Faster wage payments disrupt the traditional payday

COVID-19 economic pressures have pushed more adults living paycheck-to-paycheck to want their income early, calling into question the value of decades-old payroll practices — and highlighting disparities along economic, racial and gender lines

By Michael Moeser
**Faster wage payments disrupt the traditional payday**

**Introduction**

Reduced work hours, job losses and other economic stresses have pushed many adults to seek out a new financial product – earned wage access or EWA – in an effort to help them cope. EWA is a third-party service, typically offered through an employer, that allows a worker to withdraw some or all of the wages which they have earned without waiting for the end of their current pay cycle. The cost of the withdrawal is generally a small fee paid by the worker or subsidized by the employer, and the early withdrawal amount is deducted from the worker’s wages when payday arrives.

As with any new financial product, the benefits to users must be weighed against the costs for both users and companies. This white paper will analyze both the costs and benefits, to help financial professionals better understand the big picture.

**Key findings include**

- There is room for traditional financial institutions that don’t currently offer EWA services to compete in this market, and a majority (77%) of respondents said that they would use an EWA service if offered by their bank or credit union. While employees tend to pay the fees, some employers seeking to recruit job applicants have begun to subsidize the cost, especially when offering shift bonuses or trying to do mass recruitments. The fees are typically fixed and regressive, making low-income users who tend to make smaller requests pay more as a percentage of their withdrawals. Three quarters of users have the funds placed into an account offered by the EWA provider or employer, creating a potential conflict of interest.

- Significant racial disparities surfaced when users were asked about their payment options had EWA services not been available to them — half (54%) of white users reported that they would have used a credit card to pay a bill compared to only 39% of Black users and 29% of Hispanic users. This lack of access to credit alternatives could influence some users to become more dependent on EWA withdrawals.

- Men had a greater ability to borrow from credit cards and home equities than women, highlighting a gender inequality that may motivate EWA adoption.
**Earned Wage Access**

- Income level influenced how users spent their money. High-income adults primarily used the service to balance cash flow, pay bills before payday and make general purchases. Middle-income users primarily paid unexpected bills, then bills due before payday and to make general purchases. Low-income users first paid rent, followed by balancing cash flow and paying surprise bills. The difference in rent payment usage was significant, indicating that the service is more of a must-have for low-income users.

- Hispanic respondents used EWA funds first to buy food, followed by rent; while white adults used the funds first to balance cash flow, followed by paying unexpected bills.

- Hispanic adults had the highest level of instant, on-demand wage requests, indicating a greater urgency to access funds.

- EWA is a strong job recruiting tool — almost two thirds of Hispanic adults said EWA would significantly improve their interest in a job.

- EWA could allow employers to avoid paying higher wages. A case in point is Walmart, the nation’s largest employer, has offered EWA since 2017 when most of its workers earned $9 per hour. According to PayActiv, one of its EWA partners, more than 500,000 employees actively use EWA services and it’s the third most popular benefit after healthcare and 401(k) (see EWA defined section for more information), yet Walmart has only begrudgingly raised wages over the years.

- Most (77%) users choose to receive their funds instantly or on the same day, with the remaining choosing a slower delivery time, indicating a pressing need for fast money.

**About this report**

American Banker, an Arizent publication, conducted this survey to explore the trends and opportunities in the earned wage access services market known as EWA. This financial product enables workers to gain early access to wages they have earned, but not been paid for, prior to the employer’s traditional pay cycle closing date or payday.

The survey was conducted online in the U.S. during March 10-24, 2021 with 494 adults, ages 18-65, who had used an EWA service in the preceding 12 months, and is reflective of the general population based on a number of demographic factors including race, gender, etc. The survey was inclusive of banked, underbanked and unbanked consumers, as well as being representative of all U.S. geographic regions.
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The EWA Industry: An Overview

Earned wage access (EWA) goes by many names — early wage access, on-demand pay, daily pay benefit, instant pay — but essentially refers to the ability for an employee to access the money they’ve earned prior to their scheduled payday. It’s not a loan, but rather an advance payment on funds that are forthcoming in their paycheck. Earned wage access in its current form has been available for roughly a decade, and is promoted largely as a safer and more consumer friendly alternative to high interest payday loans.

PayActiv, one of the largest EWA providers, claims to have invented the term Earned Wage Access in 2012. FlexWage claims that it patented the term “OnDemand Pay” in 2010, yet the term is ubiquitous throughout the industry. Other major providers such as DailyPay, Branch, Earnin (formerly known as Activehours) and Even all claim significant roles in establishing the industry, which had its formative years from 2014 to 2018.

The market opportunity these companies are chasing is massive, as it covers all hourly workers (73.3M in US in 2020), gig workers and anyone living paycheck-to-paycheck (69% of Americans), including salaried workers.

Until recently, the majority of companies offering this service have been fintechs. PayActiv, with a million active users, is one of the largest EWA providers. There is a second tier of smaller players who operate in this market, and in the last two to three years, there have been a slew of new competitors that have either entered the market with fresh capital or pivoted their existing businesses to add EWA products.

Ceridian, a time and attendance human capital management software provider, added EWA as an offering to complement its payroll services and mobile wallet. Comdata, a FleetCor unit known for its payroll cards, jumped into the fray in April 2021. Even, the financial wellness provider working with PayActiv to service Walmart employees, decided it could go on its own with EWA services.

These companies are in addition to more than a dozen other providers including Immediate, Instant Financial, Rain, AnyDay, Earnin and Square (a recent entrant targeting small merchants and gig workers).

Traditional banks and credit unions typically do not participate in this segment, nor do the major payroll providers such as ADP and Paychex, both of whom leverage PayActiv’s EWA services. Some digital-first banks such as Chime, Current and Dave offer early access to direct deposits up to two days early as an inducement to attract new customers. However, this is not considered EWA since it’s only early access to a full deposit. In contrast, EWA customers can request instant access for their wages earned after just working one day into a two-week pay period.
While the EWA services are provided largely by fintechs, they are sponsored and made available almost exclusively through major employers such as CoxHealth, Walmart, Domino’s, PayPal or through payroll providers such as ADP, which allows small companies to offer the service. Earnin and Brigit are among the very few EWA providers that use the direct-to-consumer (DTC) model, because being employer- or payroll provider-sponsored significantly lowers acquisition costs. However, DTC players don’t risk losing a customer if a worker changes jobs.

Employers can offer the service as a benefit, similar to health care, disability insurance or a 401(k), which tends to give it legitimacy in the eyes of employees. Early in the industry’s growth, employees tended to pay most of the transaction fees. However, some employers have begun to subsidize the fees or even pay them entirely for shift bonuses or cash-out of tips, as a way to attract employees or fill undesirable work shifts. Fintechs spend the money to integrate with payroll providers such as ADP to gain access to an employee’s earned wages and generally provide this information through the fintech’s mobile app or website.

Most EWA providers limit access to earned wages to 50% to 60%, as a way to deter employees from becoming dependent on early withdrawals and to protect themselves from surprise wage garnishments or court orders. The early withdrawals are settled on payday and no rollovers are permitted, unlike payday loans.

Walmart and EWA

Walmart stands out in the industry because of its sheer size and heavy use of EWA. It first began offering EWA in 2017, when its associates earned on average $9 per hour. Walmart has been using a partnership between Even and PayActiv, with the former offering a financial wellness mobile app in which associates could make EWA requests and the latter enabling the actual money transfers. When the service first launched, Walmart offered its associates one free transfer per quarter, with the option for employees to pay out of pocket for additional transfers.

PayActiv has reported that over 500,000 Walmart associates are active EWA users, and Even has reported that it has more than 600,000 associates signed up for its app, which is required for EWA access. This means that five out of six associates who have signed up for the mobile app are accessing EWA on a regular basis. Even has reported that the benefit is the third-most popular one used by Walmart employees after health care and the 401(k).
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There are three major drivers often cited behind employers offering EWA to their employees. First, it’s about giving workers help in dealing with the financial pressures of the pandemic, as well as for those living paycheck-to-paycheck. That was a key driver behind CoxHealth signing up with Even to offer EWA to its 13,000 employees.

Second, it is an important recruiting and retention tool. Domino’s hired Branch to offer EWA services to help it recruit 10,000 pizza delivery drivers at the start of the pandemic, as demand for pizza delivery exploded. EWA is used to cash-out tips to drivers at the end of a shift. Domino’s also used the tool as a way to retain its drivers from headhunters recruiting 30,000 drivers for Pizza Hut and 20,000 for Papa John’s at the same time.

Third, EWA provider Immediate reported companies are increasingly using EWA services to provide spot bonuses to workers to incentivise them to accept unpopular work shifts such as evenings or weekends. In these cases, Immediate noted that some employers have also chosen to pay the entire transaction fee for the bonuses.

However, some may argue that since EWA is a low-cost service to employers, even for those subsidizing transaction fees, it may also be used as a means to reduce pressure to raise wages under the auspices of giving employees greater access to their wages.

EWA providers stand firm that the service they are offering is a better alternative to the payday lending and check-cashing industry, as well as the traditional banks that reap billions of dollars in overdraft fees.

As the EWA market has grown, it has also come under the watchful eye of regulators. The CFPB, the California Department of Financial Protection and Innovation, New York and other states’ regulatory agencies have all begun to investigate the industry to make sure that common industry practices are compliant with existing laws and that consumers are well-served by EWA.
New EWA users are flooding the market

More than half (56%) of adults surveyed had used EWA in the last 12 months for the first time, reflecting the early stage nature of this market and demonstrating a newly found appeal among consumers for this emerging product. Additionally, almost three quarters of Asian adults were first-time EWA users.

Two factors of EWA’s growing appeal are that the money being accessed has already been earned, so it’s not an advance for hours or days not worked; and the services are often provided to end users at low or no direct cost.

In the American Banker Future of Money Research Report released in November 2020, use of EWA services among the general U.S. adult population was 14%, with higher adoption levels among Hispanic adults and younger generations. White and Black adults had adoption rates of 12% each while Hispanic adults had an adoption rate of 25%. Gen Z consumers and millennials reported EWA usage rates of 22% and 26%, respectively.

Among EWA users, half were new in the last 12 months

Q: Was this the first time you used an EWA service?
Source: American Banker, Earned Wage Access Survey April 2021

Among survey respondents, all of which had used EWA in the last 12 months, 53% had used the service in the last three months and more than eight in 10 had accessed the service in the last six months. Recent usage was higher among Hispanic adults as 66% reported having used the service in the last three months.

High unemployment levels, reduced work hours or needing to spend time at home with children learning remotely are all factors that have prompted many adults to explore new financial products such as EWA to alleviate financial stresses. Previously many of the alternatives involved some level of hardship such as selling something or taking costly payday loans.
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Hispanics had a higher rate of accessing the service in the last three months than the overall market. Since Hispanics have a similar first-time use rate as the market overall, this indicates that they are potentially more frequent EWA users. Hispanics also had the highest use case for buying food with the funds, at 30%, compared to whites at 17% and the market overall at 19%; and therefore it is suggestive of this group being frequent, repeat users dependent on EWA funds for everyday spending. In contrast, white respondents’ first use of EWA funds was to help balance their cash flow, at 30%, versus 16% of Hispanic adults that cited this use case.

Half of recent users, Hispanics even more so

Over half (54%) of white EWA users reported that they would have used a credit card to pay a bill or make a purchase if EWA was not an option for them, while a statistically significant lower percentage of Black (39%) and Hispanic (29%) respondents had that same option available to them, exposing the racial disparity that exists in access to financial credit.

Borrowing from friends and family was the second most common course of action across all ethnicities, followed by delaying a payment. The act of delaying a payment or purchase illustrates one of the many hardships EWA users face as late fees can be incurred or items such as food are not purchased. For a small group of EWA users selling something of value, taking out a payday loan or writing a check that will knowingly bounce and incur overdraft fees were the next most common options.

**EWA acts as a financial bridge for those lacking access to credit**

Over half (54%) of white EWA users reported that they would have used a credit card to pay a bill or make a purchase if EWA was not an option for them, while a statistically significant lower percentage of Black (39%) and Hispanic (29%) respondents had that same option available to them, exposing the racial disparity that exists in access to financial credit.

Q: When did you last use an earned wage access (EWA) service?
Source: American Banker, Earned Wage Access Survey April 2021

**EWA user feelings on receiving money before payday to use as needed:**
“It felt like a huge burden was lifted off my shoulders, I did not want my son to go hungry and did not want to tell him that I did not have enough money to buy food,”
45–49 year old Hispanic man
Given that each of these courses of action incurs some level of cost or sacrifice, it appears that EWA services may be alleviating hardships for those financially struggling. However, it could also be argued that EWA does little more than ease the financial pain without solving the root of the problem which is most likely a mix of some people being chronically underpaid and while others are living beyond their means.

EWA is a lifeline for those without credit

![Bar chart showing the most likely courses of action if EWA service was not available by gender and ethnicity.]

When it came to payment alternatives for the cash-strapped EWA users by gender, men had a statistically significant greater ability to borrow using bank products such as credit cards and home equity loans compared to women, highlighting a gender-based inequality in terms of access to easy bank-offered credit.

Men had a greater ability to borrow from the bank

![Bar chart showing the courses of action if EWA services were not available by gender.]

Q: If the EWA service had not been available to you, what would you have done to pay the bill or make the purchase that the early access funds enabled you to do?

Source: American Banker, Earned Wage Access Survey April 2021

50 – 54 year old Asian man

EWA user feelings on receiving money before payday to use as needed:

“I felt elated getting the money before my payday. It would have cost me more than the fees had I been late in my payments,”

Source: American Banker, Earned Wage Access Survey April 2021

Q: If the EWA service had not been available to you, what would you have done to pay the bill or make the purchase that the early access funds enabled you to do?

Source: American Banker, Earned Wage Access Survey April 2021
How funds spent spotlights a user's financial stress and potential dependency

The most noticeable contrast in use of EWA funds was demonstrated by the fact that lower-income respondents first used the funds to pay rent while more affluent users did not. One third (33%) of lower-income users (under $50,000 HHI) said that they would use EWA funds to pay their rent or mortgage compared to 21% of middle-income ($50,000-$99,000 HHI) and 16% of higher-income ($100,000+ HHI) users.

The first payment made by middle-income users was toward an unexpected bill at 31%, compared to only 17% of lower income users. This could point to lower-income users struggling more with more day-to-day living costs while middle-income users need EWA more to handle life’s unexpected expenses.

Finally, for higher-income users, the demand for EWA appeared to be more for balancing cash flow, paying bills in between paydays and making purchases. This signals a stronger need for better budgeting and personal finance management, but is not necessarily a sign of hardship.

Low income users access EWA for rent, cashflow needs

<table>
<thead>
<tr>
<th>Reason for using EWA</th>
<th>Under $50K HHI</th>
<th>$50K - $99K HHI</th>
<th>$100K+ HHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay rent/mortgage</td>
<td>33%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>Help w/cashflow</td>
<td>32%</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Bill due before payday</td>
<td>29%</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Unexpected bill</td>
<td>17%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>General purchase</td>
<td>27%</td>
<td>27%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Q: Why did you use the EWA service to access your earned money before payday?

Source: American Banker Earned Wage Access Survey April 2021

The net result is that EWA for some users is a product that helps them deal with daily expenses such as paying rent or buying groceries while for others, such as the affluent, it’s more to help balance cash flow and purchase convenience. The need to use EWA to afford life’s most basic necessities could influence a future dependency on this product for selected user groups.
Users want faster payments because the need is immediate

Survey respondents overwhelmingly chose to receive their funds using a faster payment method, as more than three quarters (77%) received their money instantly or on the same day. Since the need to use funds often involves food, gas or utility bills before service is cut off, many EWA users don’t have the luxury of time to wait for their funds.

The advent and widespread adoption of card network-based push payments from Mastercard and Visa has greatly sped EWA funds availability, although at a higher cost to the end user. Push payments usually come with a fee, but most ACH payments, especially to the EWA-linked bank account, are free to the end user.

Most users want their funds quickly

Q: How quickly did you receive the money?
Source: American Banker, Earned Wage Access Survey April 2021

Hispanics use EWA more for everyday expenses

Q: Why did you use the EWA service to access your earned money before payday?
Source: American Banker, Earned Wage Access Survey April 2021

EWA user on describing their current financial situation:
“Living paycheck-to-paycheck,”
35 – 39 year old Hispanic woman
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EWA providers such as PayActiv and Immediate both reported rapid user adoption of near-instant push payments once the service was launched. Immediate reported in October 2020 that half of its users had switched to using Visa Direct over ACH within the first two months of offering the service. PayActiv reported that four out of five of its users had transitioned to using Visa Direct for a fee instead of ACH, which is typically free, after the first year of launching the faster payment service.

Hispanics had the highest usage of instant, on-demand pay among all ethnicities at 43%, which represented a statistically significant finding when compared to white respondents at 26%. In contrast, white respondents had the highest usage of same-day funds transfer at 53%, compared to Hispanic respondents at 36% and Black respondents at 30%.

Hispanics are heaviest users of on-demand pay

The impact of using instant funds instead of same-day funds is two-fold: First, instant funds are immediately available for purchases, while same-day funds are better for online bill pay as these transactions settle at the end of the day. Second, instant funds almost always incur a transaction fee, while same-day funds, if sent to an EWA provided bank account, are almost always free. Therefore, Hispanic adults are more likely to incur a fee for faster funds access while white adults are not.
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**EWA withdrawals are all low value, depending on a user’s income perspective**

About 66% of all EWA withdrawals were for less than $300, and 46% were for less than $200, making them of relatively small transaction value. As a comparison, the CFPB reported that the average two-week payday loan is made for $350, costing on average $52.50 and incurs penalty fees if not repaid. About 20% of borrowers default on their first payday loan or first roll-over loan. In states where allowed, as much as 80% of payday loans are rolled-over or reborrowed within 30 days. In contrast, EWA funds are not loans and there are no roll-overs as earned wages advances are settled on payday.

**Two thirds of EWA withdrawals are low value**

- Withdrew less than $100: 15%
- Withdrew between $100-$199: 34%
- Withdrew between $200-$299: 31%
- Withdrew $300 or more: 20%

Q: How much did you receive from your last EWA transaction?
Source: American Banker, Earned Wage Access Survey April 2021

The average amount of withdrawals by income segment were $195 for low-income users, $240 for middle-income users and almost $300 for high-income users. Given these transaction size differences by income, it could be argued that the term “low value” is relative to the income of the recipient.

**Amounts withdrawn vary by income**

- Under $50K HHI: 28%
- $50K - $99K HHI: 30%
- $100K+ HHI: 42%

Q: How much did you receive from your last EWA transaction?
Source: American Banker, Earned Wage Access Survey April 2021

**EWA user on describing their current financial situation:**

“We are really struggling since hours have been cut due to the pandemic,”
45 – 49 year old Hispanic man
Low-income users unintentionally pay more

Since the typical fees charged by EWA firms are flat transaction-based fees, the cost to withdraw funds punishes low-value transactions; and because low-income users tend to do more low-value transactions, they end up paying more than higher-income users. For example, the average fees paid as a percentage of average withdrawals was 1.38% for low-income users, compared to 1.21% for middle-income users and 1% for high-income users. Essentially, the fee structure is regressive, costing those who can least afford it the most while affluent users end up paying the least and are subsidized by the poor.

It should be noted that a limited number of EWA firms charge a percentage of the transaction, while a few others charge a subscription fee that allows unlimited withdrawals during the subscription period which commonly lasts for a single two-week period. Further, if a user opts to have funds deposited, or the entire paycheck direct deposited, into an EWA provided bank account or onto an EWA debit card, the service can be available for free.

Low income users pay more

<table>
<thead>
<tr>
<th>Income Segment</th>
<th>Average Fee as a Percentage (%) of Average Withdrawal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $50K HHI</td>
<td>2%</td>
</tr>
<tr>
<td>$50K - $99K HHI</td>
<td>1.21%</td>
</tr>
<tr>
<td>$100K+ HHI</td>
<td>1%</td>
</tr>
</tbody>
</table>

Q: How much was the fee for using the EWA service?
Source: American Banker, Earned Wage Access Survey April 2021

Employers see benefits in offering EWA, but should they do more?

Almost nine in 10 survey respondents reported that EWA services as a benefit offered by a prospective employer would have a positive impact on their interest in a job. Almost half said that they would be significantly more interested in a job offering EWA as a benefit.

Employers have recognized the appeal of EWA services to recruit and retain employees and are actively deploying the services in response. One example early during the pandemic was Domino’s rolling out Branch’s EWA services in a bid to recruit 10,000 new pizza delivery drivers as well as retain existing ones — as rivals Pizza Hut and Papa John’s were seeking to recruit 30,000 and 20,000 new employees, respectively, all in response to the boom in food delivery services.
Even when employers provide EWA services, often users pay the transaction fees and generate revenue in the form of interchange on the debit cards employers give them. This raises the issue of whether employers should be doing more to offset the cost of this service for employees or simply raise wages so that they don’t need to use EWA at all.

**EWA can be a strong job recruiting tool**

The allure of EWA as a benefit can also be used by employers to target vulnerable populations with low paying jobs, particularly Hispanic adults, in lieu of raising wages to attract a broader prospect pool of job applicants. Almost two thirds (64%) of Hispanic adults said that they would be significantly more interested in a job offering EWA as a benefit compared to 34% of Black adults and 47% of white adults, both were statistically significant findings. EWA as a benefit had the opposite effect on Black adults with 20% having reported it would have little to no impact on the desirability of a job versus 10% of whites and 5% of Hispanics.

**Hispanics are more interested in jobs with EWA benefits**

Our survey data shows that:

- **64%** of Hispanic adults said that they would be significantly more interested in a job offering EWA as a benefit.
- **37%** of Black adults and **47%** of white adults also expressed interest in EWA benefits, with both groups showing statistically significant findings.
- **20%** of Black adults reported that EWA benefits would have little to no impact on their job interest, compared to **10%** of whites and **5%** of Hispanics.

**EWA user feelings on receiving money before payday to use as needed:**

“I felt relieved that I would be able to have the funds I needed to make my purchases,”

18 – 24 year old Hispanic man
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EWA providers control the deposits, but should they?

About 74% of users had the funds of their last transaction placed into a bank account, debit card or paycard offered by the EWA provider or employer. Half had the funds transferred directly into a bank account offered by the EWA provider. Only one-quarter had the funds transferred into their own personal bank account, separate from the EWA firm.

Almost all EWA providers operate on the basis of generating revenue from the employee, with few charging the employer any costs. Paycards are the exception, however these are under pressure to be converted to full EWA programs to eliminate employer costs. Employees generate revenue primarily through transaction fees (individual and subscription) and debit card interchange on the provided cards. A minimal amount of revenue is generated by offering other services such as savings accounts.

It should be noted that some employers do subsidize or pay for some transaction fees, but this is more an exception than the rule. The most common reasons for employers to pay or some or all of the employee transaction fee tends to be reserved for when the employer has a direct benefit such as recruitment, scheduling undesirable shifts or paying low wages.

One way users can avoid or diminish fees is to take up a checking account, and in some cases a debit card, offered by the EWA firm. In many cases, the bank account is free if the entire direct deposit is made into the sponsored checking account. However, this level of control could represent a conflict of interest as the provider could have the ability to take their fees from the account first, exert control for recourse of unpaid fees and deny access to any remaining funds.

Most have funds deposited into a sponsored account

Q: How was the [EWA] money made available to you?

Source: American Banker, Earned Wage Access Survey April 2021

EWA user feelings on receiving money before payday to use as needed:

“I felt relieved, given that I was going through a rough period for both myself and my family due to medical issues,”

30 – 34 year old White man
Additionally, when the funds go into a prepaid card or bank account offered by the employer’s partner, this gives the employer a larger role in the employee’s financial life. This could weigh on employees’ career decisions; for example, would an employee be willing to take a higher-paying job if it meant giving up EWA access at a different employer? Or would it involve the hassle of switching EWA-provided bank accounts if the old and new employers had different providers with different banks?

**EWA providers count on repeat usage to grow**

Overall, 95% of survey respondents reported being satisfied (very satisfied or somewhat satisfied) with their EWA service provider, using their last transaction experience as a gauge. Among those who were satisfied, 65% said that they would be very likely or likely to conduct a repeat EWA transaction in the next 12 months. Meanwhile, among the unsatisfied users (which was a small population) only 13% said that they would conduct a repeat transaction while half (48%) said that they would not.

Among survey respondents 78% reported that the EWA service was easy or very easy to use and only 4% rated the service as difficult or very difficult to use. Among those describing the service as easy to use, 73% reported that they would be likely to use it again within the next 12 months, indicating that the user experience could play a factor in driving repeat usage.

**User experience influences likelihood to repeat**

<table>
<thead>
<tr>
<th>Satisfied user</th>
<th>Unsatisfied user</th>
<th>Easy to use</th>
<th>Difficult to use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very likely/likely to repeat use</td>
<td>Unlikely/very unlikely to repeat use</td>
<td>Very likely/likely to repeat use</td>
<td>Unlikely/very unlikely to repeat use</td>
</tr>
<tr>
<td>65%</td>
<td>13%</td>
<td>48%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Q: What is the likelihood that you will use the EWA service again in the next 12 months?
Source: American Banker, Earned Wage Access Survey April 2021
Banks have an opportunity to enter the EWA market

Overall, 77% of respondents reported that they would be very likely or likely to use an EWA service if it were offered by their bank or credit union, with the highest level among millennials (79%) and the lowest level among Gen Z (64%).

This positive reception to a bank-offered service is a possible indication of an untapped opportunity for financial institutions. Currently, the EWA market is serviced largely by fintechs, many of whom are startups relying on venture funding. Square is one of the sole exceptions, being a public company, but it is not a traditional mainstream bank.

One of the factors behind interest in a bank-offered service is that most EWA users find that their bank is helpful in assisting them with managing their finances. Both millennials and Gen X users scored helpful ratings at 80% while boomers at 70% and Gen Z at 67% were slightly lower.

A majority would use a bank-offered EWA service

Income is a strong influencer on the level of both receptiveness to a bank-offered EWA service and rating a bank as being helpful in assisting a person in managing their finances.

Higher-income (86%) and middle-income (78%) groups reported a stronger interest in likelihood to use a bank or credit union EWA service than did lower-income users at 62%, which was a statistically significant finding. Similarly, higher-income and middle-income users reported that they found their bank to be more helpful in assisting them to manage their money compared to lower-income users.

Source: American Banker, Earned Wage Access Survey April 2021
Conclusions

The demand for EWA services is growing as consumers struggle with their cash flow or face unexpected bills. This represents a strong opportunity for banks, credit unions and fintechs to capitalize on a market served primarily by fintechs, with responsible products that can act as a runway to better financial health and prosperity.

• The time to enter the EWA segment for banks, credit unions and fintechs is now, as the market is in a liftoff phase with half of all customers using the product for the first time and most doing so in the last three months. There is strong employer support for these programs, so companies are acting as a market growth accelerator. Continued economic pressures will only exacerbate consumer demand.

• The brand loyalty EWA firms have today is largely as a result of the employer sponsorship of most programs and not necessarily as a result of any effective acquisition marketing campaigns. While unseating an existing EWA program from an employer may appear to be a hurdle, it is not, nor is it the only option to market expansion. Since employers pay little to nothing for the service and the timecard integration is done with the payroll provider (Kronos, ADP, etc.), having an employer add a second EWA provider would be similar to offering a second or third health care option to a benefits package.

• Providing a bank or credit union-based solution would appease both employers and regulators in the marketplace as there has been ongoing regulatory scrutiny in New York, California and other states regarding conflict of interest issues and consumer safety. Further, there is significant consumer interest in a bank-offered service. Employers may gravitate toward a bank service for the safe harbor it could provide.

• Banks and credit unions can address the gender, racial and income disparities by waiving fees, much like they do for ATM transactions and suppressing paper statements. EWA could instead be used as a customer acquisition tool, allowing the bank to graduate users to traditional bank accounts and loans.

• Faster payments should become the de facto EWA standard, leveraging either card-based push payments or an interbank transfer where the customer is using the EWA provider’s bank account. Most transfers today use instant or same-day payments, and among those that do not, many users want that option. In the case of an employer offering two EWA plans, the one offering only a faster payment would have an advantage.

• Finally, there is a separate opportunity to serve the affluent and older generations, e.g., boomers, who tend to use the service more for balancing cash flow needs, rather than immediate use such as paying rent or purchasing food. Since affluent groups are more willing to pay a fee and older generations are more bank-directed, this could represent a cash management service subscription feature as part of an EWA service.
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