



International  
Labour  
Organization

Global Centre  
on Digital Wages  
for Decent Work



Employers  
Confederation  
of the  
Philippines



# ► Responsible wage digitization for small enterprises in the Philippines

Participant's guide



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## ► Foreword

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In the Philippines, according to the 2021 Financial Inclusion Survey of the Bangko Sentral ng Pilipinas, salaries in the private sector were still received in cash by 70 per cent of their payees. Furthermore, it was also indicated that 4 out of 10 working adults (or about 18 million adults) are still unbanked or financially excluded, which disproportionately affects lower-income classes, including workers in the informal economy and agriculture sector, the youth, those who are unemployed and less educated, and micro, small, and medium enterprises (MSMEs).

Considering that about 90 per cent of total enterprises in the Philippines are micro and around 8 to 9 per cent are small and medium, the digitization of wage payments – into bank accounts, digital wallets, mobile money accounts, or prepaid cards – presents a significant opportunity to advance financial inclusion and contribute towards the realization of a cash-lite society in the country. Moreover, the digital payment of wages presents opportunities to improve the efficiency and transparency of payroll services and strengthen sustainable business practices.

It is essential that the adoption of digital wage payments is done in a responsible manner. This means respecting national laws – paramount of which in the country is the Labor Code of the Philippines – and internationally recognized human rights, fundamental principles and rights at work, and relevant international labour standards – particularly ILO Convention 095 on the Protection of Wages. It is also aligned with the UN Principles for Responsible Digital Payments.

While enterprises in general recognize the benefits of digital wage payments, they often lack the awareness, capacities, and resources to make the transition, are not able to meet the stringent and costly requirements of financial institutions, and feel the hesitance from their workers due to the insufficient networks of banks, ATMs, or cash out points, limited digital and financial literacy, and uneasiness in dealing with financial service providers.

It is in this context that the ILO's Global Centre on Digital Wages for Decent Work, through the ILO Country Office in the Philippines, and the Employers Confederation of the Philippines (ECOP) have partnered to accelerate the adoption of digital wages in the Philippines through social dialogue between and among stakeholders in government, employers and workers organizations, and the financial sector as well as the development of capacities of MSMEs. In the frame of this collaboration, the ILO has introduced a new training programme on responsible wage digitization for small enterprises in the Philippines. The programme provides small businesses with the know-how, tools, and strategies to enable them to digitize their wage payments successfully and in a responsible manner, benefitting both the enterprise and their workers. It presents an overview of the use and benefits of digital payments for small enterprises, with a specific attention to digital wages, emphasizes the importance of a responsible transition, and guides the participants through the steps to implement this, including elements of human resource management such as setting up a payroll system, registering employees, and issuing payslips.

This initiative of the ILO's Global Centre and ECOP is being implemented in support of the National Strategy for Financial Inclusion 2022-2028 and consistent with the Labor and Employment Plan 2023-2028, the MSME Development Plan 2023-2028, and the Philippine Development Plan 2023-2028.

Through this training, we hope that local enterprises will be better equipped to embark on their wage digitization journey and able to adopt digital wage payments in a responsible manner towards their improved sustainability and greater resilience.

Khalid Hassan  
Director  
ILO Country Office, Manila

Jose Roland Moya  
Director-General  
Employers Confederation of the Philippines

## ► Acknowledgements

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We wish to express our appreciation for all who participated in the Validation and Training of Trainers Workshop on Responsible Wage Digitization and the Training on Responsible Wage Digitization for Small Enterprises in the Philippines in various regions of the country.

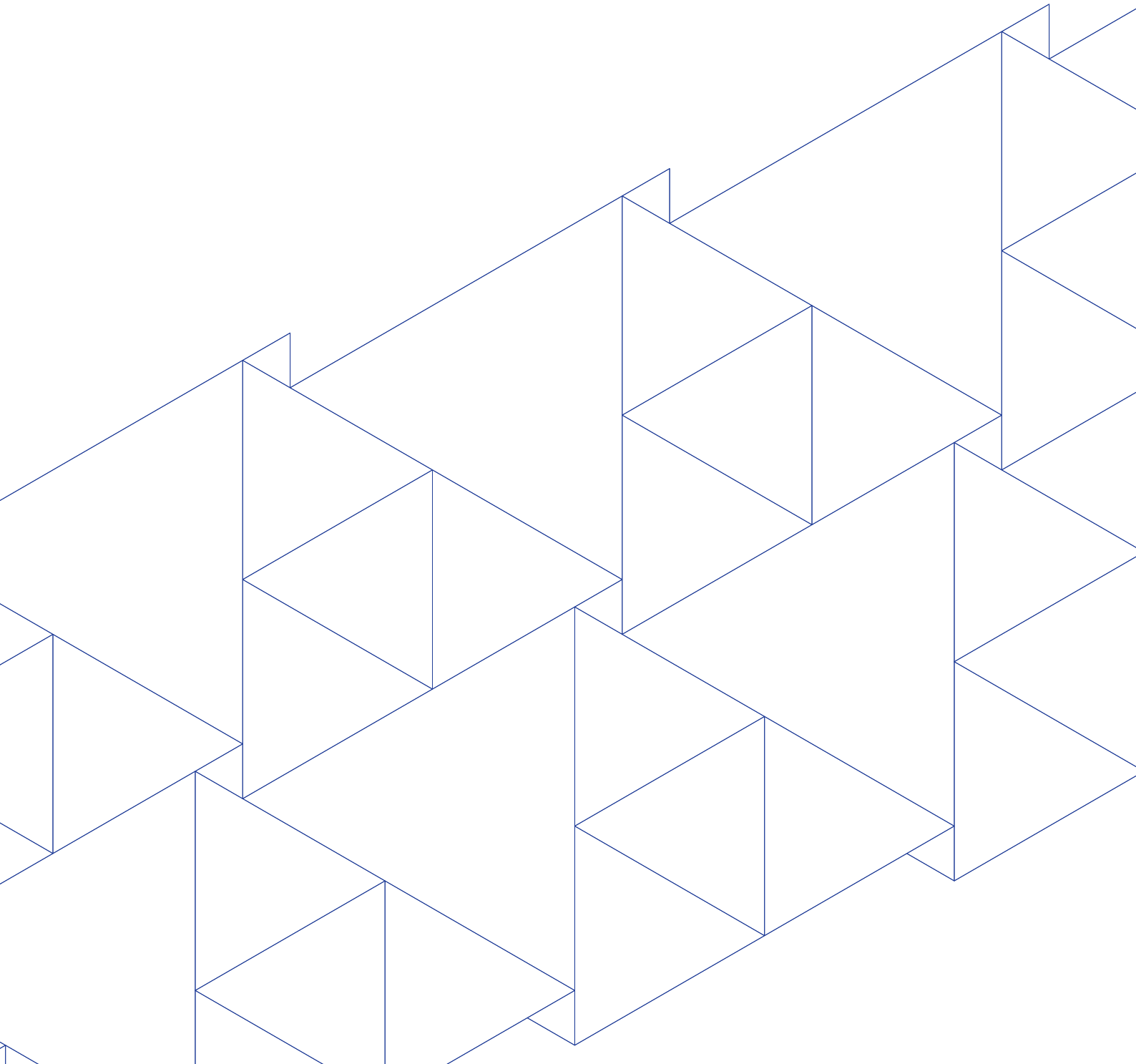
We are grateful for all the support extended to us by our key partners from the Philippine government, particularly the Bangko Sentral ng Pilipinas, the Department of Labor and Employment, and the Department of Trade and Industry.

The training is part of the "Supporting the Transition to Responsible Digital Wage Payments Among SMEs in the Philippines" project, which benefitted from the overall guidance of ILO Country Office Director Khalid Hassan and ECOP Director-General Jose Roland Moya and the support of the ILO CO-Manila team and ECOP Secretariat.

## ► List of abbreviations

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<b>ATM</b>	Automated teller machine
<b>BDA</b>	Basic Deposit Account
<b>BIR</b>	Bureau of Internal Revenue
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>DOLE</b>	Department of Labor and Employment
<b>DTI</b>	Department of Trade and Industry
<b>FSP</b>	Financial service provider
<b>HDMF</b>	Home Development Mutual Fund
<b>HR</b>	Human resource
<b>ID</b>	Identification
<b>ILO</b>	International Labour Organisation
<b>KYC</b>	Know-Your-Customer
<b>MSMEs</b>	Micro, small, and medium enterprises
<b>PhilHealth</b>	Philippine Health Insurance Corporation
<b>SMEs</b>	Small and medium enterprises
<b>SSS</b>	Social Security System



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## ▶ Introduction

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Digital wage payments have the potential to enhance the efficiency and transparency of payroll systems, boosting the performance of enterprises and improving well-being of women and men workers. The transition to digital wage payments also empowers workers by increasing control over their wages and access to financial services, such as savings, credit, and insurance, leading to additional economic opportunities and greater resilience to economic shocks.

Small businesses are an engine of global economies and job creation worldwide, responsible for around two thirds of employment and 35% of gross domestic product in both developed and developing countries. Many workers in small businesses, particularly in developing economies, receive their wages in cash, and small enterprise owners and workers often face challenges to transition to the digital economy and to have access to financial services. Rapid assessments and studies on digital wages in the Philippines, Indonesia, Peru, and Mexico suggest that small enterprises recognize the benefits of digital payments and are in general willing to adopt digital wage payments. The evidence also shows that the transition to responsible digital wage payments is not an easy journey for small enterprises and often comes with challenges.

This training is designed to provide small enterprises with the know-how, tools, and strategies to enable a successful and responsible transition to digital wage payments, benefitting both enterprises and their workers. The course provides an overview of the use and benefits of digital payments by small enterprises, and of digital wages in particular; the importance of a responsible transition to digital wages; steps to implement a responsible wage digitization, including elements of human resource management, such as setting up a payroll system, registering employees and issuing pay slips; as well as advice on how to engage with financial service providers and how to support workers through the transition.

## Learning objectives

By the end of this training course, participants will:

1. Understand how digital wage payments fit in the overall digital transformation of small enterprises and the advantages of doing so.
2. Understand how responsible digital wage payments contribute to sustainable enterprises and workers' wellbeing and identify key benefits and challenges for enterprises and workers in their country context.
3. Be equipped to plan and carry out various steps required to digitize was payments responsibly.
4. Be able to take practical steps to establish a payroll system, understanding the basic requirements for issuing payslips and registering employees.
5. Understand how to engage effectively with financial/payroll service providers to identify digital wage payment solutions and other financial services adapted to their needs.
6. Be able to support their women and men workers throughout the transition to digital wages.

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<sup>1</sup> International Labour Organization - ILO (2019). [Small matters: Global evidence on the contribution to employment by self-employed, micro-enterprises and SMEs. p. 1 – 2.](#)

<sup>2</sup> Ayyagari, Meghana & Beck, Thorsten & Demircuc-Kunt, Asli. (2007). Small and Medium Enterprises Across the Globe. Small Business Economics.

<sup>3</sup> International Labour Organization – ILO (2021). [Small goes digital: how digitalization can bring about productive growth for micro and small enterprises.](#)

<sup>4</sup> For more information on the rapid assessment, please visit the [Knowledge Platform](#) of the ILO Global Centre on Digital Wages for Decent Work.



## Target audience

The course is designed for owners and management staff of small enterprises (approximately 10 to 50 staff members). The programme was designed for small enterprises at all stages of the digitization process, including those that continue to pay wages in cash, those in the process of digitizing wage payments, and small enterprises that already pay wages digitally.

Small enterprises which have already transitioned to digital wages frequently continue to face challenges in the process and may not yet do so in a fully responsible way.

## Training outline

Session	Duration	Objective
<b>Session 1:</b> Why should I pay wages digitally?	90 min	<ul style="list-style-type: none"> <li>• Explore the digitization of business payments across a range of functions, including sales, paying suppliers and tax payments, as well as wage payments.</li> <li>• Learn about the main benefits and risks linked to wage digitization.</li> </ul>
<b>Session 2:</b> Preparing for responsible wage digitization	90 min	<ul style="list-style-type: none"> <li>• Recognize the importance of a responsible transition and the characteristics of responsible digital wage payments.</li> <li>• Review the basic legal/regulatory framework related to wage payments in the country.</li> <li>• Examine a simple roadmap for responsible wage digitization for small enterprises.</li> <li>• Understand that the actual route taken by small enterprises will vary.</li> </ul>
<b>Session 3:</b> Digitizing the system	75 min	<ul style="list-style-type: none"> <li>• Learn the basic steps of a simple payroll system.</li> <li>• Carry out a simple exercise to analyse the potential time and cost savings of implementing digital wages for their own enterprise, as well as learn from case studies of other small businesses.</li> <li>• Understand how to create documents for recording workers' information, keeping track of attendance and/or production, developing a payroll sheet and issuing payslips.</li> <li>• Learn the basic requirements for wage calculations, payroll record keeping, as well as the features that pay slips should contain and the legal requirements in the country.</li> <li>• Learn about the benefits of registering workers to social security schemes and the steps for doing so in their country.</li> </ul>
<b>Session 4:</b> Selecting and working with financial service providers	60 min	<ul style="list-style-type: none"> <li>• Explore various digital payment methods (bank accounts, pre-paid cards, mobile wallets and mobile money accounts) and understand the advantages and disadvantages of each.</li> <li>• Identify and apply key criteria for choosing a financial service provider (FSP).</li> <li>• Learn about common services provided by FSPs, the support workers' might expect, and how to ensure that services respond to the needs of women and men workers.</li> </ul>

# Session 1: Why should I pay wages digitally?

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## Learning objectives

- Explore the digitization of business payments across a range of functions, including sales, paying suppliers and tax payments, as well as wage payments.
- Learn about the main benefits and risks linked to wage digitization.



## ▶ What are digital payments?

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- ▶ Digital payments are defined as “a transfer of value from one payment account to another using an electronic device (such as a mobile phone or computer) and communications channel (such as a mobile wireless channel)” by the Better Than Cash Alliance.

### **Digital payment channels can include:**

- ▶ Electronic transfers
- ▶ Online banking
- ▶ QR code payments
- ▶ Digital wallets
- ▶ Mobile money accounts
- ▶ Payment cards

### **Enterprises use them for a range of transactions:**

- ▶ Payments to suppliers
- ▶ Tax payments
- ▶ Social security contributions
- ▶ Rent payments
- ▶ Payments by customers
- ▶ Wage and benefit payments
- ▶ Bills and service payments

The world is becoming increasingly digital, with increasing ownership of mobile and smart phones, availability of internet and mobile data, ability to pay electronically, and competition and options in digital financial and payment services. These changes are accelerating the transition to digital payments. Some reasons behind this shift are:

Reason	Finding
<b>Cost saving</b>	Moving from cash and check to digital payments significantly reduces cost to businesses: as much as by 50% for salaries and 30% for suppliers.
<b>Transparency</b>	Digital payments improve traceability which reduces losses from payments to incorrect recipients, as well as human errors associated with handling cash.
<b>Speed and security</b>	Digital payments can be instantaneous, reducing the time the payee must wait to receive the payment and lowering the risk of loss, theft, or use of counterfeit notes associated with managing cash.
<b>Financial inclusion</b>	Digital payments to employees or small businesses support the use of other formal financial services.
<b>SME growth</b>	Using digital payments improve efficiency at the enterprise level and fosters SME productivity and growth.

In this context, enterprises are choosing to digitize their payments. Some signs that the market is ripe for transitioning to digital payments include:

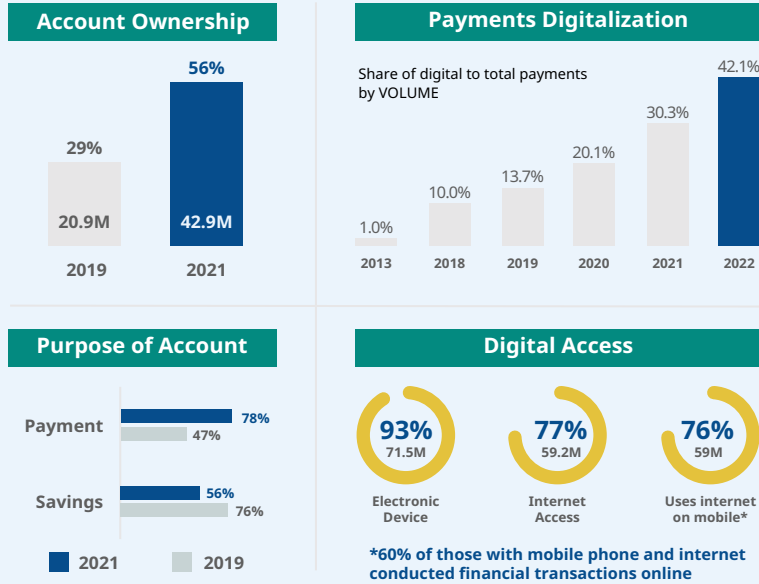
#### Signs that the market is moving towards digital payments

- ▶ A supplier has already approached you asking you to pay them electronically.
- ▶ Most of your employees probably already have their own bank accounts or are using mobile money.
- ▶ Most of your employees may not yet have bank accounts but they live in urban areas.
- ▶ The risk of holding cash on premises to make payments concerns you more and more.
- ▶ Your concerns about fraud related to cheques or cash payments are rising.
- ▶ The government requires or strongly encourages businesses to pay taxes digitally.
- ▶ Your bank has approached you in the last six months to make you aware of new options or improved services which it wants to offer you.
- ▶ You heard of new digital payment services or digital bank offers in the last six months.
- ▶ You are aware that some competitors are using electronic payments to their suppliers and employees.
- ▶ Compliance and enforcement of labour and/or tax laws is becoming stricter in your country

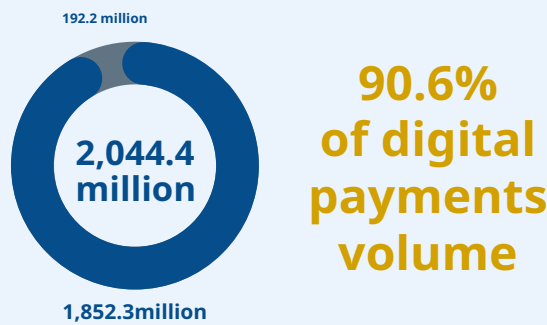
If most of the points above apply in the case of your enterprise, digitizing payment should be seen as urgent. If only a few applied, the market is less developed, but there are still opportunities to digitize payments.

## ► The state of digital payments in the Philippines

- In the Philippines, the goal of the Bangko Sentral ng Pilipinas (BSP) is to convert at least 50 percent of all retail payment transactions into digital form by 2023. As of 2022, the volume of digital payments has reached 42.1% of total retail payments, while the value is at 40.1%.



- The major drivers for the increase in digital payments in 2022 are merchant payments at 73.7% of total volume, followed by P2P payments at 14.7%, and then by salaries and wages at 2.2%. These three use-cases comprised 90.6% of total volume, which corresponds to 1,852.3 million digital transactions. Salaries and wage payments use-case showed significant growth of 41.1% from its volume in 2021.



## ► Digital payments self-assessment



In order to better understand your own enterprise's level of development in terms of digital payments, you can use the digital payment self-assessment. Which of the following payments do you already carry out through digital payments?

Payment type	Are payments made digitally?				Planning to digitize? (Y/N)	Notes and ideas
	All	Most cases	Few cases	Not at all		
Payments to suppliers						
Payments by customers						
Tax payments						
Wage and benefit payments						
Social security contributions						
Bills and service payments						
Rent payments						

How far are you in your journey to digital payments in your enterprise? (Tick the relevant box.)

Question	Yes	No	Unsure
Is the enterprise owner committed to adopting digital payments?			
Have you set targets for digitizing payments that are still carried out in cash?			
Are you aware of the range of payment tools and service providers available in your region or country?			
Have you assessed the costs (in terms of time and money) of carrying out certain payment types in cash versus digitally?			
Have you discussed the possibility of digital payments with a financial service provider or payment service?			
Have you discussed the possibility of transitioning to digital payments with important stakeholders for your enterprise, like employees, suppliers or important customers?			

## What are digital wage payments?

Digital wage payments or digital wages are wages paid using electronic or digital means, such as transfers to bank accounts, pre-paid or payroll cards, or mobile money accounts. These are generally found to be faster, more secure, more transparent, and more efficient than cash.

At the global level, there are examples of digital wages paid through:



- ▶ **A financial institution account:** An account with a traditional or digital bank or other financial institution, such as a financial cooperative.



- ▶ **A digital wallet:** A digital tool that allows you to access your account and makes payments. Typically, you need an account at a financial institution to use a digital wallet.



- ▶ **A mobile money account:** Mobile money accounts are accessible through your phone and you can typically sign up with just an ID and a phone number. They generally have more limited functions than financial institution accounts.



- ▶ **A pre-paid card:** A card provided by a financial institution which can be used to cash out the money stored on it at an ATM or bank branch.

## What are the benefits and challenges of digital wage payments to small enterprises?

Digital wages have many benefits, including to workers, but also pose challenges and risks, which is why it is important that the transition is done responsibly. Among these are:

### Benefits of digital wage payments to enterprises

- ▶ Efficiency of payroll.
- ▶ Transparency, accuracy and safety of the payments.
- ▶ Greater compliance with requirements of buyers (social certification) leads to better access to markets.
- ▶ Greater compliance with legislation is critical for participating in public procurement, accessing public financing mechanisms and/or enterprise development services by government.
- ▶ Improved relationship with financial service providers facilitates access to additional financial services and products (credit lines, payment services, etc.).
- ▶ Benefits to men and women workers' overall and financial well-being leads to greater productivity.

There are also others benefits such as better compliance and transparency, which buyers are increasingly interested in, as well as benefits for governments. These include improved respect of workers' rights, and an improved ability to monitor wage payments, identify irregularities in wage payments, and conduct labour inspections.

### Challenges of digital wage payments to enterprises

- ▶ Lack of know-how, time and resources to transition to digital wage payments.
- ▶ Cost of digital payroll services (set-up and transaction fees etc.)
- ▶ Lack of financial and digital infrastructure around the business premises (ATM, bank branches, bank/mobile money agents, interoperability, internet and mobile connectivity etc.)
- ▶ Costs for the workers (cash out an/or transfer fees, account maintenance fees, minimum balance requirements etc.)
- ▶ Workers' preference for cash.
- ▶ Lack of digital and financial literacy of workers.
- ▶ Regulatory constraints.

For more information, you can read the [ILO brief on promoting responsible digital wage payments](#).

# Session 2: Preparing for responsible wage digitization

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## Learning objectives

- ▶ Recognize the importance of a responsible transition and the characteristics of responsible digital wage payments.
- ▶ Review the basic legal/regulatory framework related to wage payments in the country.
- ▶ Examine a simple roadmap for responsible wage digitization for small enterprises.
- ▶ Understand that the actual route taken by small enterprises will vary.



## ▶ How can digital wage payments be made responsible?

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It is important to move from cash to digital wages in a responsible manner to ensure that employers and workers benefit from the transition. Basically, to be responsible means to respect:

1. National laws and regulations, fundamental principles and rights at work, and the principles of relevant international labour standards; and
2. Relevant principles, guidelines, and good practices concerning (digital) financial inclusion and financial consumer protection.

Digital wage payments only fully deliver on these benefits if they are implemented in a responsible way. Responsible digital wage payments respect laws and regulations and consumer protection principles. They provide benefits for workers and enterprises and avoid harm to workers.

In the Philippines, the Labor Code of the Philippines is the legal framework that regulates the payment of wages in the country, as outlined in Book III (Conditions of Employment) and its Implementing Rules and Regulations. This is further supplemented by the Wage Rationalization Act of 1989 (Republic Act 6727) and the Handbook on Workers' Statutory Monetary Benefits issued by the Department of Labor and Employment (DOLE). Among the key legal provisions regarding wage payments are:

- ▶ No employer shall pay the wages of an employee by means of promissory notes, vouchers, coupons, tokens, tickets, chits, or any object other than legal tender, even when expressly requested by the employee.
- ▶ Wages shall be paid at least once every two (2) weeks or twice a month at intervals not exceeding sixteen (16) days. No employer shall make payment with less frequency than once a month.
- ▶ Payment of wages shall be made at or near the place of undertaking, except as otherwise provided by such regulations as the Secretary of Labor and Employment may prescribe under conditions to ensure greater protection of wages.
- ▶ Any person, company, corporation, partnership or any other entity engaged in business shall file and register annually an itemized listing of their labor component, specifying the names of their workers and employees below the managerial level, including learners, apprentices and disabled/handicapped workers who were hired under the terms prescribed in the employment contracts, and their corresponding salaries and wages.

## Features of responsible digital wage payments



### Choice

- ▶ Workers have choice on the digital means of wage payment, the financial service provider and the financial products and services.



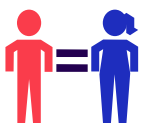
### Accessibility and security of income and assets

- ▶ Digital wage payments are done in full and in an adequate and timely manner.
- ▶ Financial services are adequate to the needs and means of employers and workers.
- ▶ Employers and workers are protected against fraud, misuse, and insolvency.



### Transparency and privacy

- ▶ Information for workers on their wages is appropriate and easy to understand
- ▶ Information for employers and workers on financial services is complete, accurate and non-deceptive.
- ▶ Employers' and workers' data and privacy are protected



### Fair opportunities and treatment

- ▶ Workers are treated equality and have the same opportunities
- ▶ Access and treatment of employers and workers as financial consumers is equal
- ▶ Dispute prevention and resolution systems are effective



### Enabling conditions

- ▶ Policy, legal, regulatory, and supervisory environment is conducive and actors rely on social dialogue.
- ▶ Financial infrastructure (including networks of ATMs, agents, and merchants accepting digital payments) is sufficiently developed and readily accessible.
- ▶ Enterprises and workers have the necessary capacities for digital wage payments, including good digital and financial literacy.

Recently, DOLE issued Labor Advisory No. 26 (series of 2020), which sought to encourage and enable all private establishments to timely pay wages and other monetary benefits through transaction accounts, so as to afford employees access to formal financial services for the promotion of their welfare, reduce costs and risks of physical cash disbursements, and promote digital payments as a safer alternative to the physical exchange of bills and coins.

In particular, it promoted the use and/or opening for workers of a Basic Deposit Account (or a BDA, which is an interest or non-interest-bearing bank account with a minimal initial deposit (no more than 100 pesos), no minimum maintaining balance, no dormancy charges, maximum balance of P50,000.00, and with simplified know-your-customer (KYC) requirements, as prescribed by the BSP), e-money account, or financial services access points (ATM, bank branches, e-money/cash agents) for the payment of their wages and other monetary benefits.

The Advisory highly encourages employers in the private sector to explore and/or undertake the following initiatives in support of the payment of wages through transaction accounts:

- Communicating to their employees the benefits of using transaction accounts for receiving wages and other remunerations;
- Assisting employees who have no existing transaction accounts in opening one for the purpose of receiving wages;
- Providing employees who have existing transaction accounts the option to receive their wages and other monetary benefits through the same;
- Requiring partner banks or e-money issuers to provide information on features of transaction accounts and updated list of nearest financial service access points for the benefit of employees;
- Ensuring that opening, maintaining, and use of transaction accounts shall in no case result in any additional expenses/fees or diminution of wages and other monetary benefits received by employees;
- Ensuring compliance with wage protection regulations; and continuing issuance of payslips (or record of payment of wages and other monetary benefits and deductions for a particular period) to employees.

## Case analysis: Responsible approaches to wage digitization

Below are hypothetical situations that a small enterprise or its workers may face as they make the transition to digital wage payments. Read and understand each case and think whether the enterprise took a responsible approach and what could have been done differently.



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### Situation 1: Bank charges workers for withdrawal transaction

► A janitorial company which employs twenty cleaners has just launched its digital wage payment system. Soon after the wages are disbursed digitally for the first time, workers gather at the company’s office. They complain because when they cashed out their wages at the ATM, they were charged a high fee, so they received less than the amount on their pay slip. They are unhappy because they were told there would be no difference in pay because of digital wages.

► **Did the enterprise take a responsible approach? What could have been done differently?**

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▶ **Situation 2: Workers want to be paid to their existing accounts**



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▶ A food processing company decided to digitize wage payments. The management staff organizes a meeting with the financial service provider to open bank accounts for the workers. Ten of the workers say that they already have a bank account from previous jobs and want their wages to be paid on their existing accounts. This is not convenient for the enterprise, so it requires workers to open new accounts.

**Did the enterprise take a responsible approach? What could have been done differently?**

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▶ **Situation 3: Worker falls for phishing scheme**



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▶ A grocery store is paying its workers' wages to mobile money accounts. A few days after payday, a women worker gets to work in tears because her wage has vanished. She says that her cousin called and asked her to send some money urgently. He gave her his mobile money number and she sent the money. The next day, when she called her cousin, he told her that he never called her, and she realized that she sent her wage to someone else.

**Did the enterprise take a responsible approach? What could have been done differently?**

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▶ **Situation 4: Worker receives damaged bank notes**



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▶ A small enterprise has just launched its first digital wage payment. Soon after, a women worker cashes out her wage from a mobile money agent near her workplace and goes home. When she gets home, she notices that five bank notes are torn. The next day she returns to the mobile money agent to complain but he says this is none of his business. She does not dare to insist. She is frustrated because she cannot use the bank notes and it represents an important sum for her.

**Did the enterprise take a responsible approach? What could have been done differently?**

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## A roadmap to responsible digitization of wage payments

There is no one correct path to digitizing wage payments. However, the following activities are typically part of a responsible transition:

Decide person/team responsible for leading the transition.

Train workers on how to receive and access their digital wages and to use their digital financial accounts safely.

Engage with providers to improve the digital wage payment solution if needed and assess the benefits and risks of additional services.

Select the digital payroll and wage payment solution and train HR/finance staff.

Organize a meeting to engage workers in the transition.

Establish a simple payroll system and define key documents.

Provide continuous support and financial education to workers, particularly the most vulnerable amongst them.

Adapt the process according to feedback from workers and management team.

Identify financial and/or payroll service providers and select one according to key criteria.

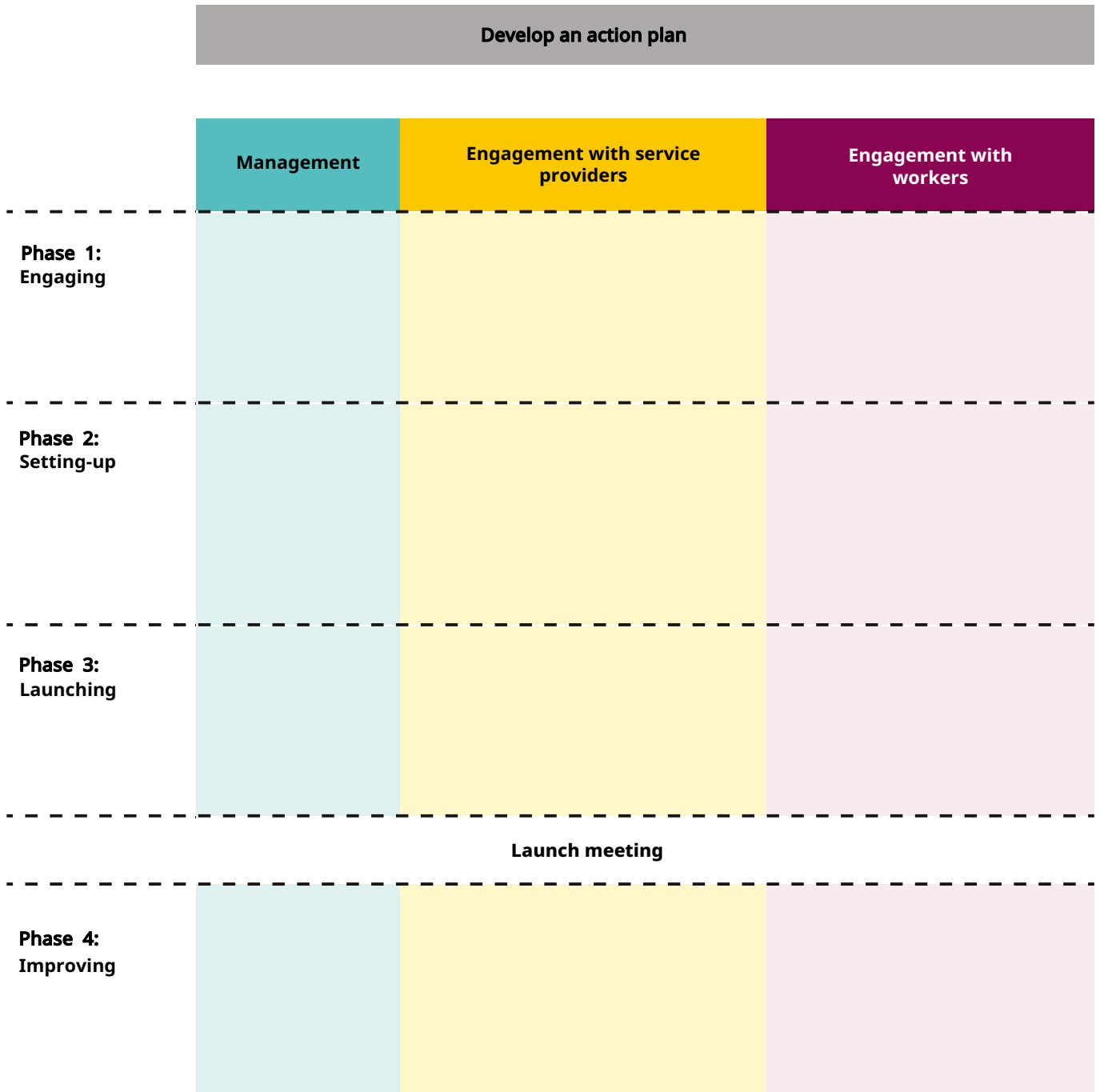
Facilitate account opening for workers or registration of preferred account.

Request service provider to be available on/around launch date to provide support to enterprises and workers.

Set up a simple dispute resolution and feedback mechanism.

Since there are many important activities to be considered when digitizing wage payments, a simple roadmap can serve as a rough guide to the necessary phases and help business owners and managers lead the transition. How would you organize the activities listed above according to the phases of the roadmap?

## Roadmap to Responsible Wage Digitization



It is important to keep in mind that support and financial education for workers, as well as consultation with them, should be ongoing processes, but they are particularly important at the points highlighted in the roadmap.

# Session 3: Digitizing the payroll system

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## Learning objectives

- ▶ Learn the basic steps of a simple payroll system, the basic requirements for digitizing the payroll process, and the key issues when selecting a digital payroll service provider.
- ▶ Carry out a simple exercise to analyse the potential time and cost savings of implementing digital wages for their own enterprise, as well as learn from case studies of other small businesses.
- ▶ Understand how to create documents for recording workers' information, keeping track of attendance and/or production, developing a payroll sheet and issuing payslips.
- ▶ Learn the basic requirements for digitizing the payroll process and the key issues when selecting a digital payroll service provider.
- ▶ Learn about the benefits of registering workers to social security schemes and the steps for doing so in their country.



## ▶ The importance of a payroll system

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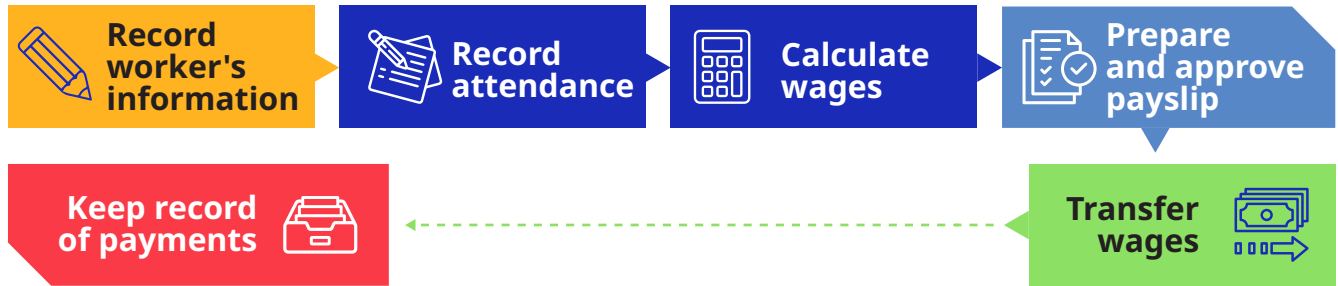
Setting up a payroll system can be challenging, especially for SMEs hiring employees with different types of contracts and working arrangements. Keeping track of payroll information for full-time workers paid monthly is very different from what is need in the case of casual workers hired by the hour or on a piece-rate basis.

Regardless of the type of contract, it is important to collect and organize information on the workers and keep track of their attendance and/or production in order to calculate wages and issue payslips properly, making sure that payments are done correctly and minimizing the risk of disputes on the total amount due.

The payroll system involves a series of activities, from the registration of workers' information to the record keeping of the payment transactions and related documents.

Organizing the payroll system leads to substantive gains of efficiency to enterprises and reduces the risks involved in human resources management. There are many solutions offered by payroll service providers, including digital ones using mobile phones apps. But before exploring these alternatives, it is important to understand the basic requirements of a payroll system:

## Basic Requirements of a Payroll System



## The six steps of the payroll system

The payroll system involves a series of activities, from the registration of workers’ information to the record keeping of the payment transactions and related documents.

Organizing the payroll system leads to substantive gains of efficiency to enterprises and reduces the risks involved in human resources management. There are many solutions offered by payroll service providers, including digital ones using mobile phones apps.

But before exploring these alternatives, it is important to understand the basic requirements of a payroll system:



For many SMEs, especially those with a reduced number of employees, simple solutions using an Excel sheet may be sufficient. As they grow and hire a larger number of workers, more complex solutions may be needed to register and manage the increasing amount of information. Enterprises may take a gradual approach towards the digitization of the payroll process, progressively adding digital solutions to the six steps mentioned above.

## Step 1: Recording workers’ information

The first step in a payroll system is making sure that information of all employees is readily available and up to date in their registration forms. Requirements may vary according to the national legislation, but a simple registration form should record the relevant information.

<b>Worker’s Registration Form</b>	
<b>Personal information</b>	
Name:	Gender:
Date of birth:	City and country of birth:
Address:	Phone number:
Civil status:	Spouse name:
Emergency contact:	Child name:
<b>Functional information</b>	
Date of admission:	Job title / contract type:
Period of contract:	Days of leave:
Salary (IRD):	Work hours:
Deductions:	Health / insurance:
Method of payment:	Account number:
Social security ID or number:	

Irrespective of the type of engagement – full time, part time, casual –, all employees must have written contracts that should contain information on their name and address of employer and employee, duties and contract period, working hours, schedule, and leave days, salary, work rules, deductions for health, safety and insurance, contract renewal/extension. The agreed salary should be confirmed by employers and workers and noted at their registration forms.

## Step 2: Keeping track of attendance

Time or production sheets are instruments to keep track of workers’ attendance and/or output. It is important to keep track of attendance not only for workers paid by the hour, but also for full-time employees hired on a monthly basis. So, overtime work can also be calculated and compensated according to national legislation. Ideally, workers and employers (or managers) should sign the time sheet at the end of the month (or payment period) to confirm their agreement on the monthly (periodic) total before payment of wages.

Name of worker						
Date	Week day	Time In	Time Out	Lunch break	Total hours	Extra hours
	Mon					
	Tue					
	Wed					
	Thu					
	Fri					
	Sat					
<b>Monthly total</b>						

In the Philippines, the Labor Code prescribes that every employee in the payroll shall sign or place his thumbmark, as the case may be, at the end of the line opposite his/her name where a blank space shall be provided for the purpose. His signature shall be made in ink, or his thumbmark placed with the use of the regular stamping ink and pad. In addition:

- Time records — Every employer shall keep an individual time record of all his employees bearing the signature or thumbmark of the employee concerned for each daily entry therein by means of any of the following methods: (a) Through the use of Bundy clock by means of which an employee can punch in his individual card the time of arrival and departure from work; (b) Through the employment of a timekeeper whose duty is to time in and out every employee in a record book; and (c) By furnishing the employees individually with a daily time record form in which they can note the time of their respective arrival and departure from work.
- Entries in the filing of time records. — All entries in time books and daily time records shall be accomplished in ink. All filled-up Bundy clock cards, timekeeper's books and daily time record forms shall be kept on file in chronological order by the employer in or about the premises where the employee is employed, and open to inspection and verification by the Department of Labor and Employment as provided in this Rule.
- Time records of executives. — Managerial employees, officers, or members of the managerial staff, as well as non-agricultural field personnel, need not be required to keep individual time records, provided that a record of their daily attendance is kept and maintained by the employer.



## Step 4: Preparing, approving, and issuing payslips

Printed pay slips that provide the number of hours worked, pay rate and overtime worked help workers and enterprises resolve any mistakes and provide records. Payslips should include information on the calculation of wages and deductions and should be available to workers on payday.

Pay slip for XYZ Company			
Employee's name:		Date:	
Classification:	Enter job title/contract type	Pay period:	
Wage calculations			
Ordinary wages/hourly rate	No. of hours	@ (rate)	₱
Overtime	No. of hours	@ (rate)	₱
Allowances:	List any allowances received		₱
Gross wages:			₱
Less deductions:*	Taxes:		₱
	Social security contribution:		₱
	Other deductions:		₱
	List here...		
Total deductions:			₱
Net wages (Gross wages total deductions)			₱

In the Philippines, the Labor Code prescribes that every employer shall pay his/her employees by means of a payroll wherein the following information and data shall be individually shown:

1. Length of time to be paid;
2. The rate of pay per month, week, day or hour, piece, etc.;
3. The amount due for regular work;
4. The amount due for overtime work;
5. Deductions made from the wages of the employees; and
6. Amount actually paid

### The importance of payslips

Payslips can be important when applying for a loan, renting a home, or applying for a visa

- ▶ They provide clarity and transparency, which help:
- ▶ Generate trust with workers
- ▶ Avoid disputes and misunderstanding
- ▶ Resolve any mistakes
- ▶ Demonstrate that legal requirements have been fulfilled
- ▶ Allow workers to demonstrate that they are employed

## Step 5: Making wage payments

Making wage payments is an essential in the payroll process for ensuring workers receive their agreed compensation accurately and in a timely manner. This step involves executing the payments to each worker through the methods described in the previous sessions – preferably through digital payments into a financial institution account, a digital wallet or mobile money account, or a pre-paid payroll card.

For digital wage payments, there are different technologies offered by payroll and/or financial service providers for the direct and automatic deposit into workers' accounts. More information on these options and key criteria when selecting a provider are discussed in the following sessions.

Bear in mind that accuracy is a critical aspect when making wage payments to avoid any discrepancies or delays that could lead to dissatisfaction among workers. Managers should verify all calculations, deductions, and withholdings, as well as confirm hours worked and additional payments (overtime, bonuses etc), prior to making the payments. As mentioned before, workers should ideally have access to their payslips at the payment date.

It is also crucial to agree with workers on recourse mechanisms and have it in place for any disputes. Workers should know who to talk to and what documents to consult and present as supporting evidence, in case of disputes.

## Step 6: Record keeping

Keeping records of the documentation is an ongoing activity, critical to enable businesses to track and validate the workers' wage payments. Having complete and accurate records is important for transparency and audit purposes, serving as evidence of compliance to national laws and regulations, and supporting financial reporting and disputes.

In the Philippines, the Labor Code prescribes that all employment records of the employees shall be kept and maintained by the employer in or about the premises of the workplace. This may refer to the main or branch office of the establishment, if any, depending upon where the employees are regularly assigned. The keeping of the employee's records in another place is prohibited.

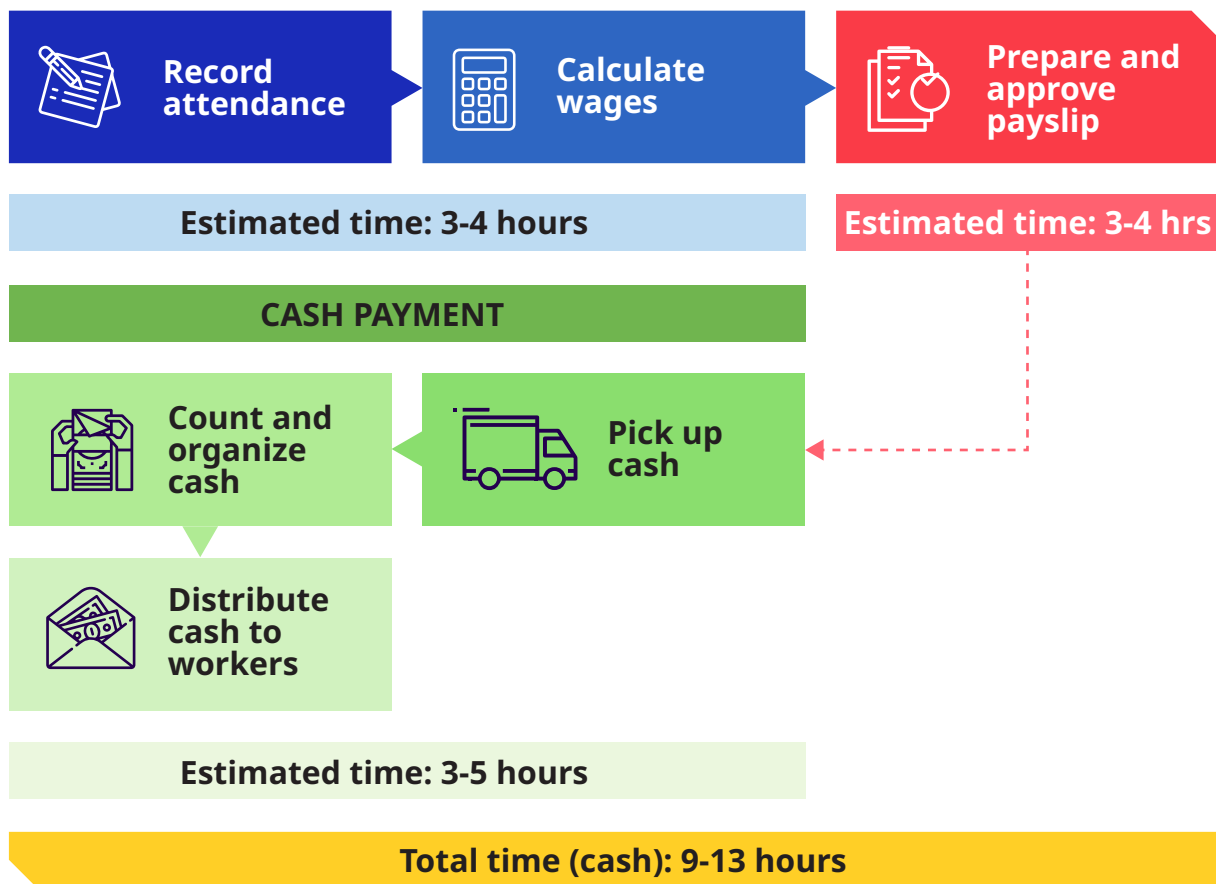
Furthermore, all employment records are required to be kept and maintained by employers shall be preserved for at least three (3) years from the date of the last entry in the records.

## Calculating potential gains from the transition to digital wage payments

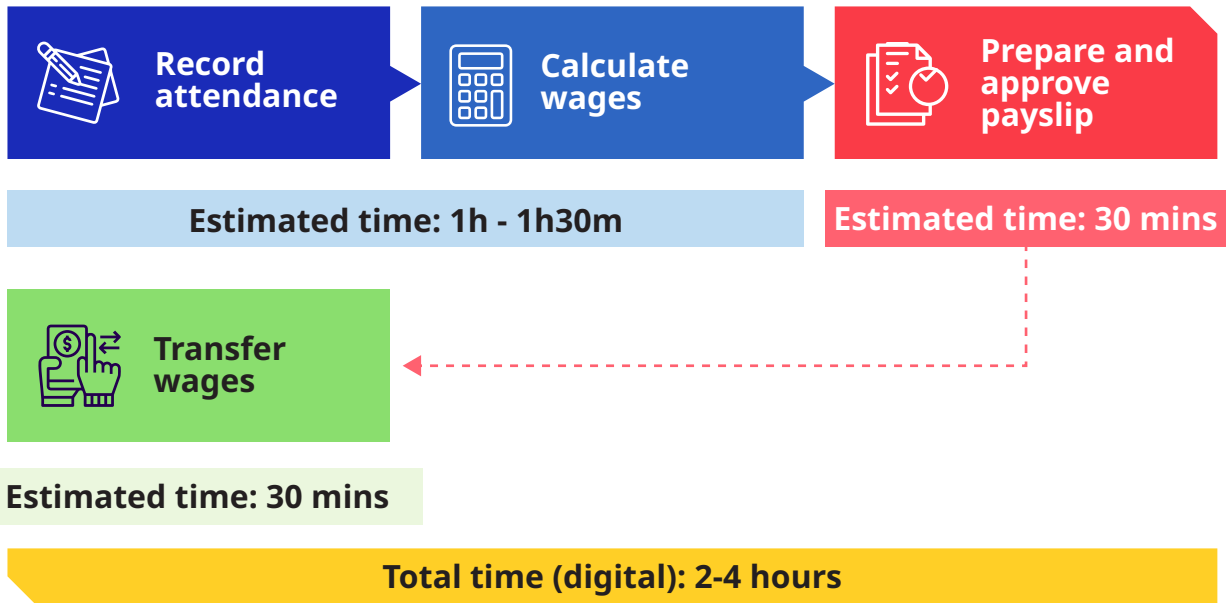
To understand the benefits and establish the business case for each enterprise, it is important to carry out a simple analysis of the possible savings in terms of time and costs when digitizing the payroll and the wage payments.

To illustrate this process, here are examples of the cost-saving opportunities of the digitization for small enterprises (based on interviews with smaller companies (10 to 50 employees) in Indonesia and the Philippines):

### Case 1: non-digital payroll system and wage payment in cash



### Case 2: digital payroll system and digital wages



Below is a simple template to calculate the costs of non-digital vs digital wage payments. This exercise can help business owners or managers understand the benefits for their own enterprises and decide whether it is the right time to digitize their wage payments for them.

However, it is important to note that there are often hidden costs that businesses do not consider, such as the transportation costs to go to a bank to collect cash to make wage payments. It may also represent a substantive decrease on the number of people involved in the wage payment process. These costs may not initially appear significant but may add up, so make sure that these are taken into consideration.

## Comparing costs of digital and non-digital payroll processes

### 1. NON-DIGITAL: time currently (or previously) spent on the payroll process

Step	Time spent
Record workers' attendance and performance	
Calculate salaries	
Prepare and approve payslips	
<b>Total time spent on manual payroll</b>	

Step	Time spent
Pick - up cash	
Count and organize cash	
Distribute cash to workers	
Dispute settlement	
<b>Total time spent on wage payments in cash</b>	

Other costs (financial costs, security issues, office material etc.)

### 2. DIGITAL: (estimate) time spent on the wage payment process

Step	Time spent
Record workers' attendance and performance	
Calculate salaries	
Prepare payslips	
<b>Total time spent on digital payroll</b>	

Step	Time spent
Bank transfers	
Dispute settlement	
<b>Total time spent on digital wage payments</b>	

Other costs (financial costs, internet connection, computers etc)

## Choosing a digital payroll service provider

Setting-up a payroll system can be a challenge for SMEs. If information is not readily available, it can take a lot of time to keep track of employees' attendance and/or production and to calculate their wages. If not properly done, it can also lead to mistakes and disputes with workers. This is the reason why it is important to have an adequate system, with all the relevant documents in place, such as the registration form, the time and/or production sheets, and the payroll sheet.

In-house solutions may be sufficient for small enterprises, but there are several payroll service providers that offer alternatives, including digital ones. When selecting a provider, you should consider the following aspects:

1. Cost versus benefits of the payroll services, depending on the size of the payroll and the time spent in the process
2. Flexibility in the use of services, allowing for a gradual approach to the digitization of the payroll process
3. Data integration capabilities, making it easier to connect to other systems already in place or to the enterprise's financial service provider to automatize payments
4. Compliance with national tax and social security legislation
5. Customer support services during the implementation phase and after
6. Additional services offered by the provider both to the enterprises (typically Human Resources management services, but there may also be examples of embedded financial services) and to workers (EWA, for instance).

To illustrate, study the following case of DeliciousSalad. Which digital payroll service provider do you think would best meet its needs?

### ► DeliciousSalad needs a payroll service



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► DeliciousSalad is a salad bar that currently employs 30 workers, among cooks, waiters and waitresses, cleaners, delivery workers and management staff. Most of them work full time and are paid monthly into bank accounts. But some of the cooks, waiters and waitresses, cleaners and delivery workers are hired on a need-basis, according to the expected number of clients in a given day or week. These are casual workers, paid daily or weekly, either in cash or into their mobile money account and not registered to social security. DeliciousSalad is a growing business and the manual payroll system used by the HR manager is leading to more and more mistakes. The manager is concerned and wants to suggest a digital payroll solution to the owner of DeliciousSalad.

### ► Let's help the HR manager decide which payroll service provider to suggest!

## Offers to DeliciousSalad from digital payroll service providers

**Main features:**

- ▶ Up to 50 employees.
- ▶ Offers wage calculations upon information attendance and production information provided by users.
- ▶ Issues an Excel or Pdf file that can be used to pay wages manually.

**FASTPAYROLL**

**ONLY PHP50.00**  
(per worker/month)

**FRIENDLY PAYROLL**

**ONLY PHP300.00**  
(per worker/month)

**Focused on user experience!**

- ▶ Up to 100 employees.
- ▶ Includes features for permanent and casual employees.
- ▶ Wage calculations based on attendance and production sheet provided by users.
- ▶ Offers flexibility to easily connect to your preferred financial service provider.

- ▶ Unlimited number of employees.
- ▶ Wage calculations, including taxes and social security contributions.
- ▶ Integrated attendance and production sheet to easily keep track of workers' time and productivity.
- ▶ Calculates extra payments: overtime, bonuses and tips.
- ▶ Offers integrated services with selected financial service providers for automatic payment of wages.
- ▶ Modular approach for SMEs. Services can be added at your pace.

**THEPAYROLLMACHINE**

**FROM PHP 500.00**  
(per worker/month)

## Benefits of registering workers to social security

Social security is a universal right that aims to prevent poverty and vulnerability. Employers are legally bound to provide access to social security for their workers, and also to benefit from it themselves. Social security has important benefits for both workers and small enterprises:

Benefits for workers	Benefits for small enterprises
<ul style="list-style-type: none"> <li>▶ Income security and access to health care.</li> <li>▶ Better life chances for the whole family.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improved health of workers.</li> <li>▶ Increased labour and business productivity.</li> <li>▶ Higher worker satisfaction and loyalty.</li> <li>▶ Reduced risk of conflict and legal problems.</li> </ul>

Consider the case below where a fire broke out at DeliciousSalad and reflect on your answers to the questions asked.



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▶ A fire happens at the kitchen of DeliciousSalad. The fire was controlled before reaching the offices and the saloon, but most of the cooks were unfortunately injured. It was a very busy day and the HR manager had asked two casual workers to help in the kitchen. As you may remember, the casual workers at DeliciousSalad are not registered to social security.

### What happens now?

- ▶ What are the impacts of this situation on the permanent cooks? What about the casual workers?
- ▶ What are the advantages for both the permanent cooks and the employer considering that social security is in place?
- ▶ What are the impacts on the employer regarding the situation of the casual work

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## Registering employees in the social security and tax systems in the Philippines

Wages in the Philippines are paid inclusive of income tax and social protection contributions. These are remitted by employers on behalf of employees to the Bureau of Internal Revenue (BIR) for withholding income tax, Social Security System (SSS) for social security contributions, Home Development Mutual Fund (HDMF, or Pag-IBIG) for housing financing support, and Philippine Health Insurance Corporation (PHIC, or PhilHealth) for health and medical assistance.

An employer must be registered with the concerned government agencies before registering its employees in the same. Both employer and employee have a corresponding share in SSS, Pag-IBIG, and PhilHealth contributions for each worker. Income tax are withheld every payday (normally twice a month), while social protection contributions are remitted monthly.

Social security benefits are composed of a package of benefits under the Social Security System (SSS for private sector employees/workers) in the event of death, disability, sickness, maternity, old age and unemployment. Work-related death, disability and sickness also receive benefits under the Employees' Compensation (EC) Programs. The SSS covers all employees including kasambahays (or domestic workers) not over sixty (60) years of age and their employer.

The Home Development Mutual Fund, otherwise known as Pag-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund is a mutual provident savings system for private and government employees and other earning groups, supported by matching mandatory contributions of their respective employers with housing as the primary investment. Pag-IBIG membership is mandatory for all employees covered by the SSS and the Government Service Insurance System (GSIS).

The National Health Insurance Program (NHIP) is a compulsory health insurance program of the government established to provide universal health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of the Philippines. The NHIP covers all Filipinos pursuant to Republic Act No. 11223 or the Universal Health Care (UHC) Act.

# Session 4: Selecting and working with financial service providers

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## Learning objectives

- ▶ Explore various digital payment methods (bank accounts, pre-paid cards, mobile wallets and mobile money accounts) and understand the advantages and disadvantages of each.
- ▶ Identify and apply key criteria for choosing a financial service provider (FSP).
- ▶ Learn about common services provided by FSPs, the support workers' might expect, and how to ensure that services respond to the needs of women and men workers.



### Options for digital wage payments

► Digital wages can be paid through different methods. Identify examples for each of the following.



► **A financial institution account:** An account with a traditional or digital bank or other financial institution, such as a financial cooperative.

**Examples:**

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► **A digital wallet:** A digital tool that allows you to access your account and makes payments. Typically, you need an account at a financial institution to use a digital wallet.

**Examples:**

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► **A digital wallet:** A digital tool that allows you to access your account and makes payments. Typically, you need an account at a financial institution to use a digital wallet.

**Examples:**

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Each method of digital wage payment has advantages and disadvantages from the perspective of enterprises and workers, including as follows:

► **Financial institution account**

Pros	Cons
<p><b>FOR ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>► Experienced in wage payment services.</li> <li>► Widely available.</li> <li>► May have existing accounts and services.</li> </ul>	<p><b>FOR ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>► Costs of services.</li> <li>► May not have services adapted to the needs of small enterprises.</li> </ul>
<p><b>FOR WORKERS</b></p> <ul style="list-style-type: none"> <li>► Possibility of face-to-face interaction</li> <li>► In-person and digital services</li> </ul>	<p><b>FOR WORKERS</b></p> <ul style="list-style-type: none"> <li>► Possible costs (including card fees, account maintenance, and cash out/transfer fees).</li> <li>► May require a minimum balance.</li> <li>► May not be widely available outside of urban centres.</li> <li>► Queues to cash out at branches and ATMS (although correspondents may also be available).</li> </ul>

► **Digital wallets**

Pros	Cons
<p><b>FOR ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>► Enterprises may already use mobile wallets widely to accept payments from customers.</li> <li>► Convenient and easy to use for entrepreneurs with good digital skills.</li> <li>► Typically provided by and connected to accounts with traditional financial institutions like banks, which may be more trusted and have better support services.</li> </ul>	<p><b>FOR ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>► Possible costs.</li> <li>► Payroll services and in-person support may not be available or may be more limited.</li> <li>► Challenges with workers with limited digital literacy.</li> <li>► Possible transaction and balance limits too low for business payments.</li> </ul>
<p><b>FOR WORKERS</b></p> <ul style="list-style-type: none"> <li>► Possibility to spend directly in local establishments if mobile money payments widely accepted.</li> <li>► Convenient and easy to use for those with good digital skills.</li> </ul>	<p><b>FOR WORKERS</b></p> <ul style="list-style-type: none"> <li>► Possible costs.</li> <li>► Correspondents may not have sufficient available cash.</li> <li>► Lower confidence in relatively new services (although typically connected to a better-known institution).</li> <li>► Need for mobile phone ownership and digital literacy.</li> </ul>

► **Mobile money accounts**

Pros	Cons
<p><b>FOR ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>► Enterprises may already accept payments from customers in mobile money, especially in countries where its use is widespread.</li> <li>► Convenient and easy to use for entrepreneurs with good digital skills.</li> </ul>	<p><b>FOR ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>► Lack of confidence in new technology and providers.</li> <li>► Payroll services and in-person support may not be available or may be more limited.</li> <li>► Challenges with workers with limited digital literacy.</li> <li>► Possible costs.</li> <li>► Possible transaction and balance limits that are too low for business payments.</li> </ul>
<p><b>FOR WORKERS</b></p> <ul style="list-style-type: none"> <li>► Possibility to spend directly in local establishments if mobile money payments widely accepted.</li> <li>► Convenient and easy to use for those with good digital skills.</li> </ul>	<p><b>FOR WORKERS</b></p> <ul style="list-style-type: none"> <li>► Possible costs, correspondents may not have sufficient available cash.</li> <li>► Lower confidence in new technology and providers</li> <li>► Need for mobile phone ownership and digital literacy.</li> </ul>

Given the different forms of digital wage payments available for small enterprises and their respective advantages and disadvantages, it is important to spend some time researching providers in advance so that you can assess which option may best suit your needs.

## Selecting a financial service provider

Financial institutions are service providers, and therefore enterprises can and should select them as carefully as any other service that they avail of and pay for. The following are key criteria for selecting a financial service provider (FSP):

- ▶ Costs for the enterprise: set up fees, account opening fees, cost of cards for workers, transaction costs per worker per pay transaction.
- ▶ Costs for the workers: cash out fees, transfer fees, annual account maintenance fees, possible annual fee for card, card renewal fee in case of loss or theft
- ▶ Accessibility: proximity to the enterprise and for the workers; network of cash in/cash out points, including ATMs, bank branches, and agents
- ▶ Available support to the enterprise: training and support to enterprise owners and managers during wage digitization
- ▶ Available support to the workers during digitization and on payday: training, support, troubleshooting, hotline etc.
- ▶ Support and training services for workers beyond wage digitization: digital and financial education, additional financial services, such as savings
- ▶ Transparency and protection – transparency of price and conditions of financial services, and quality of information provided
- ▶ Reputation – reputation and trust in the financial service provider, social and environmental responsibility

To help you in your interactions with potential providers, review the following considerations with questions to ask a financial service provider:

Topic	Questions
<b>Proximity to the enterprise</b>	Does the FSP have a branch near the enterprise to facilitate future engagement?
<b>Reputation and trust in the financial service provider</b>	What is the reputation of the FSP? Ask yourself: Have I heard about any problems related to this FSP in the news or through social media? Do I know anyone (including another enterprise) who has had a problem with the FSP? What kind? How was it solved?
<b>Availability of specific products for small enterprises and for vulnerable groups</b>	Does the FSP already offer payroll services to other small enterprises? Are the FSP's payroll services suitable for small enterprises? Are there any limitations (such as minimum balances of transaction sizes) that make the services unsuitable for a small enterprise? Does the FSP already offer products or financial services to the low-income population? To low-income women? To low-income people who cannot read or write well? Does the FSP understand the needs and preferences of this segment of the population, and do they have the system in place to offer adequate products and services?

<p><b>Transparency of price and conditions of financial services, and quality of information provided</b></p>	<p>Are the price and conditions of the financial services, including the digital payroll solution, made available? Does the FSP have communication materials for their products and services (website etc.)? If yes, do they provide the required information promptly? Is the information easy to understand?</p>
<p><b>Quality of services</b></p>	<p>What is the FSP's customer care policy? How does the FSP solve issues with its clients, in this case with the enterprise and its workers? Does the FSP have a helpline? How does it work? What other recourse mechanisms does the FSP have?</p>
<p><b>Social and environmental responsibility</b></p>	<p>Do the FSP's financial products live up to ethical standards? Which ones? Does the FSP support any philanthropic actions? If so, what kind?</p>
<p><b>Costs for the enterprise</b></p>	<p>What are the fees to set up the payroll services at enterprise level? What are the transaction fees per worker for the enterprise?</p>
<p><b>Availability and quality of support services during the transition</b></p>	<p>What training and support services will be provided for workers as they begin to receive digital wage payments? Does the FSP offer any digital and financial education to workers?</p>
<p><b>Requirements for opening and maintaining an account for workers</b></p>	<p>What documentation do workers need to provide to open an account? What are the charges to open an account and to receive a bank/ATM card? Is it a one-time cost or annual? Is there a minimum deposit for opening an account and keeping it open?</p>
<p><b>Proximity for the workers</b></p>	<p>Are there cash-out points near the workplace, workers' homes or in another convenient location? (Cash-out points include a bank branch, agent, ATM, mobile money agent or banking correspondent)</p>
<p><b>Convenience and ease of use for workers</b></p>	<p>What are the opening hours of the branch or agents? How long is the wait to be served at and around payday? How does the FSP ensure ATMs and agents have enough liquidity at and around payday? Will full amounts be available for the workers? Do workers receive a notification when digital wage payments have been made? When and how? Do workers receive account statements? How and how often? Can workers do transactions on their account using their phone or online? (Checking balance, transferring money, and so on)</p>
<p><b>Costs and access to digital wages for workers</b></p>	<p>What are the costs for a worker to cash out his or her digital wages (cost per withdrawal)? What are the fees to transfer funds to another account, including at the same financial service provider? Are there any fees if the worker uses an ATM or an agent in another province, or of another financial service provider? Is there a minimum and maximum amount that a worker can withdraw each time?</p>
<p><b>Access to other products and services</b></p>	<p>Once a worker has an account and receives his/her digital wages, will he/she be able to access other financial services, such as savings or credit? What would be the terms and conditions?</p>

# Session 5: Supporting workers through the transition

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## Learning objectives

- ▶ Understand common challenges faced by women and men workers during the transition to digital wages.
- ▶ Discuss the importance of consulting workers at the beginning and throughout the transition to digital wages.
- ▶ Understand the importance of supporting women and men workers, particularly the most vulnerable, in transitioning responsibly from cash to digital wages.
- ▶ Learn basic information, practices, and tools to support workers through these challenges.



## Digital wages from the workers’ perspective

Digital wages present benefits as well as challenges for workers:

Benefits	Challenges
<ul style="list-style-type: none"> <li>▶ Faster (no need to queue at the workplace to receive wages).</li> <li>▶ Safer (reduces risks of loss, theft, etc).</li> <li>▶ Reduces pressure to give money to family/friends/ colleagues.</li> <li>▶ Reduces temptation to spend on unnecessary items (withdraw only amount needed).</li> <li>▶ Easier to save.</li> <li>▶ Might help in accessing other financial services (savings, credit, transfers, payments).</li> <li>▶ Provides proof of wage payment (useful to identify possible errors in the wage payment and to access other financial services).</li> <li>▶ Facilitates management of personal finances.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Fees (to maintain accounts, cash out money, make transfers, replace cards etc).</li> <li>▶ Low availability of ATMs, agents or bank branches near my home or workplace.</li> <li>▶ ATMs not working properly (power cut, out of cash).</li> <li>▶ Queues at the ATM, agent or bank branch.</li> <li>▶ Not possible to make digital payments for daily expenses near my home or workplace.</li> <li>▶ Operating systems and customer service may not be available in worker’s language or worded and presented in a simple and accessible way.</li> <li>▶ Challenges using ATMs or mobile services.</li> </ul>

Vulnerable workers such as women, migrants, and older workers, will likely have concerns and face additional challenges in transitioning to digital wages, and it is important to involve them and support them throughout the process.

## Helping workers benefit from digital wages

Workers may need support in accessing their wages, managing, and reducing costs, using digital wages securely, and using digital wages and financial services with confidence. Suggested ways to support workers include the following:



### ACCESS – Support in accessing wages

- ▶ Provide a detailed explanation of how workers will be able to access their pay. For digital services, provide a demonstration (can be conducted by the FSP).
- ▶ Share with workers the physical and digital points of contact for the FSP. Consider safety in accessing these points, especially for women workers.
- ▶ Share complaint and trouble-shooting mechanisms with workers.
- ▶ Meet with women and men workers after the first digital wage payment to address initial challenges and concerns.



### COSTS – Support in managing and reducing costs

- ▶ Discuss with workers which fees, if any, they should expect to incur, why these fees are in place, and how to minimise them (ask for information and guidance from the FSP or for the FSP to visit and explain to workers).



### SECURITY – Support using digital wages securely

- ▶ Discuss common scams and teach workers basic security measures around protecting their cards, online passwords and PIN codes.
- ▶ Provide workers with details of who to contact immediately at the FSP in case of security concerns, lost cards and so on.
- ▶ Information can be shared in posters at the workplace or through pamphlets, which may be provided by the FSP.



### CONFIDENCE AND USE – Support using digital wages with confidence

- ▶ Discuss the benefits of digital wages and digital financial services with workers, including greater control over their finances.
- ▶ Provide or help workers access financial education.
- ▶ Appoint women and men financial education champions among the workers who can share experiences of financial services and good financial practices.

## Sources of support for workers

ILO financial education resources, as well as local providers of financial education, can be tapped to support workers, including those offered by Philippine national government agencies as follows:

### **Bangko Sentral ng Pilipinas**

- ▶ **Financial Education Learning Modules and Tools**
- ▶ <https://www.bsp.gov.ph/Pages/InclusiveFinance/FinancialEducationLearningModules.aspx>
- ▶ **Financial Education Learning Resources**
- ▶ <https://www.bsp.gov.ph/SitePages/InclusiveFinance/LearningResources.aspx>
- ▶ **Financial Education Learning Events**
- ▶ <https://www.bsp.gov.ph/Pages/InclusiveFinance/LearningEvents.aspx>
- ▶ **Financial Inclusion Portal**
- ▶ <https://www.bsp.gov.ph/SitePages/InclusiveFinance/InclusiveFinance.aspx>
- ▶ **Consumer Assistance Channels and Chatbot**
- ▶ <https://www.bsp.gov.ph/Pages/InclusiveFinance/ConsumerAssistanceChannelsChatbot.aspx>

### **Department of Labor and Employment**

- ▶ **Bureau of Working Conditions**
- ▶ <https://bwc.dole.gov.ph>; <https://www.facebook.com/BWC1949/>
- ▶ **Bureau of Labor Relations - Labor and Employment Education Services (LEES) Learning Portal**
- ▶ <https://lees.dole.gov.ph/moodle/>

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<sup>1</sup> Visit the ILO e-learning course on financial education at <https://www.itcilo.org/courses/e-learning-financial-education>.

# Session 6: Action planning

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## Learning objectives

- ▶ Plan next steps in the participant's transition to responsible digital wages for their small enterprise.
- ▶ Know about the tools and support available for small enterprises and for workers.



### Developing an action plan

Recall the roadmap to responsible wage digitization presented in Session 2. As you reach this last session and keeping in mind that roadmap, you can use the action planning template below to assess which stages your enterprise has completed and which still needs to be worked on and who will be responsible for each next action. It is important to be as specific as possible when planning your way forward.

Step	Done?	Next action	Who?
<b>Assess benefits and risks for your enterprise</b>			
<b>Develop an action plan for digitization</b>			
<b>Engaging</b>			
Decide person/team responsible for leading the transition			
Identify financial and/or payroll service providers			
Organize a meeting to engage workers in the transition			
<b>Setting-up</b>			
Establish a payroll system and register workers			
Select service providers according to key criteria			
Facilitate account opening for workers or registration of preferred account			

<b>Preparing to launch</b>			
Plan a simple dispute resolution and feedback mechanism			
Prepare key information on support services available to the enterprise and to workers			
Train workers on the basic features and usage of digital accounts and financial services			
<b>Launch meeting</b>			
<b>Improving</b>			
Adapt the process according to feedback from workers and management team			
Engage with providers to learn and assess the benefits and risks of additional services			
Provide continuous support and financial education to workers			

## Sources of support for small enterprises

Some relevant information and useful guides are made available by the Philippine Department of Trade and Industry through the following:

- ▶ Bureau of Small and Medium Enterprise Development - Negosyo Center Online
- ▶ <https://dtinegosyocenter.online/>
- ▶ MSME Diagnostic Tool Kit
- ▶ <http://msmetoolkit.dti.gov.ph/>
- ▶ Tech Tools for MSMEs
- ▶ <https://www.dti.gov.ph/covid19/tech-tools/>
- ▶ Philippine Trade Training Center - eLearning Portal
- ▶ <https://elearning.pttc.gov.ph>

## ▶ Key messages

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### Learning summary

- ▶ Digital payments are the future of payments everywhere, because they are faster, safer, convenient, and more transparent. They are coming to small enterprises as well.
- ▶ Digital wages have clear benefits but also challenges, it is important to digitize responsibly to ensure the transition really benefits enterprises and women and men workers.
- ▶ A step-by-step approach is most likely to be successful; it is important to spend sufficient time planning.
- ▶ Inclusion and engagement of workers and other stakeholders are essential for success in wage digitization. Communication cannot be overdone.

## ▶ Annex I: Country-specific information

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### Legal requirements for wage payments

#### Information on methods of payment

In the Philippines, the Labor Code of the Philippines is the legal framework that regulates the payment of wages in the country, as outlined in Book III (Conditions of Employment) and its Implementing Rules and Regulations. This is further supplemented by the Wage Rationalization Act of 1989 (Republic Act 6727) and the Handbook on Workers' Statutory Monetary Benefits issued by the Department of Labor and Employment (DOLE).

Among the key legal provisions regarding wage payments are:

- ▶ No employer shall pay the wages of an employee by means of promissory notes, vouchers, coupons, tokens, tickets, chits, or any object other than legal tender, even when expressly requested by the employee.
- ▶ Wages shall be paid at least once every two (2) weeks or twice a month at intervals not exceeding sixteen (16) days. No employer shall make payment with less frequency than once a month.
- ▶ Payment of wages shall be made at or near the place of undertaking, except as otherwise provided by such regulations as the Secretary of Labor and Employment may prescribe under conditions to ensure greater protection of wages.
- ▶ Any person, company, corporation, partnership or any other entity engaged in business shall file and register annually an itemized listing of their labor component, specifying the names of their workers and employees below the managerial level, including learners, apprentices and disabled/handicapped workers who were hired under the terms prescribed in the employment contracts, and their corresponding salaries and wages.
- ▶ Any person, company, corporation, partnership or any other entity engaged in business shall file and register annually an itemized listing of their labor component, specifying the names of their workers and employees below the managerial level, including learners, apprentices and disabled/handicapped workers who were hired under the terms prescribed in the employment contracts, and their corresponding salaries and wages [Annual Establishment Report on Wages].

DOLE has also issued Labor Advisory No. 26 (series of 2020), which sought to encourage and enable all private establishments to timely pay wages and other monetary benefits through transaction accounts, so as to afford employees access to formal financial services for the promotion of their welfare, reduce costs and risks of physical cash disbursements, and promote digital payments as a safer alternative to the physical exchange of bills and coins.

In particular, it promoted the use and/or opening for workers of a Basic Deposit Account (or a BDA, which is an interest or non-interest-bearing bank account with a minimal initial deposit (no more than 100 pesos), no minimum maintaining balance, no dormancy charges, maximum balance of P50,000.00, and with simplified know-your-customer (KYC) requirements, as prescribed by the BSP), e-money account, or financial services access points (ATM, bank branches, e-money/cash agents) for the payment of their wages and other monetary benefits.

The Advisory highly encourages employers in the private sector to explore and/or undertake the following initiatives in support of the payment of wages through transaction accounts:

- ▶ Communicating to their employees the benefits of using transaction accounts for receiving wages and other remunerations;

- ▶ Assisting employees who have no existing transaction accounts in opening one for the purpose of receiving wages;
- ▶ Providing employees who have existing transaction accounts the option to receive their wages and other monetary benefits through the same;
- ▶ Requiring partner banks or e-money issuers to provide information on features of transaction accounts and updated list of nearest financial service access points for the benefit of employees;
- ▶ Ensuring that opening, maintaining, and use of transaction accounts shall in no case result in any additional expenses/fees or diminution of wages and other monetary benefits received by employees;
- ▶ Ensuring compliance with wage protection regulations; and continuing issuance of payslips (or record of payment of wages and other monetary benefits and deductions for a particular period) to employees.

## References

Labor Code of the Philippines

<https://blr.dole.gov.ph/2014/12/11/labor-code-of-the-philippines/>

<https://bwc.dole.gov.ph/downloads/labor-code-of-the-philippines-as-amended>

Book III (Conditions of Employment)

<https://blr.dole.gov.ph/2014/12/11/book-iii-conditions-of-employment/>

Implementing Rules and Regulations (IRR) of Book III

<https://chanrobles.com/implementingrulesofthelaborcode3.html>

<https://elibrary.judiciary.gov.ph/thebookshelf/showdocs/2/85819>

Wage Rationalization Act

<https://nwpc.dole.gov.ph/issuances/republic-act-6727-wage-rationalization-act/>

<https://www.officialgazette.gov.ph/1989/06/09/republic-act-no-6727/>

Handbook on Workers' Statutory Monetary Benefits, 2023 edition:

<https://bwc.dole.gov.ph/downloads/2023handbook>

DOLE Labor Advisory No. 26-20: Payment of Wages and Other Monetary Benefits Through Transaction Accounts

<https://www.dole.gov.ph/news/labor-advisory-no-26-20-payment-of-wages-and-other-monetary-benefits-through-transaction-accounts/>

## Relevant information on payroll

### Legal requirements for payslips

Rule X, Section 6 of the IRR of Book 3 of the Labor Code specifies that every employer shall pay his/her employees by means of a payroll wherein the following information and data shall be individually shown:

1. Length of time to be paid;
2. The rate of pay per month, week, day or hour, piece, etc.;
3. The amount due for regular work;
4. The amount due for overtime work;
5. Deductions made from the wages of the employees; and
6. Amount actually paid.

Every employee in the payroll shall sign or place his thumbmark, as the case may be, at the end of the line opposite his name where a blank space shall be provided for the purpose. His signature shall be made in ink, or his thumbmark placed with the use of the regular stamping ink and pad.

Time records — Every employer shall keep an individual time record of all his employees bearing the signature or thumbmark of the employee concerned for each daily entry therein by means of any of the following methods: (a) Through the use of Bundy clock by means of which an employee can punch in his individual card the time of arrival and departure from work; (b) Through the employment of a timekeeper whose duty is to time in and out every employee in a record book; and (c) By furnishing the employees individually with a daily time record form in which they can note the time of their respective arrival and departure from work.

Entries in the filing of time records. — All entries in time books and daily time records shall be accomplished in ink. All filled-up Bundy clock cards, timekeeper's books and daily time record forms shall be kept on file in chronological order by the employer in or about the premises where the employee is employed, and open to inspection and verification by the Department of Labor and Employment as provided in this Rule.

Time records of executives. — Managerial employees, officers or members of the managerial staff, as well as non-agricultural field personnel, need not be required to keep individual time records, provided that a record of their daily attendance is kept and maintained by the employer.

Place of records. — All employment records of the employees shall be kept and maintained by the employer in or about the premises of the workplace. The premises of a workplace shall be understood to mean the main or branch office of the establishment, if any, depending upon where the employees are regularly assigned. The keeping of the employee's records in another place is prohibited.

Preservation of records. — All employment records required to be kept and maintained by employers shall be preserved for at least three (3) years from the date of the last entry in the records.

Examples of (digital) payroll providers

Sprout: <https://sprout.ph/>

Cloudcfo: <https://cloudcfo.ph/services/payroll-services/payroll-system-hris/>

GreatDayHR: <https://greatdayhr.ph/>

OneCFO PH: <https://www.onecfoph.co/>

PayrollHero: <https://payrollhero.com/>

SweldoMo: <https://www.sweldomo.ph/>

Eezi: <https://www.eezi.com/>

Useful guides on doing payroll:

<https://sprout.ph/articles/onboarding-101-employee-registration-philippines/>

<https://www.moneymax.ph/personal-finance/articles/employee-registration-bir-sss-pagibig-philhealth>

<https://cloudcfo.ph/blog/payroll/payroll-updates-2023>

<https://www.sweldongpinoy.com/>

## How to register employees in the social security and tax systems

Wages in the Philippines are paid inclusive of income tax and social protection contributions. These are remitted by employers on behalf of employees to the Bureau of Internal Revenue (BIR) for withholding income tax, Social Security System (SSS) for social security contributions, Home Development Mutual Fund (HDMF, or Pag-IBIG) for housing financing support, and Philippine Health Insurance Corporation (PHIC, or PhilHealth) for health and medical assistance.

An employer must be registered with the concerned government agencies before registering its employees in the same. Both employer and employee have a corresponding share in SSS, Pag-IBIG, and PhilHealth contributions for each worker. Income tax are withheld every payday (normally twice a month), while social protection contributions are remitted monthly.

Social security benefits are composed of a package of benefits under the Social Security System (SSS for private sector employees/workers) in the event of death, disability, sickness, maternity, old age and unemployment. Work-related death, disability and sickness also receive benefits under the Employees' Compensation (EC) Programs. The SSS covers all employees including kasambahays (or domestic workers) not over sixty (60) years of age and their employer.

The Home Development Mutual Fund, otherwise known as Pag-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund is a mutual provident savings system for private and government employees and other earning groups, supported by matching mandatory contributions of their respective employers with housing as the primary investment. Pag-IBIG membership is mandatory for all employees covered by the SSS and the Government Service Insurance System (GSIS).

The National Health Insurance Program (NHIP) is a compulsory health insurance program of the government established to provide universal health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of the Philippines. The NHIP covers all Filipinos pursuant to Republic Act No. 11223 or the Universal Health Care (UHC) Act.

### References:

On withholding tax: <https://www.bir.gov.ph/index.php/tax-information/withholding-tax.html>

On SSS contributions: <https://www.sss.gov.ph/>

On Pag-IBIG: <https://www.pagibigfund.gov.ph/index.html>

On PhilHealth: <https://www.philhealth.gov.ph/>

## Support services to enterprises and employees/workers

### **Bangko Sentral ng Pilipinas**

Financial Education Learning Modules and Tools

<https://www.bsp.gov.ph/Pages/InclusiveFinance/FinancialEducationLearningModules.aspx>

Financial Education Learning Resources

<https://www.bsp.gov.ph/SitePages/InclusiveFinance/LearningResources.aspx>

Financial Education Learning Events

<https://www.bsp.gov.ph/Pages/InclusiveFinance/LearningEvents.aspx>

Financial Inclusion Portal

<https://www.bsp.gov.ph/SitePages/InclusiveFinance/InclusiveFinance.aspx>

Consumer Assistance Channels and Chatbot

<https://www.bsp.gov.ph/Pages/InclusiveFinance/ConsumerAssistanceChannelsChatbot.aspx>

### **Department of Labor and Employment**

Bureau of Working Conditions

<https://bwc.dole.gov.ph>

### **Department of Trade and Industry**

Bureau of Small and Medium Enterprise Development - Negosyo Center Online

<https://dtinegosyocenter.online/>

Tech Tools for MSMEs

<https://www.dti.gov.ph/covid19/tech-tools/>

Philippine Trade Training Center - eLearning Portal

<https://e-learning.pttc.gov.ph/>

## Digital payment service providers in the Philippines

### Useful information on financial institutions (from the BSP)

Directory of Banks and Non-Bank Financial Institutions

<https://www.bsp.gov.ph/SitePages/FinancialStability/DirBanksFList.aspx>

List of Banks offering Basic Deposit Accounts (BDAs)

<https://www.bsp.gov.ph/Lists/Directories/Attachments/18/BDA.pdf>

List of BSP-supervised Electronic Money Issuers

<https://www.bsp.gov.ph/Lists/Directories/Attachments/7/emi.pdf>

Transfer Fees through Digital Channels (PESONet, InstaPay)

<https://www.bsp.gov.ph/PaymentAndSettlement/Fees.pdf>

InstaPay Participants

<https://www.bsp.gov.ph/PaymentAndSettlement/Instapay%20Participants.pdf>

PESONet Participants

<https://www.bsp.gov.ph/PaymentAndSettlement/PESONet%20Participants.pdf>

QR Ph Participants (Person-to-Merchant)

<https://www.bsp.gov.ph/PaymentAndSettlement/QR%20Ph%20P2P%20Participants.pdf>

QR Ph Participants (Person-to-Person)

<https://www.bsp.gov.ph/PaymentAndSettlement/QR%20Ph%20P2P%20Participants.pdf>

Bills Pay PH Participants (QR, non-QR)

<https://www.bsp.gov.ph/PaymentAndSettlement/Bills%20Pay%20Ph%20Participants.pdf>

### Digital banks licensed by the BSP

GOtyme Bank - <https://www.gotyme.com.ph/>

Maya Bank - <https://www.mayabank.ph/>

Overseas Filipino Bank - <https://www.ofbank.com.ph/>

Tonik Bank - <https://tonikbank.com/>

UnionDigital Bank - <https://uniondigitalbank.io/en>

UNO Digital Bank - <https://uno.bank/>

## Examples of digital payment financial service providers

### *Financial institutions*

BDO Unibank

<https://www.bdo.com.ph/business/business-solutions/cash-management/for-starting-and-growing-companies>

Bank of the Philippines Islands (BPI)

<https://www.banko.com.ph/> (Banko)

<https://www.bpi.com.ph/sme-banking/cashflow-management/bizko> (BizKo)

Metrobank

<https://www.metrobank.com.ph/business/solutions/payroll-plus>

Rizal Commercial Banking Corporation (RCBC)

<https://www.rcbc.com/rcbc-boz> (Boz)

<https://www.rcbc.com/disbursement-solutions> (DiskarTech)

Security Bank

<https://www.securitybank.com/business/accounts/payroll-insurance/>

UnionBank

<https://www.unionbankph.com/msme/products>

<https://www.unionbankph.com/corporate/cash-management/cards-solutions>

### *Digital Wallet*

DragonPay

<https://www.dragonpay.ph/>

GrabPay

<https://www.grab.com/ph/pay/>

Lazada Wallet

<https://pages.lazada.com.ph/wow/i/ph/PHCampaign/lazada-wallet>

ShopeePay

<https://shopee.ph/m/shopee-pay>

### *Mobile Money*

GCash

<https://www.globe.com.ph/business/enterprise/business-applications/gcash#gref>

<https://www.gcash.com/business/fds>

Maya

<https://www.maya.ph/business>

### *Cash Agents*

Cebuana Lhuillier

<https://cebuanalhuillier.com/>

M Lhuillier

<https://mlhuillier.com/kwarta-padala/>

<https://mlhuillier.com/ml-payroll-pro/>

PalawanPay

<https://www.palawanpay.com/disbursement-payroll/>

*Fintech FSPs*

NextPay

<https://nextpay.world/>

Paymongo

<https://www.paymongo.com/>

PearlPay

<https://pearlpay.com/>

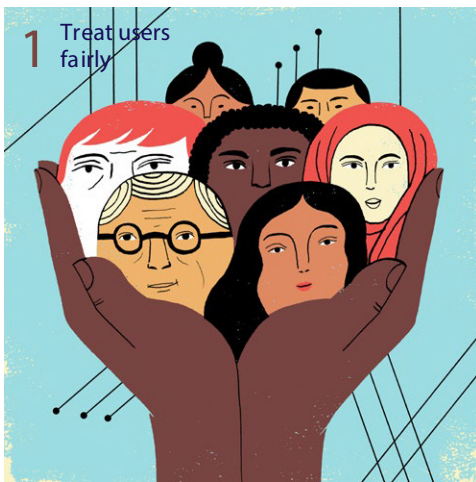
Xendit

<https://www.xendit.co/en-ph/>

## ▶ Annex II: UN Principles for Responsible Digital Payments

Responsible digital wage payments are digital wage payments that respect the applicable national laws and regulations, internationally recognized human rights, including the fundamental principles and rights at work, and relevant international labour standards. They also respect relevant principles, guidelines, and good practices, notably concerning (digital) financial inclusion and (financial) consumer protection.

The UN Principles for Responsible Digital Payments, developed by our partner the Better Than Cash Alliance, provide guidance on how to design, offer, and promote the adoption of responsible digital wage payments.



### 1. Treat users fairly

How can digital payments be fair for everyone, especially people on a low income or with less digital experience? The unbanked face higher barriers to adoption and might be hesitant about substituting digital payments for their cash. Providers must seek user feedback to ensure their voices are heard. Using and regulating new technologies should consider power imbalances, identify biases, and assess fairness. The goal is for digital payments to be “better than cash” for everyone.

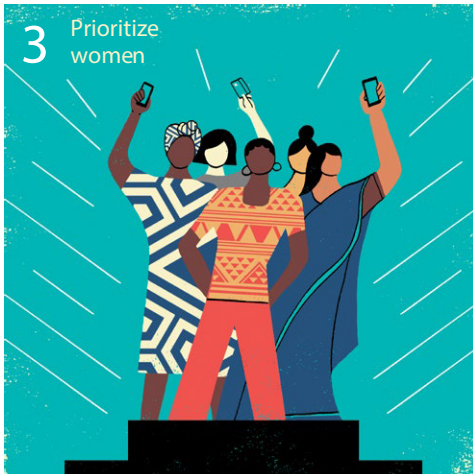
To treat users fairly is to go beyond the status quo. In interactions, this requires a move from shielding customers from losses towards building trust-based relationships. In assessing equity, it requires a shift from blind tech adoption to ethical innovation, as well as a shift of focus from wealthy or tech-savvy consumers to low-income users.



### 2. Ensure funds are protected and accessible

How can users, especially low-income people, trust their money is safe and always available? They need transparency and control to view, access, and use their funds on demand. Real-time payments minimize loss and service interruptions. Policies to license providers and monitor compliance should follow international standards. If losses occur, clients should be compensated seamlessly through efficient customer support.

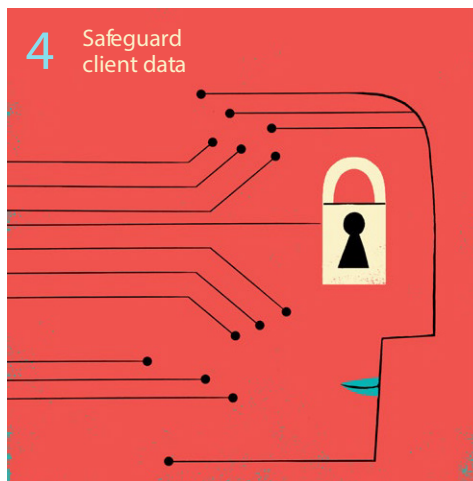
Successfully putting users' funds within their reach means giving them transparency and control of being able to view, access, and use those funds on demand. It also means giving them the confidence that all necessary steps are being taken to safeguard their funds – both proactively, to prevent loss or compromise of their funds in the first place, and reactively, to ensure swift action is taken following a loss of funds.



### 3. Prioritize women

How can barriers that hinder women's adoption and usage of digital payments be eliminated? Regulations and products need to be re-imagined to ensure equality of access and use. They should reflect women's diverse realities. Their voices should be included in the decision-making and design stages. Data must be collected and analyzed by sex to build gender intentionality into the entire payment experience.

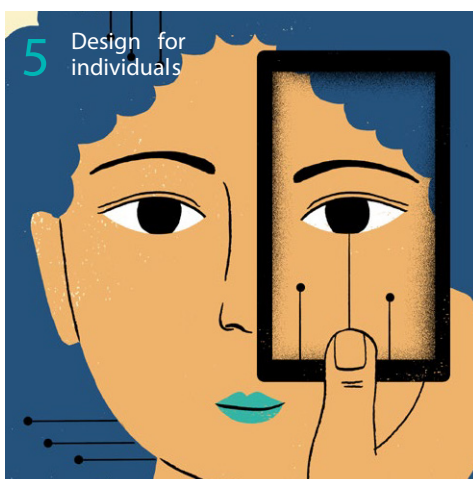
Embedding a gender lens across the responsible Principles is a crucial first step. Yet, closing the gender gap will require transformational measures that prioritize women and redress their systemic exclusion.



### 4. Safeguard client data

How can users be in control of how their information is collected? Data is often used to improve users' experience, but it might be shared with third parties without consent. Providers must prioritize privacy. They should communicate when, why, and how information is collected using local language, images, voice, or video. Users should have the option to deny sharing of their data.

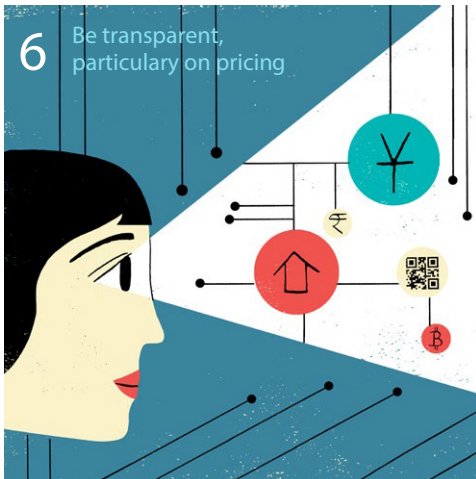
Accountability is the bedrock of data privacy. On that foundation, providers must ensure that user data are only ever legitimately used and shared. Assuming this occurs, users will control how their data are accessed.



### 5. Design for individuals

How can digital payment products be easy to use for everyone? Sometimes developers design products for proficient users, neglecting the diversity of needs. Digital payment providers can rely on consumer data while also working with civil society representatives of underserved groups to understand individuals' behaviors, preferences, and capabilities. The goal is to design end-to-end digital payment experiences that benefit the user.

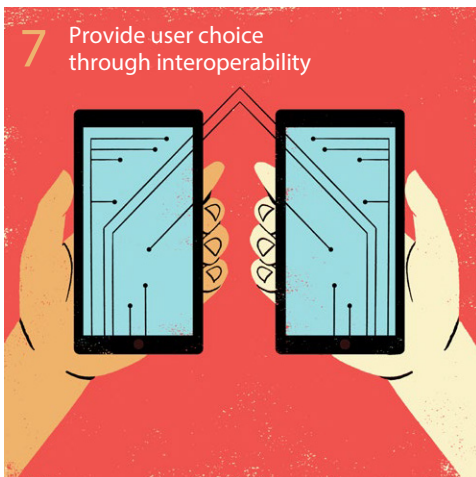
To create a world where digital payments enhance everyone's livelihoods, a deep understanding of users' needs, preferences, and capabilities is essential. Stakeholders should endeavor to design not just products, but end-to-end experiences for digital payments. Doing so is a continuous process, requiring cultural shifts and investments in analysis, learning, and adaptation.



## 6. Be transparent, particularly on pricing

How can users understand the characteristics and costs of digital payment services? Financial products often come with complex contracts and terms of use. Simple wording should be used to describe features, privacy policies, fees, transaction limits, exchange rates, and actions if unauthorized transactions occur. Messages must be brief, in local languages, and visually appealing or voice-activated to ensure comprehension, especially for low-literacy users.

Being transparent with users means not only disclosing information about the product's own features and terms, but also how the data may be used. This is done with the goal of promoting informed decision-making.



## 7. Provide user choice through interoperability

How can users make and receive payments to and from anyone? Closed systems prevent users from moving money freely and cheaply across providers. Open systems promote collaborative solutions that optimize speed, security, convenience, and affordability regardless of provider, channel, or device. Governments, companies, and development organizations can invest in shared and open infrastructure to reduce costs and increase access.

Developing a successful open digital payments ecosystem starts with architecture that facilitates the seamless flow of data and funds. It is supported by participatory policy development and governance that suits the context of a specific country or region, protects users interests within that context, and incentivizes the continued participation of providers in the public and private sectors. Most importantly, it requires ecosystem-wide buy-in, collaboration, and collective innovation from banks, PSPs, and agent networks. Such collaboration must unlock value not only for those innovating but also for the end-user. These three streams converge to create an environment with open, competitive payments in which users, and their choices, are paramount.



## 8. Make recourse clear, quick, and responsive

How can users get their money back quickly if something fails? As more people use digital financial services, complaints and disputes increase. Providers should establish customer support systems, such as 24-hour hotlines, that deliver timely and effective resolutions. When facing a problem, users need to understand what has to be done to fix it.

A successful recourse system makes filing a complaint as easy as making a transaction. Designing in this way requires attention to the four building blocks below. While they follow a linear user journey, these blocks also reinforce each other through interaction. For instance, a predictable and interoperable back end makes it easier to share information with users.



## 9. Champion value chain accountability

How can users understand who is responsible when issues arise? Many actors exist in a digital payments' ecosystem – from regulators to electricity utilities to platforms or fintech start-ups. Clients need to know that any of these actors will fulfill their role in a trusted, responsible manner if there are data breaches, lost payments, price hikes, or unethical practices.

It is important to define what being responsible means – among all actors – and to establish oversight mechanisms. This includes requiring all actors be identifiable; ensuring all actors in the value chain understand responsible behavior; build mechanisms for due diligence and define role-based access; and define how accountability will be allotted to actors in the value chain.

Learn more at <https://responsiblepayments.org>.

The ILO's Global Centre on Digital Wages for Decent Work addresses the challenges of cash wages and promotes the transition to responsible digital wage payments for the benefits of workers, employers, governments and actors in the inclusive finance ecosystems. The training on Responsible wage digitization for small enterprises in the Philippines, implemented in collaboration with the Employers Confederation of the Philippines, provides small businesses with the know-how, tools, and strategies to enable them to digitize their wage payments successfully and in a responsible manner, benefitting both the enterprise and their workers.

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