HIGHLIGHTS

Digitizing workers payments for economic recovery and decent work

Example of Senegal
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This report follows the Better Than Cash Alliance Responsible Digital Payment Guidelines for building inclusive digital ecosystems. The focus on salary payments is in line with the guidance from the CPMI-World Bank Guidelines for Payment Aspects of Financial Inclusion.

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COVID-19 continues to disrupt daily life, strain health systems, and cause output and job loss in all corners of the world. Its economic and health impacts threaten a reversal of hard-fought development gains in recent years.

After a year of crisis, world leaders, both public and private, must now more than ever encourage inclusive recovery to avoid worsening inequalities of all kinds. Building more inclusive economies is particularly important for small and medium-sized enterprises (SMEs) and informal businesses, which are an important source of income generation and employment in emerging economies.

In 2020 more than 20 million workers in Africa perceive their pay to be insufficient to live above the poverty line. These people are active mainly in value chains where they serve formal businesses as temporary day laborers, seasonal workers, or suppliers.

In addition to modest pay, these workers are most often paid in cash, which can be prone to leakage, lacks traceability, and does not provide an opportunity to promote financial inclusion through depositing directly into a transaction account. Rigorous evidence shows that digital payments contribute to achieving more than 10 Sustainable Development Goals, including poverty reduction, women's empowerment, and decent work and economic growth.

The work of the Better Than Cash Alliance with the World Bank and the Senegalese National Statistics Agency shows that digitizing the payments of temporary workers helps ensure workers are fairly paid what they are owed in a transparent and efficient manner. This digitization can help empower female workers as it reduces gaps between agreed upon and actual pay received and gives women more control over their financial lives. It also improves the productivity of businesses and thus has positive economy-wide benefits.

The opportunity of digitizing the payments of unbanked workers while providing them immediate access to universal health coverage is enabled in Senegal through an earlier collaboration between financial service providers, the private sector, and the National Agency for Universal Health Coverage. This can offer an important opportunity to reduce inequalities in access to health insurance through digital payment infrastructure. Such collaboration deserves to be scaled up and can serve as a model for country peers.

This report provides recommendations to make credible advances on responsible payments digitization for workers in Senegal, with an emphasis on raising awareness of the benefits and costs amongst key stakeholders, promoting trust and fair digital payment standards, introducing targeted incentives to encourage digitization, and designing specific payment solutions that will benefit SMEs.

We invite governments, financial service providers, companies, and civil society to use this report to ensure digital payments are at the center of a sustainable and fair economic recovery. We look forward to jointly providing leadership on this agenda to achieve an inclusive and digitally enabled recovery.

S.E. Macky SALL
President of the Republic of Senegal

H.M. Queen Máxima of the Netherlands
United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA)
Digitizing 50% of employee payments could add US$84 million (FCFA 45 billion) to the Senegalese economy every year.¹
At the end of 2018, less than 20% of wages in Senegal’s corporate sector were paid digitally – indicating an urgent need to identify the untapped economic potential. The sub-Saharan economy is projected to contract by 3.2% in 2020, according to the International Monetary Fund. The economic gains from increasing digitization from 20% to 50% could help to increase resilience of its population and cushion the impact of COVID-19.

This follow-up research, conducted in partnership with the World Bank and the Senegalese National Bureau of Statistics (ANSD - French abbreviation), builds on the implementation of the commitments made by the Prime Minister of the Government of Senegal during the launch of the country digitization agenda in 2018 with the support of the Better Than Cash Alliance.

The interviews of 343 businesses in 19 sectors, including the priority sectors highlighted in the Plan for an Emerging Senegal (PSE - French abbreviation), provide important reasons why wages of employees, especially informal workers, need to be digitized:

» 80% of the total workforce in the infrastructure, livestock and agriculture sectors are informal workers, that is, seasonal employees or day employees with contracts generally less than 3 months in duration.

» Women wages are, on average, 3 times lower than that of men; 97% of their wages are paid in cash (versus men 91%).

» Payments to informal employees represent some of the most frequent payments made by employers, and cash management costs can account for up to 7% of the total payroll.

» It can take up to 26 days to distribute payroll for companies where the vast majority of employees are being paid in cash - often leading to negative impacts on employee productivity and morale.

» Meeting the expectations of employees is the main challenge in driving adoption of digital payments. In addition, businesses want to ensure that the digitization of wages is responsible and sustainable and reflects fair pricing by the providers of digital payments.
This research also found that the benefits of payment digitization are clear for both employers and employees:

- **Employers** recognized an increase in transparency, fair treatment of employees and security. Productivity gains were also observed alongside a reduction of operational costs.

- **Employees** recognized a direct impact on the improvement of their living and working conditions. Some of the benefits mentioned relate to time savings, comfort and security, as well as access to formal modes of payment previously inaccessible given their social status.

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**THE BENEFITS OF PAYMENT DIGITIZATION**

FOR EMPLOYERS...

- Increase in transparency, fair treatment of employees and security
- Productivity gains
- Reduction of operational costs

FOR EMPLOYEES...

- Improvement of living and working conditions
- Access to formal modes of payment
- Time savings
- Comfort and security
8 key lessons FROM COMPANIES FOR SUCCESSFULLY DIGITIZING PAYMENTS TO EMPLOYEES

According to the ANSD, 81% of businesses in Senegal are defined as small and medium-sized enterprises (SMEs) with fewer than 20 employees whose contracts last less than 3 months. SMEs have the lowest rate of wage digitization at 7% and thus the greatest potential for digitizing payments. The SMEs with a digitization rate of wages between 53% and 67% (typically employing between 20 and 39 permanent staff) are considered wage digitization champions.

Amongst the 343 companies surveyed, lessons from the champions who have successfully digitized worker payments inform key success factors. These can be helpful for other SMEs embarking on their digitization journey.

BUILD the digital transformation internally

- **Lesson 1:** Analyse the direct and indirect costs associated with cash management
- **Lesson 2:** Involve employees early in the project
- **Lesson 3:** Ensure the reliability of data to successfully identify and better understand what employees need

CREATE value proposition for both employee and companies

- **Lesson 1:** Co-create clear value propositions so management, employees, and service providers all experience benefits
- **Lesson 2:** Provide step-by-step support, beginning with a pilot phase and on-site digital payments
- **Lesson 3:** Build trust by ensuring fair treatment of employees. Regular awareness and training campaigns, jointly organized by the company and the service provider, should lead to broader and sustainable adoption

COLLABORATE with the local digital financial ecosystem

- **Lesson 1:** Anticipate liquidity needs
- **Lesson 2:** Engage key stakeholders so employees can also make their payments for utilities, food and other necessities digitally (extending agent networks or promoting wider acceptance of digital payments)
Scaling wage digitization at the national level:

RECOMMENDATIONS FOR THE KEY ECOSYSTEM PLAYERS IN SENEGAL

To successfully develop and accelerate the digitization of worker payments at scale in Senegal, actions are required to overcome the main challenges. Five challenges and the recommendations to address them are outlined below:

### Summary of recommendations for key ecosystem players

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<th>CHALLENGES</th>
<th>RECOMMENDATIONS FOR ACTION</th>
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<tr>
<td><strong>1</strong> Raise PSE priority industries awareness about the risks, the costs of cash handling and the benefits of digitization of payments</td>
<td>PUBLIC ADMINISTRATION: Train SMEs and employee representative (This could be implemented by the government itself or in partnership with industry bodies or international partners)</td>
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<td><strong>2</strong> Strengthen trust in digital payments and improve fair treatment of end users</td>
<td>PUBLIC ADMINISTRATION: Promote all the responsible digital payment guidelines especially the cost transparency of Financial Service Providers (FSPs)</td>
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<td><strong>3</strong> Government to incentivize wage digitization</td>
<td>PUBLIC ADMINISTRATION: Update the existing law that requires any payments above US$180 to be paid via bank transfer by way of: • Ensuring it includes all other digital payments solutions and not just banking • It covers payments above or equal to US$53 (Senegal’s official minimum wage)</td>
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<td><strong>4</strong> Design client-centric solutions for informal employees</td>
<td>PUBLIC ADMINISTRATION: Promote universal health coverage for all informal employees (see next page)</td>
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<tr>
<td><strong>5</strong> Design SME-specific solutions</td>
<td>PUBLIC ADMINISTRATION:</td>
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Wage digitization has the potential to reduce inequalities in access to health insurance between formal and informal employees. Whereas formal employees with contracts benefit from pensions and health insurance contributions by their employers, informal employees do not receive any form of social protection even though health issues are one of the top 3 causes for employment loss and absenteeism. Wage digitalization could bridge this gap. Digital payment services could be connected to the Senegalese Universal Health Coverage digital infrastructure, and informal workers could be directly enrolled in the national universal health scheme, which is subsidized in Senegal with a yearly enrolment fee below US$1. This would be a major quick win as it would provide informal workers immediate access to minimal social protection with cheaper, local health services throughout Senegal, which is especially important for women.

Implementing the recommendations in this report will not only drive the realization of a range of benefits for employers and employees, it will also contribute to six of the sustainable development goals (SDGs) by:

- Improving the well-being of employees (SDG3)
- Promoting decent work and economic growth (SDG8)
- Identifying benefits experienced by businesses that have begun digitizing and sharing what businesses that have not yet digitized their payments face in order to understand their motivations and challenges (SDG 9)
- Reducing inequalities in access to health coverage in digital wage distribution (SDG 10) and especially for women (SDG 5)
- Accelerating the responsible digital transformation of SMEs through partnerships (SDG 17)
**THE FULL REPORT IN FRENCH AND ITS ASSOCIATED CASE STUDIES CAN BE DOWNLOADED HERE:**
https://www.betterthancash.org/explore-resources

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**Numérisation du paiement des travailleurs pour la relance économique et le travail décent**

Exemple du Sénégal

**LES BENEFICES DE LA DIGITALISATION**

**POUR L’EMPLOYÉ…**

- Gain de productivité lié à la dématérialisation de la «paie» auprès de plus de 850 éleveurs locaux.
- Gain de temps et d’argent dans l’activité de transport de l’argent liquide.
- Taux de détention de wallet ~20% (+7%).
- Impact de la simplification des opérations : Egalité de traitement : Tout le monde est payé en mobile money.
- Impact financier : Augmentation des usages des services financiers formels comme informels.

**POUR L’ENTREPRISE…**

- Gestion des salaires de plus de 300 saisonniers.
- Réduction d’1/3 des effectifs pour bétail et fourrages, de la formation et du conseil aux éleveurs.
- Transferts d’argent vers leurs familles, notamment en terme de temps d’attente (qui pouvait durer jusqu’à 1 journée sous une température de 40°C).
- Gain de productivité lié à la dématérialisation de la «paie» auprès de plus de 850 éleveurs locaux.
- Impact financier : Augmentation des usages des services financiers formels comme informels.

**LES BENEFICES DE LA DIGITALISATION**

**IMPACT DE LA DIGITALISATION**

- Impact sur la populairement : Egalité de traitement : Tout le monde est payé en mobile money.
- Impact financier : Augmentation des usages des services financiers formels comme informels.

**IMPACT SUR LA POPULAIREMENT :**

- Impact financier : Augmentation des usages des services financiers formels comme informels.

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**Improving workers wellbeing to maintain social stability at the local level.**

Lessons from La Compagnie Sucrière du Sénégal an agribusiness company in the sugar sector and the biggest private sector employer in Senegal in digitizing payments for over 8,000 seasonal workers.

**Towards the modernization of payments for small farmers.**

Insights from La Laiterie du Berger, a dairy processing company, on digitizing payments to over 8,000 small farmers from remote areas with limited agent networks.

**Impact of payments digitization for reducing the costs of cash.**

Experiences from Eiffage, a construction company in Senegal digitizing payments for workers, and the financial savings achieved from the reduction of cash payments.
Acknowledgements

The authors are deeply grateful for the leadership of H.E. President Macky SALL and H.M. Queen Máxima of the Netherlands as UNSGSA for driving the agenda of workers payments digitization to advance decent work and economic recovery.

Among many others, the authors would also like to thank the representatives of the Government of Senegal: H.E. Omar BA (Senegal Presidency); H.E. Samba SY Minister of Labour (Govt of Senegal); ANSD Team: Babacar NDIR, Allé NAR DIOP, Mbaye FAYE, Ouleye KALIDOU SOW, Insa SADID, Ibrahim TALL, Moustapha TALL, Ousmane DIOUF, Fatou SIDIBE, Astou DAKONO, Jean Paul DIA GNE, Ousmane DIOUF, Cheikh FALL, Djibril DOUMBOUYA, Mamadou DAFFE, Ibrahim DIOP. Agence Nationale de la Couverture Maladie: Dr. Bocar DAFF, Racine SEN GHOR, Mouhamed Mahi SY. Private sector representatives: Claude FIZAINE, M. TOURE, M. GUEYE, Salim DIOP (Compagnie Sucrière du Sénégal), Alassane GUEYE (Ecobank), Birame SARR (Eiffage), Jonathan MICHAUX, Mamadou FALL (Laiterie du Berger – Kossam SDE), Jurriaan BUDDE (MyAgro), Ousmale SARR, Sidi MOCTAR, Mohamed DIALLO (Orange Money), Nahorni IBRAHIM (Paydunya), Alexandra BESTARD VIGIER, M. DAVRON (SPS Sécurité), Omar CISSE (Touch), Sébastien VETTER, Quentin de RAVIGNAN (Wizall Money), Matthieu VACARIE, Antoine LEROUX (YUP), Filifii RANDA (Zena Exotic Fruit), Karidja BAMBA (Visa), Mohammad RIZWANULLAH (Mastercard). The authors also acknowledge the valuable contribution of: Peter McConaghy (UNSGSA); Pia TAYAG (UNSGSA); Dorothée DELORT (World Bank) and the Alliance Editorial and Publication Committee: Harish NATARAJAN (World Bank), Paul NELSON (USAID), Maria MAY (Gates Foundation), Bjorn SKELBRED (Vipps), Stella Klempener (Flourish), Daniel Schwartz (MasterCard), Amina TIRANA (VISA), Loretta MICHAELS, Jerry GROSSMAN (Gates Foundation), Daniel MUNA (E-currency), Camilo TELLEZ (BTCA), Tidhar WALD (BTCA), Ruth GOODWIN-GROEN (BTCA). Without forgetting all the technical support of: Amela COSO VIC-MEDIC (BTCA), Angela CORBALAN (BTCA), Fareeza IBRAHIM (BTCA), Elisabeth MANG.

The Better Than Cash Alliance Case Study Series

Our case study series seeks to highlight specific examples of shifts from cash to digital payments by government agencies, companies and development partners. Each case study aims to provide insights for a wide audience on the factors that have helped or hindered the digitization process, and also present key results and benefits of the transition away from cash. We hope that readers will be able to adapt the lessons from these cases to their own contexts and local conditions.

Agence Nationale de la Statistiques et de la Démographie du Sénégal (ANSD)

The National Agency of Statistics and Demography of Senegal (ANSD – French acronym) is responsible for the technical coordination of the National Statistical System. It is an administrative structure with legal personality and management autonomy and placed under the authority of the Minister of Statistics.

The World Bank Group

With 189 member countries, staff from more than 170 countries, and offices in over 130 locations, the World Bank Group is a unique global partnership: five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.
Endnotes

2. Ibid
5. Source: data from interviewed companies (2020)
7. Ibid
8. Ibid
10. Details provided in the full report
About The Better Than Cash Alliance

The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. Based at the United Nations, the Alliance has over 75 members, works closely with other global organizations, and is an implementing partner for the G20 Global Partnership for Financial Inclusion.