



# ► **Terms of Reference for Rapid Assessment on Digital Wages for Decent Work in Kenya**

November 2021

## ► Introduction and background

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Digital technologies have disrupted the financial system and have transformed the way governments, workers and enterprises alike conduct financial transactions, quickly moving away from cash and embracing digital means to make or receive payments. The Covid-19 pandemic has contributed to accelerating this transition to digital payments as a way to further discourage in-person financial transactions and minimize the spread of the virus. Governments have been implementing policy and regulatory changes to promote digital payments, including digital wage payments. Many enterprises around the world, large and small, have embarked on the journey to transition from cash to digital wage payments as it brings opportunities to improve the efficiency and transparency of payroll services, advance conditions of work, facilitate access to services and markets through improved compliance with national legislations, and become more sustainable. The transition also has the potential to enable workers - in particular the most vulnerable including women, migrants, informal workers - to have a better control over their wages and access formal financial services for better resilience and economic opportunities.

Despite the fast digitization trend and the benefits for enterprises, workers and governments, the use of and access to digital wage payments are still unevenly distributed. In 2017, the share of wage earners receiving digital wages - onto an account at a financial institution or a mobile money account - was 87 per cent in high-income countries, 64 per cent in upper-middle-income countries, 34 per cent in lower-middle-income countries, and only 31 per cent in low-income countries. In total, it is estimated that 230 million men and women workers still receive their private sector wages in cash.<sup>1</sup> Millions of other workers may be paid digitally on bank accounts, pre-paid cards or mobile money accounts but may cash out their full wages on pay day and do not fully benefit from digital wages.

The digital payment of wages, onto bank accounts, mobile money wallets or pre-paid cards, present opportunities to strengthen sustainable business practices, encourage respect of labour rights and broaden financial inclusion of workers. However, the transition from cash to responsible digital wage payments often come with challenges for the enterprises, the workers, the regulators and the financial sector. Enterprises may lack the know-how to identify the right digital wage payment solutions and negotiate the fees with financial service providers. Also, they may lack time and resources to transition or face resistance from the workers. Workers, in particular women, may lack adequate access to digital technology and have limited digital and financial literacy. Legal and regulatory frameworks may not ease the formalization of the employment and compliance or may not facilitate the development of inclusive digital financial services, including the opening of digital accounts. Finally the financial sector infrastructure, in terms of network of bank branches, ATMs, mobile money providers, cash-in/cash-out points, merchants' acceptance for digital payments, and availability of recourse mechanisms may not suit the needs of the workers and enterprises.

In that context, the ILO has established a [Global Centre on Digital Wages for Decent Work](#). The Centre promotes responsible digital wage payments through specific country interventions, research and knowledge management, and advocacy. Responsible digital wage payments are digital wage payments that:

- Meet the needs of women and men workers – in particular the most vulnerable and disadvantaged among them – in terms of accessibility, affordability, quality and protection. The UN Principles for Responsible Digital Payments, developed by our partner the [Better Than Cash Alliance](#) and that provide guidance on how to design, offer, and promote adoption of responsible digital payments are applicable to digital wage payments, and;
- Respect workers' rights in accordance with national laws and regulations and internationally recognized human rights, including fundamental principles and rights at work and relevant international labour standards. Responsible digital wage payments not only respond to changes in the world of work for the protection of workers, but also address the needs of sustainable enterprises.

In its initial phase, the Centre seeks to conduct rapid country assessments to study the prospects for responsible digital wage payments in selected countries, identify associated opportunities and challenges, establish a baseline, and generate actionable insights to facilitate the transition. The assessments:

<sup>1</sup> Global Findex database 2017

- Identify the costs, benefits, risks, opportunities, and distributional implications of the transition for employing enterprises, their workers, government institutions, payment service providers and other financial service providers.
- Consider workers from a decent work perspective as wage earners and from a consumer protection perspective as consumers, notably as users of financial services.
- Involve inclusive and consultative processes and undergo validation through discussions with representatives of government institutions, workers' and employers' organizations, financial service providers (including FinTech), and other key stakeholders.
- Inform the development of action plans adapted to local circumstances, including phased objectives for the promotion of responsible digital wage payments.

Kenya is a priority country for the Global Centre's activities. Among the working-age population in Kenya, World Bank data suggest that 86 per cent of men and 78 per cent of women had an account in 2017, while 68 per cent of wage earners received wages into an account. These figures are very high compared to the average in Sub Saharan Africa, where 48 per cent of men and 37 per cent of women had an account in 2017, while 45 per cent of wage earners received wages into an account. The figures in Kenya also reflect a rapid increase compared to 2014, when 79 per cent of men and 71 per cent of women had an account, and 65 per cent of wage earners received wages into an account. The rise of mobile money services has driven much of the increase. In 2017, 33.3 per cent of wage earners received their wages through a mobile phone. Moreover, 95 per cent of senders and recipients of remittances used a mobile phone for remittances and 82 per cent of persons paying utility bills paid them through a mobile phone. Among digital wage earners, 23 per cent opened their first account to receive wages.<sup>2</sup>

There is a growing recognition of the need for responsible digital services. Financial inclusion has been uneven across population segments. The 2019 FinAccess Household Survey defines the financially excluded as those individuals who reported using financial services and products only through family, friends, neighbours or keep money in secret places or not using any form of financial service.<sup>3</sup> According to it, in 2019 6.1 per cent of persons were financially excluded in urban areas, compared with 14.4 per cent in rural areas. While only 1 per cent of persons with tertiary education were financially excluded, the rate of financial exclusion was 22.9 per cent among persons with no education, 12.5 per cent among persons with primary inclusion, and 8.5 per cent among persons with secondary education. Overall, 90 per cent of men and 88 per cent of women were financially included in 2019, up from 84 per cent and 81 per cent respectively in 2016. Meanwhile, overall financial health, which covers the ability to manage everyday finances, the ability to cope with risk, and the ability to invest in livelihoods and future, regressed from 39.4 per cent of adults in 2016 to 21.7 per cent in 2019. Rural populations, women, lower income groups, casual workers, dependent groups, and persons engaged in agriculture had lower rates of financial health. Two rounds of mystery shopping surveys in 2015 and 2016 found evidence of bank staff confusion over the cost of different banking products and services, lack of standardised tariff information, and recommendations based on customer income rather than customer needs.<sup>4</sup> Concerns have also emerged about rising forms of vulnerability, notably to predatory mobile or digital lending and excessive gambling.<sup>5</sup>

More attention is needed to the question of responsible digital wages. Although the 2019 FinAccess Household Survey noted that most Kenyans use financial service providers on a monthly basis, implying that most users are salaried employees, it did not elaborate on the question of digital wages. As Kenya has been a model on payment digitization that other countries have sought to emulate, a more solid understanding of the decent work implications of wage digitization is timely. The Employment Act of 2007 stipulates that wage payment must be (a) in cash; (b) into an account at a bank, or building society, designated by the employee; (c) by cheque, postal order or money order in favour of the employee; or (d) in the absence of an employee, to a person other than the employee, if the person is duly authorised by the employee in writing to receive the wages on the employee's behalf.<sup>6</sup> Disbursement of wages

<sup>2</sup> Global Findex database 2017

<sup>3</sup> <https://www.fsdkenya.org/wp-content/uploads/2019/04/2019-FinAcces-Report-Web-05-JAN-2020.pdf>

<sup>4</sup> FSD Kenya, *The Price of Being Banked: A Study on Transparency and Cost of Leading Banking Services Sold in Kenya, 2017*.

<sup>5</sup> <https://www.cgap.org/blog/its-time-slow-digital-credits-growth-east-africa>;

<https://www.geopoll.com/blog/mobile-gambling-among-youth-in-sub-saharan-africa>;

<https://content.centerforfinancialinclusion.org/wp-content/uploads/sites/2/2018/09/Finance-for-All-2018-Banana-Skins-Final.pdf>

<sup>6</sup> Employment Act Section 17.

to a mobile money account is known as salaries disbursement for companies and casuals' payments, a business-to-customer bulk payments service.<sup>7</sup> Enterprises have been able to digitize their wage payments thanks to a flourishing financial sector and a rapid increase in the use of mobile money. However, it remains unclear whether workers are able to make the most out of their digital wages for better economic opportunities and greater resilience, and whether employers are using digital wage payments to better comply with labour legislation in terms of wage level, regularity of wage payments, and contribution to national social security systems.

Among the ILO Conventions that Kenya has ratified, those relevant to digital wages include, but are not necessarily limited to:

- Minimum Wage-Fixing Machinery Convention, 1928 (No. 26)
- Forced Labour Convention, 1930 (No. 29)
- Labour Inspection Convention, 1947 (No. 81)
- Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No. 99)
- Equal Remuneration Convention, 1951 (No. 100)
- Labour Inspection (Agriculture) Convention, 1969 (No. 129)
- Minimum Wage Fixing Convention, 1970 (No. 131)

<sup>7</sup> <https://www.safaricom.co.ke/faqs/faq/606>.

## ► Scope of work, methodology, and expected outputs

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The objective of this assignment is to provide the ILO with a rapid assessment and recommendation report on the law, policy, institutions, infrastructure, and practice concerning responsible digital wages in Kenya, with a tentative focus on the tea and cut flower industries. In 2019, agricultural workers represented 24.7 per cent of women wage earners and 18.1 per cent of men waged earners in the country, often among the lowest paid and facing decent work deficits in the informal economy.<sup>8</sup> Tea and cut flowers are Kenya's two largest exports of goods, yet non-compliance is common in both industries. The ILO has a project to advance labour standards that notably focuses on the tea industry.

The Assessment team will be expected to produce the following deliverables:

(1) *A research plan* including a summary, background and rationale, objective and specific aims, key assumptions, key findings from the desk review, research design and methods, data collection tools, list of key informants and sample of enterprises, ethical considerations, timetable, expected results, and expected impact. The sample of enterprises includes enterprises of different sizes in which the promotion of responsible digital wage payments could potentially benefit a large number of women wage earners.

The desk review contributes to understanding the law, policy, institutions, infrastructure, and practice of wage payments, digital payments, and digital wage payments based on previous works. It specifies, to the extent that it is relevant for the promotion of responsible digital wage payments, the content of related laws, policies, and institutions, as well as a description of the groups of persons that these laws, policies, and institutions apply to and of those excluded from coverage. It also provides evidence of implementation effectiveness from both the decent work and digital (wage) payments sides.

Key informants include representatives of government institutions, workers' and employers' organizations, enterprise owners and managers, (digital) financial service providers and their industry associations, development partners, as well as experts on and activists for workers' rights, consumer rights, and gender equality as relevant. Data to collect include details on wage characteristics, wage payment methods and practices, digital payments, the digital payment ecosystem, willingness and ability to transition to responsible digital wages, as well as perceived and actual costs, benefits, opportunities, and risks of the transition.

At the enterprise level, the assessment covers a subset of enterprises with high potential for the advancement of responsible digital wage payments, including small and medium enterprises and enterprises headed by women or with women in leadership positions. The enterprise sample should include at least 20 enterprises varying in terms of locality, (in)formality status,<sup>9</sup> size, and cash vs. digital wage payment systems. Data collection with enterprise owners and/or managers helps assess the enterprise environment, enterprise characteristics, sustainable business practices, mechanisms for compliance with labour standards, understanding of responsible digital wage payments, and current and anticipated wage payment methods and practices. It gives specific attention to the payroll model, the costs of digital and cash-based payroll services, perceived challenges and benefits, the determinants and implications of the speed of wage digitization, and lessons learned from wage digitization experiences. It informs an analysis of the relationship between enterprise size and cash vs. digital wage payments and the implications of the transition for enterprise performance and sustainability as well as workers' rights and wellbeing, taking into account different categories of enterprises and workers.

At the level of workers, the assessment ensures that various categories of vulnerable workers are represented, including along gender, cash vs. digital wages, and formal vs. informal lines, as well as other relevant lines such as occupation, national origin, age, marital status, family responsibility status, and disability status. The worker sample should include approximately 100 women and men workers participating in individual and/or focus group interviews. Data collection with workers helps further understand wage payment practices from a decent work perspective,

<sup>8</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_820312.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_820312.pdf);

[https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_792078.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_792078.pdf);

[https://www.ituc-csi.org/IMG/pdf/kenya\\_reader\\_friendly\\_en.pdf](https://www.ituc-csi.org/IMG/pdf/kenya_reader_friendly_en.pdf);

<sup>9</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_820312.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_820312.pdf)

notably in relation to fundamental principles and rights at work and relevant international labour standards, as well as workers' financial situation and financial management practices. It gives specific attention to financial and non-financial risks and costs for workers, including costs to cash out wages (fees at the bank, mobile money agents, fees to withdraw at the ATM), as well as benefits such as convenience (distance to bank/ATM, to cash out agents, minimum or max amount to withdraw). It informs an analysis of workers' practices associated with digital wages (extent of use of cash), their financial inclusion, access to and use of financial services from formal financial service providers such as banks, microfinance institutions, financial cooperatives, and mobile money service providers, use of informal financial services, savings behaviour, savviness and concerns about digital finance, digital payments, and acceptance of digital payments. It also elucidates workers' understanding of responsible digital wage payments, taking into account their financial and digital literacy, understanding of their rights as wage earners and consumer protection issues, factors influencing technology use and adoption, and dynamics of household financial decision-making.

(2) *A draft assessment report*, including an executive summary, analysing current wage payment and related practices and the prospects for the advancement of responsible digital wage payments, taking into account the various interests and ideas of government officials, employers, workers, financial service providers, and other stakeholders. The report details research results and insights into the costs, benefits, risks, opportunities, and distributional implications of digital wages for employing enterprises, their workers, government institutions, payment service providers and other financial service providers, considering different categories of enterprises and workers. It establishes baselines, where possible, against which the impact of advancing responsible digital wage payments can be assessed. It also offers a framework to guide the transition and roadmap for next steps, including recommended criteria for choosing a subset of enterprises to participate in a future pilot intervention for responsible digital wage payments.

(3) *A revised report* addressing the feedback of the technical review team.

(4) *A presentation at a validation event* to ensure the buy-in of key stakeholders and the integration of their insights, concerns, and recommendations.

(5) *A final report* in English as well as executive summary detailing context, methodology, results and insights, and policy recommendations. Annexes include all data collection tools used, list of persons interviewed or surveyed, primary data collected in forms such as transcripts, data files, or recordings, and ethical guidelines followed.

The Assessment will be aligned with the ILO house style manual, United Nations guidelines for gender-inclusive language, ILO gender mainstreaming strategies (GEMS) tools, ILO checklist of good practices for mainstreaming gender in labour statistics, ICC/ESOMAR international code on market, opinion, and social research and data analytics, and other relevant codes and guidelines for ethical research.

## ► Timeframe and management arrangements

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The contract is expected to start on January 3, 2022. The timeline for the deliverables will be as per the following table.

Deliverables/ outputs	Target due dates
<b>Deliverable 1:</b> Research plan.	January 14, 2022 (feedback from technical review team provided by January 21, 2022)
<b>Deliverable 2:</b> Draft assessment report.	March 18, 2022 (feedback from technical review team provided by March 25, 2022)
<b>Deliverable 3:</b> Revised report addressing the feedback of the technical review team.	April 8, 2022
<b>Deliverable 4:</b> Presentation at a validation event	April 15, 2022 (TBC)
<b>Deliverable 5:</b> Final report with executive summary and annexes including all data collection tools used, list of persons interviewed or surveyed, primary data collected such as transcripts, data files, or recordings, and ethical guidelines followed.	April 22, 2022

The Research and Knowledge Management Officer is the focal point for the study and responsible for day-to-day questions and management of the study. Regular meetings will take place with the assessment team to monitor progress of the assignment, discuss any issues, questions, and risks, and provide guidance as needed.

## ► Qualifications

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The applicants are expected to be individuals, teams of individuals, or institutions based in Kenya. The individual or team leader should have the following qualifications:

- Master's degree in social science or related field (such as economics, finance, banking, management, sociology, anthropology, political science, gender, or international development).
- At least 5 years of experience with qualitative research design, implementation, analysis, and reporting.
- Demonstrated experience conducting research and writing high-quality reports on digital wage payments, decent work, financial inclusion, digital financial services, gender equality, or related topics.
- Demonstrated ability to engage effectively and sensitively with policymakers, business leaders, trade union leaders, and vulnerable groups
- Proven experience in conducting gender analysis.
- In-depth understanding of the social, political, economic, and cultural context.
- Ability to work in a multicultural environment.
- Gender-sensitive behaviour and attitudes.
- Good interpersonal skills, strong written and oral communication skills in Swahili and English.

## ► Applications

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Interested applicants should submit their technical and financial proposal in English. The proposals should clearly outline:

- Cover letter, explaining why the applicant is suitable for the assignment
- Organizational capability statement and profile of key staff and personnel clearly showing how the qualifications required are met
- Understanding of the task and approach/methodology suggested for carrying out the assignment
- Description of and timeline for actions to be undertaken to fulfil the assignment
- Financial proposal outlining an estimated budget for the overall assignment including professional fees and cost estimates with breakdown by necessary budget lines

The technical and financial proposal should not exceed ten pages excluding annexes.

Proof of similar assignment, including papers produced if possible, and CV(s) of key staff and personnel to be involved are required as annexes.

Submission of proposals to: [socialfinance@ilo.org](mailto:socialfinance@ilo.org), by December 10, 2021. Please mention "Rapid Assessment on Digital Wages for Decent Work in Kenya" in the subject of the email.