in relation to eligibility for tax deductions on personal income;
- Concerns that the transparency of digital wage payments might compel migrant workers to enrol in and employers to contribute to more expensive employment-related social protection schemes.

Given the remaining barriers identified in the research, the following recommendations are designed to assist brands, vendors, factory managers, and other actors in Chinese supply chains with the adoption of digital wage payments:

- **Provide training and knowledge sharing:** Offer training sessions for factories that focus on overcoming challenges in adopting digital wage payments and share successful experiences from peers.
- **Enhance communication:** Improve communication between brands, vendors, and factories to clearly convey the commitments and expectations of international buyers regarding digital wage payments. Engaging brands can significantly drive the transition throughout the supply chain.
- **Support older and other vulnerable workers:** Address the specific challenges faced by older workers and other vulnerable groups by openly discussing their difficulties and providing targeted assistance. Use quick learners to help them become proficient with digital financial tools.
- **Collaboration with consumer protection authorities:** Raise workers’ awareness of their financial consumer rights, including on topics of fair treatment, data protection, accessibility of funds etc. Work together with authorities on preventing fraud and schemes, and explore potential solutions to safeguard workers from financial exploitation.
- **Explore mobile payment platforms:** Consider leveraging mobile payment platforms to facilitate the adoption of digital wages. These platforms are popular and may be more accessible to workers compared to traditional financial institutions.
- **Promote understanding of taxes and social protection contributions:** Utilize promotional materials from government agencies or financial service providers to educate supplier factories and workers about taxes and social protection contributions. Offer support to workers for personal income tax deductions as needed. Engage with social security authorities to discuss challenges and advocate for the portability and compatibility of benefits across schemes, helping factories meet their compliance obligations and workers fully benefit from contributions.

Finally, China’s labor law requires that wages be paid in legal tender but does not specify the exact method of payment. Given the rapid evolution of payment technologies in the country, further developments in this area are expected. For instance, the digital yuan has recently been introduced as a payment method for civil servants, marking one of the first uses of Central Bank Digital Currency (CBDC) for wages. However, as digital wage payments become mainstream, workers who prefer not to receive wages digitally should have their choices respected and their rights protected. The transition to digital wage payments should be managed responsibly, with careful attention to workers' preferences. Timelines, criteria, and progress monitoring should be implemented in a way that avoids pressuring for solutions that could jeopardize workplace relations, harm workers, or undermine trust in the process. The adoption of digital wage payments is likely to be more successful if implemented gradually, allowing a portion of workers to continue receiving cash payments even in a highly digitized environment like China.

The research was coordinated by and counted with extensive technical input from Andrej Slivnik and Valerie Breda, from the ILO's Global Centre on Digital Wages for Decent Work. It was conducted by the SCORE Academy in China, in partnership with a research group led by Professor Yang Song from Renmin University of China.

The ILO's Global Centre on Digital Wages for Decent Work promotes the transition to responsible digital wage payments through multi-country interventions, research, knowledge management and advocacy. The Global Centre is an initiative of the ILO's Social Finance Programme.

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