Research Paper

Exploring Earned Wage Access as a Liquidity Solution

Findings From a Study of Earned Wage Access Users

NOVEMBER 2023

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Acknowledgements

We would like to thank our Financial Health Network colleagues Beth Brockland, Angela Fontes, and David Silberman for their thoughtful advice and suggestions on this report. We also appreciate the support of our marketing and communications colleagues Dan Miller and Michael Salmassian in bringing this study to the world.

This report was developed with support from DailyPay. The insights and opinions expressed in this report are those of the Financial Health Network and do not necessarily represent the views or opinions of our partners, funders, and supporters.

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Executive Summary

Earned wage access (EWA) – also known as on-demand pay – is a solution designed to address short-term liquidity needs. With EWA, users can withdraw some or all of their wages as they earn them, ahead of their next scheduled payday. **Employer-integrated** EWA platforms partner with an employer payroll system to access data and provide workers with access to wages before payday, while **direct-to-consumer** platforms use data from a customer's bank account to provide access to liquidity based on observed deposits and withdrawals. As a relatively new product, EWA is receiving attention from providers, potential users, and policymakers all seeking to better understand its effect on users.

This study builds on the Financial Health Network's previous research on the topic, which used administrative data from two direct-to-consumer and two employer-integrated EWA providers to understand frequency of use and average costs for users. The Financial Health Network conducted the current study to better understand not only *how,* but *why,* people are using EWA; how it has complemented or changed their financial behavior; and how using EWA is impacting their financial health.

To gather these insights, we collected qualitative data through a three-day online discussion board of 21 users of EWA. Based on users' responses to a series of prompts, the findings and quotes from participants included in this report are not intended to be representative of all EWA users. Rather, we conducted this study to explore and identify themes from the users' experiences, how they utilize the service, and their perceptions of its impact on their financial health.

Key Findings

1. **Participants Use Earned Wage Access To Pay Bills on Time, Cover Unexpected Expenses**
   Many participants noted that they used EWA to pay bills that were due ahead of their paycheck or cover some other shortfall in paying for daily expenses. When asked about the first time they used EWA, participants described emergency situations or unexpected expenses as reasons for using the product. These situations included unexpected car and home repairs, as well as medical expenses.

2. **Participants Prefer Earned Wage Access to Available Alternatives**
   Participants spoke of the benefits that EWA provided – particularly relative to other options that they would use to pay their bills and cover emergency situations while facing liquidity challenges. Consumers in our study generally viewed EWA as better than alternative

short-term credit options available, including payday loans, intentionally incurring late fees or overdraft, or borrowing from friends and family. Some users also felt these alternatives carried a social stigma, while EWA did not. Using EWA allowed users to access the liquidity they needed while still preserving their sense of dignity. Further, nearly all participants in our study did not view EWA as the same or akin to loans, instead asserting that EWA provided wages they had already earned, which was fundamentally different from borrowing against future earnings.

3. **Participants Express Confusion When Asked for Tips**
   While most EWA users in our study spoke highly of the benefits of EWA in supporting their immediate financial needs, they also expressed some confusion with tip-based models. This was especially true when compared with other models with clearer costs, like subscription and fee-based models. Specifically, participants expressed confusion about where voluntary tips went and the amount to leave for a tip.

4. **Participants Experience Few Issues and Plan To Continue Using Earned Wage Access**
   Most participants in this study highlighted positive experiences with EWA, and the majority did not report any issues with their accounts. The minority of users who shared problems or challenges using EWA reported issues related to accuracy of the EWA account, the ability for the EWA app to integrate with their bank account, and the speed at which they received funds. Nearly all study participants reported that they plan to continue using EWA.

5. **Earned Wage Access Helps With On-Time Payments, but Not Income Insufficiency**
   EWA provided participants with more breathing room in their day-to-day spending and during emergencies, yet it was not able to solve the underlying reasons that users faced liquidity challenges – namely, that their income was insufficient to cover their daily expenses and unexpected financial shocks. Further, we see that cyclical use of EWA (taking an advance at least once, and often multiple times, per pay period) is common. It is not clear whether this is driven by ongoing short-term liquidity needs; the downstream financial impact of EWA, like smaller paychecks due to previous cash advances; or both. The majority of participants agreed that the service did improve their well-being, yet they were clear that it did little to address the underlying reasons behind their financial precarity.

There is still much more that providers, policymakers, employers, and consumers must understand about EWA. Through our research, we uncover new lines of inquiry that could increase the positive impact of EWA on users. However, it is equally important that we work toward addressing the underlying financial health challenges that cause users to turn to solutions like EWA in the first place.

Introduction

Earned wage access (EWA), or on-demand pay, is a growing product category that allows users to access some or all of the wages from their next paycheck before their next scheduled payday. These mobile and web-based platforms aim to address the liquidity challenges that many households across the country face. Recent research from the Financial Health Network found that in 2023, 22% of households were spending more than their income, 29% reported not being able to pay their bills on time, and 43% had insufficient savings to cover at least three months of living expenses.[1] Taken together, these findings show that many households struggle to find the money to pay for day-to-day expenses.

There are a number of products and services that have sought to solve the short-term liquidity challenges that households face. These solutions range from credit cards to short-term loans like payday, pawn shop, auto title, and tax refund loans. Other consumers use overdraft as a form of credit or incur late fees on bills when faced with liquidity challenges. When possible, consumers may turn to friends and family to help.[2]

The underlying issues driving these short-term liquidity challenges are well documented. Many households face a timing mismatch between when they must pay expenses and when they receive income. This is particularly acute for people whose regular expenses exceed their regular income or for people who have limited ways to pay for a financial shock. Research shows that people are willing to pay for quicker, more frequent access to income to meet their immediate liquidity needs. For example, one analysis of account holders' tradeoffs between check depositing and check cashing, which is faster and more expensive, found a significant preference for faster access to funds and a willingness to pay $11.17 per day for that access.[3] Another analysis of simulated payday loans finds that increasing frequency of payment – even through the use of payday loans – can improve workers' well-being.[4] Other studies show that being paid more frequently and having less income volatility both contribute to improved well-being and financial security.[5,6]

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[1] Kennan Cepa et al., "Financial Health Pulse® 2023 U.S. Trends Report: Rising Financial Vulnerability in America," Financial Health Network, September 2023.

[2] Research shows that access to friends and family with financial resources to help individuals in times of need is neither equal nor equitable. Further, research shows that the reliance on kin networks for financial support disproportionately impacts Black households and contributes to the Black-White racial wealth gap. See Jermaine Toney & Darrick Hamilton, "Economic Insecurity in the Family Tree and the Racial Wealth Gap," Review of Evolutionary Political Economy, June 2022.

[3] Ryan C. McDevitt & Aaron Sojourner, "The Need for Speed: Demand, Regulation, and Welfare on the Margin of Alternative Financial Services," The Review of Economics and Statistics, January 2023.

[4] Christopher A. Parsons & Edward D. Van Wesep, "The timing of pay," Journal of Financial Economics, August 2013.

[5] Wendy De La Rosa & Stephanie Tully, "The Impact of Payment Frequency on Subjective Wealth Perceptions and Discretionary Spending," June 2020.

[6] "How Income Volatility Interacts With American Families' Financial Security," The Pew Charitable Trusts, March 2017.

Increasingly, people have turned to EWA – either provided through employers as a benefit to workers or offered directly to users – to help ease these liquidity constraints. EWA is growing as both a strategy and product segment: One industry analysis noted that between 2018 and 2020, the size of the earned wage access market had tripled to $9.5 billion, serving over 55 million consumers.[7] Additionally, the Financial Health Network's FinHealth Spend survey reveals that the EWA market is growing: In January 2023, 7.5% of workers reported that their employer offered EWA, up from 6.1% in November 2021.[8]

Understanding the 2 Distinct EWA Models

There are two distinct delivery models of EWA, one that is **employer-integrated** and another that provides funds directly, without an employer intermediary (referred to as **direct-to-consumer** (D2C) advance products). Employer-integrated platforms partner with an employer or payroll system, tapping into data about the hours worked and wages earned and providing workers with access to those wages ahead of payday. In contrast, D2C platforms have no direct insight into earnings and instead leverage data from a customer's bank account, providing access to liquidity based on observed account deposits and withdrawals.

While there are well-founded debates about whether employer-integrated EWA and D2C platforms should be treated as the same or distinct products, this study combines users of both for a few reasons. The user experience is similar with both models: People can access a defined amount of their earnings ahead of payday. When recruiting for our study, we also found that several users reported using more than one EWA product.

Yet EWA is still a relatively new product, and state and federal policymakers are actively engaged in conversations about whether and how to regulate it.[9] As policymakers consider regulations and EWA providers evolve their product offerings, we believe it is critical to better understand how consumers are using EWA and its impact on their financial health.

[7] "Employer-Based Loans and Early Pay: Disruption Reaching Scale," Aite-Novarica Group, April 2019.
[8] Analysis of the Financial Health Network's FinHealth Spend survey, a nationally representative survey to understand household usage of a variety of financial products. Difference between 2021 and 2023 reported access to EWA is statistically significant at $p < 0.05$. For more details on the survey and methodology, see Meghan Greene, Wanjira Chege, MK Falgout, & Necati Celik, "FinHealth Spend Report 2023: U.S. Household Spending on Financial Services Amid Historic Inflation and an Uncertain Economy," Financial Health Network, June 2023.
[9] As an example, Nevada was the first state to pass comprehensive legislation to govern EWA, requiring providers be licensed by the state and be subject to specific disclosure requirements to users. It also stipulates how providers can and cannot recoup funds provided to a user that are not repaid by the user, and states that EWA is not considered a loan or money transmission and is not regulated as such. See "SB 290," Nevada State Legislature.

Previous Financial Health Network research based on administrative data from four EWA providers, two employer-integrated and two D2C platforms, found that EWA users relied on the product with some consistency. According to that data, users took an average advance of $120 and tended to take more than one advance across semi-monthly periods for an average time period of two months.[10] A study from the California Department of Financial Protection, which relied on California-based administrative data from seven EWA providers (including employer-integrated and direct-to-consumer models), found that the majority of EWA advances were between $80 and $100, with the average consumer taking out nine advances per quarter, equivalent to 1.1 advances per semi-monthly pay period.[11] This was similar to the within-pay period frequency seen in the Financial Health Network report, but was consistent over a longer period of time.

The research on EWA is still nascent in understanding how consumers perceive the product and what motivates them to – or dissuades them from – using EWA. Better understanding how consumers are leveraging this product is imperative for providers and policymakers alike. For this study, we investigated two primary research questions:

- What is the experience of EWA consumers, in using both direct-to-consumer and employer integrated solutions? How and why do they start using EWA? If they continue to use EWA, why?
- What is the relationship between EWA use and financial health?

This brief explores consumers' use of EWA services, including when and why they chose to take advances. We look at how users evaluate EWA relative to other options to meet their liquidity needs, how they navigate challenges while using the services, and whether and how they plan to continue using the product. Finally, we examine how EWA users describe the service's impact on their financial health.

Methodology

The findings from this report are based on qualitative data collection from a three-day online discussion board of EWA users held from June 27 through June 29, 2023. Recruitment of participants was conducted through an online panel (panelists and intercepts) that identified 200 users of EWA products. A subset of users were then invited to participate in a three-day online discussion board. This report includes findings and analyses based on the responses of 21 participants.

[10] Devina Khanna & Arjun Kaushal, "Earned Wage Access and Direct-to-Consumer Advance Usage Trends," Financial Health Network, April 2021.
[11] "2021 Earned Wage Access Data Findings," California Department of Financial Protection and Innovation, 2023.

Participants were asked to respond to a series of online exercises and questions at their convenience over the course of the three days. Responses to some sensitive questions were kept private to moderators and researchers, while other questions and responses were shared with all participants so participants could react to and converse with fellow panelists. Together, this yielded rich insights about the commonalities and differences in users' experiences. Moderators facilitated and probed for elaboration on certain responses and topics as needed. Participants received a $150 gift card for their participation.

The sample of participants included slightly more users who identified as female than male. Participants also ranged in ages, with more younger users (aged 18-49) of EWA included. Geographically, participants were from all over the U.S., with more from the South and Western U.S. Participants also came from a wide range of races and ethnicities, and they were evenly split between respondents who identified as White and those who identified as people of color. Household income of participants also varied, with about half living in households with less than the U.S. median income and half with income above the median.[12]

Table 1. Discussion board participant demographics.

Characteristic	Number of participants
Gender	
Male	9
Female	12
Age	
18-29	6
30-49	10
50 or older	5
Race/ethnicity	
American Indian or Alaskan Native	2
Asian or Asian American	1
Black or African American	3
Hispanic or Latino/a/x	2
Multiracial	3
White	10
Household income	
Less than $40,000	5
$40,000-$74,999	7

[12] Median household income in 2022 was just under $75,000. See Gloria Guzman & Melissa Kollar, "Income in the United States: 2022," U.S. Census Bureau.

$75,000-$99,999	4
$100,000 or more	5
Employment arrangements	
Works 1 job	16
Works 2 jobs	5
Works full time for someone else	18
Work part time for someone else	3
Main job is salaried	8
Main job is paid by the hour	13

Participants ranged in their financial health as well. The majority faced liquidity constraints, with few reporting spending less than their income, and half reporting they had savings that would cover less than one month of expenses at their current level of spending. Fewer than half of users in our study reported paying all their bills on time.

Table 2. Discussion board participant financial health.

Financial health	Number of participants
Spending habits	
Spending was much less than income	0
Spending was a little less than income	3
Spending was about equal to income	9
Spending was a little more than income	6
Spending was much more than income	3
Savings (excluding retirement accounts) on hand could cover expenses for the following time period	
6 months or more	3
3-5 months	5
1-2 months	2
1-3 weeks	9
Less than 1 week	2
Paying bills over the past 12 months	
Pay all of our bills on time	8
Pay nearly all of our bills on time	6
Pay most of our bills on time	4
Pay some of our bills on time	3
Pay very few of our bills on time	0

We sought to use qualitative data collection methods in order to hear from EWA users about the user journey, how they evaluate the products, what they liked about the EWA service, and what could be better.

Key Findings

1. Participants Use Earned Wage Access To Pay Bills on Time, Cover Unexpected Expenses

Despite its growing use, EWA is still a relatively new product. Given its novelty, it is important to understand how users are learning about the platform and why they decide to use the service. In this study, we were interested in learning both what led participants to begin using EWA, as well as the reasons they continued using the service. These experiences lend insight into the underlying financial circumstances that drive interest in and need for EWA.

Connecting to EWA Products and Services

We found that users learned about EWA platforms through advertisements, professional networks, and their employers. In particular, respondents who were using direct-to-consumer EWA platforms reported that they primarily discovered EWA through online ads and targeted marketing, as well as word of mouth. For users who connected to EWA platforms through their employers, most had originally found out about the benefit from their employer and from fellow employees. One user even mentioned seeking out employment after finding out that the employer offered the benefit.

> *"I first learned about on-demand pay when I saw a poster at the local McDonald's that they were hiring and offered flex pay as an option… I actually work part time now for them as an extra income just for that reason."*

Impetus for First Use: Bills and Emergency Expenses

Two key experiences drove use of EWA products, both initially and over time. First, many participants used EWA to pay bills that were due ahead of receiving their paycheck or cover a shortfall in paying for daily expenses. One participant explained, "I was having difficulty paying my bills. I had credit card bills, rent, food, and general supplies." Another participant used EWA for the first time when her child's daycare ran out of diapers and she needed to provide them before she got paid a few days later. Most often, people mentioned rent, food, credit card payments, car payments, and gas as the daily expenses they used EWA to cover.

In many cases, participants used EWA for the first time because these daily expenses were compounded by emergency situations or unexpected financial shocks. People mentioned that unexpected car and home repairs and medical expenses led to situations where they couldn't cover their immediate expenses. For example, one participant noted that she turned to EWA after her husband's loss of income stemming from his inability to work following surgery caused them to need funds more readily than previously. Another participant said he had several bills due at once – the mortgage and credit card – and the financial impact was exacerbated by an unexpected home expense, leading him to note that "we needed the income early."

Similar Factors Drive Ongoing Use

The reasons for first-time and ongoing use of EWA services are similar. Participants discussed either being short on money to cover bills and daily expenses or experiencing emergencies where they needed cash immediately to cover unexpected expenses. Some participants reported using EWA regularly to make ends meet. Talking about the most recent time she used EWA, one participant said, "It was no different than any other time I would use [EWA]. I needed cash right away for food and gas to get to work the next day." Other participants discussed turning to EWA in more emergent situations, like when they had to purchase an EpiPen for $300 that their insurance did not cover. Occasionally, users reported using EWA to cover entertainment expenses, like going out to a special dinner for an anniversary or purchasing a new video game.

How frequently participants turned to EWA seemed to depend on whether they used EWA to pay for more regular expenses or for emergency expenses. Users that needed more immediate access to cash to cover daily expenses reported using EWA frequently: often weekly and, for some users, up to every day that they work. In contrast, users who relied on the service solely for large, unexpected expenses used EWA once every few months as needed. Most participants reported a mix of these approaches – using it primarily to cover unexpected expenses, but also turning to it sometimes when bills are due.

2. Participants Prefer Earned Wage Access to Available Alternatives

Participants in our study emphasized that EWA helped them make ends meet. At times, the service helped users address a timing mismatch between when bills were due and when they were paid or make up for an income shortfall. In other cases, it helped users pay for unexpected costs. In particular, participants spoke of the benefits of EWA relative to other solutions that they would use to pay their bills and emergency expenses.

Providing Options for Accessing Pay

Previous research has shown that more frequent access to income, for the same or lesser amount than less frequent payments, improves subjective well-being.[13] Indeed, income scarcity is associated with higher cognitive loads and stress.[14] This has a real impact on financial health, as more income volatility is associated with lower financial well-being.[15] It is unsurprising, then, that participants in our study, who often expressed the stress of paying bills and unexpected expenses when bank account balances were low, particularly appreciated the ease and speed of EWA.

Though the speed of access to funds was a preferred feature, there were differences in how much users valued this aspect, especially when facing fees for immediate or near-immediate access to funds. While some study participants were willing to pay a fee for immediate access to funds, several participants noted that they would rather wait for funds than pay a fee:

> *"The higher the request, the higher the fee... But I never pay it to be deposited immediately. I always do the 24 to 48-hour deposit for free with an optional tip."*

Other users noted that their willingness to pay for immediate access to funds through EWA depended on their financial situation. One user explained that she tries to wait to receive funds so that she doesn't have to pay a fee, but ultimately it depends "on how quickly I need it. Maybe half the time I will wait for the day, and the other half I need it immediately, so I will pay the fee." Ultimately, users reported that EWA helped them meet their short-term liquidity needs, and the flexibility on payment timing meant that they could align the service to their financial needs.

A Better Alternative to Other Liquidity Sources

Study participants generally viewed EWA as better than alternative short-term liquidity options. Researchers are split on whether EWA is in fact a cheaper alternative to other short-term credit sources, depending on which measures are analyzed. Some research emphasizes that the absolute cost in dollars is substantially less than the amount for payday loans or overdraft fees.[16] Other research looks at annualized percentage rates, finding that the effective APR on many EWA advances look similar to rates charged on payday loans.[17]

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[13] Wendy De La Rosa & Stephanie Tully, "The Impact of Payment Frequency on Subjective Wealth Perceptions and Discretionary Spending," June 2020.
[14] Anandi Mani, Sendhil Mullainathan, Eldar Shafir, & Jiaying Zhao, "Scarcity and Cognitive Function around Payday: A Conceptual and Empirical Analysis," Journal of the Association for Consumer Research, September 2020.
[15] "How Income Volatility Interacts with American Families' Financial Security," The Pew Charitable Trusts, March 2017.
[16] Todd Baker & Snigdha Kumar, "The Power of the Salary Link: Assessing the Benefits of Employer-Sponsored FinTech Liquidity and Credit Solutions for Low-Wage Working Americans and their Employers," Harvard Kennedy School, Mossavar-Rahmani Center for Business & Government, M-RCBG Associate Working Paper Series, May 2018.
[17] "2021 Earned Wage Access Data Findings," California Department of Financial Protection and Innovation, 2023.

Regardless of whether EWA is in fact comparable to or less expensive than alternatives, study participants perceived it to be a more reasonable – and less expensive – alternative. One participant said:

> *"I have tried payday loans, having a credit card, car title loans, gotten loans on my jewelry at a pawn shop. All of these charge fees at an insane interest rate and the fees are almost as much as the money borrowed if you have to pay over time. And it's a temporary fix. Getting advanced wages I have earned through my employer is actually the safer alternative."*

Users often methodically compared EWA to alternatives by comparing fees associated with using EWA to APRs on payday loans. One user noted, "I am unsure of the actual amount [I spent on the fees to use EWA], but they were less than the interest rates of payday loans."

In our study, we found the most common alternative to EWA was credit cards (when not maxed out). Moreover, while some participants also noted using multiple alternative channels to access funds when needed, they saw all alternatives as inferior to EWA. However, some users also noted that because they do not have access to traditional short-term liquidity solutions, they decided to use EWA out of necessity. Some participants also referenced not having the option to borrow from their family and friends who were not financially healthy, either.

> *"I don't have many alternatives. Friends and family are struggling just as I am and can't afford to help out. My credit sucks so I can't just apply for new credit cards; the two credit cards I do have are maxed out and waiting to be paid off. I tend to rely on the early payment apps."*

A More Dignified – and Fundamentally Different – Option

Equally as interesting is how users consider EWA to be a more socially acceptable credit alternative. A few participants noted that they experienced a stigma around other options, including payday loans or asking family and friends for funds. Using EWA allowed participants to access the short-term liquidity they needed while still preserving their sense of dignity.

Further, nearly all participants in our study did not view EWA as the same, akin to, or similar to loans. Instead, they viewed EWS as fundamentally different from a loan. In the words of one participant, "I believe [EWA] is different from a loan. A loan gives me access to something I need to earn in the future. EWA gives me access to something I've already earned." This was echoed by other participants who agreed EWA was "payment for work already performed" and "money already earned."

3. Participants Express Confusion When Asked for Tips

Although most study participants spoke highly of the benefits of EWA in supporting their immediate financial needs, they also experienced confusion and challenges when they were asked for tips in the platform.

A Variable Landscape of Fees and Tips

Both employer-integrated and D2C EWA models can vary in their fee or revenue structures. Transaction-based revenue structures charge fees per use, collect fees for more rapid access to funds, or request voluntary fees (called tips) per transaction. Subscription-based revenue structures charge a fixed monthly fee and may also collect fees for more rapid access to funds.[18] In the case of employer-integrated platforms, these costs can be incurred by the employee, employer, or a mix of the two.[19]

When asked about the fees they pay for EWA, a majority of participants in our study reported they paid between $1 and $5 per transaction. A few participants said they paid no fees, either because they always waited to have the funds accessible or because they were not responsible for any fees under their employer's benefit. A few participants reported paying higher fees; the largest fees reported were $10 per transaction, 12% per transaction total, and $20 per month for ongoing access.

Participants expressed more confusion regarding tips. A few users reported that the default settings were for high tip amounts, and one participant reported a setting where she accidentally tipped $40 for a single transaction. There was also confusion about where the tips go once collected.

> *"I just assumed that [the tip I leave] either goes into a pot of some sort that is used to advance money to other users or is used to help cover the costs of the service. However, now that you have asked the question, I really don't know for sure where it goes. I don't feel like I was ever given much info about it, or if I was, I didn't take notice."*

While discussion board participants reported much less clarity and the potential to make mistakes under tip-based models, administrative data show that these tip-based businesses may not be collecting more per transaction than non-tip based models. In an analysis of transaction data from three tip-based companies, the California Department of Financial Protection and Innovation found

[18] "2021 Earned Wage Access Data Findings," California Department of Financial Protection and Innovation, 2023.
[19] Devina Khanna & Arjun Kaushal, "Earned Wage Access and Direct-to-Consumer Advance Usage Trends," Financial Health Network, April 2021.

that users left tips on 73% of all transactions, at an average amount of $4.09.[20] This data echoes the Financial Health Network's analysis of administrative data from four companies with varying revenue models (subscription, transaction-based, employer-integrated, and direct-to-consumer), which found that the mean cost per advance was $4.07.[21]

4. Participants Experience Few Issues and Plan To Continue Using Earned Wage Access

In this study, we explored whether users experienced challenges while using EWA, either while signing up, accessing their accounts, or receiving funds. To the extent users experience such challenges, understanding them can lend insight into needs for product improvements, as well as potential areas for regulation or oversight. Further, it is vital to know whether consumers are satisfied with the product and whether – or how– they plan to continue using EWA.

Few Report Challenges With EWA Platforms

The vast majority of participants in this study highlighted positive experiences with EWA, and the majority did not report any issues with their accounts. Among users who reported challenges, EWA account accuracy, the ability to integrate the EWA app with their bank account, and the speed at which they received funds were the primary issues cited. For example, some users reported a lag or inaccuracy between the hours they worked, wages earned, and available funds through the EWA app, which meant they were unable to access their wages when they were earned.

Other users also reported running into technical difficulties, with delays in getting the app to load and in processing disbursements in the time frame promised. This meant that users did not have access to the funds that they expected at that time, creating frustration when they planned to use those funds for a specific expense. One user said they nearly missed a bill due date because of this problem. Even for users who reported these issues, they did not indicate that these experiences led them to stop using the service. Rather, they were technical challenges and headaches, but once resolved, these participants said they continued to use the platform.

Participants Plan To Continue Using EWA

Nearly all study participants reported that they plan to continue using EWA. Participants explained that there were a few circumstances where they would stop or curtail their use of the service. First, users would stop using EWA if fees became unreasonable. As previously discussed, participants perceived the cost of the service as reasonable and lower than alternatives. While there was no

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[20] "2021 Earned Wage Access Data Findings," California Department of Financial Protection and Innovation, 2023.
[21] Devina Khanna & Arjun Kaushal, "Earned Wage Access and Direct-to-Consumer Advance Usage Trends," Financial Health Network, April 2021.

agreement on what a threshold of acceptable fees would be for the service, participants were clear that they would stop using the service if costs accelerated.

> *"I would consider stopping use if fees/tips/membership got to be outrageous. For instance, if the cost were more than what I received from my pay."*

Users also noted that they would stop using EWA if accessing the funds would put them underwater when payday arrived. One participant noted that when using EWA, " I have to be cautious not to overspend, since my paycheck at the end of the month will be less since I had access to so much of it prior."

Finally, participants hoped they would no longer need to use EWA in the future. Participants wanted to be more financially stable – specifically, to have higher incomes – which would negate their need to rely on EWA to either meet bill due dates or cover unexpected expenses. Users prefer EWA to alternatives to meet their short-term liquidity needs, but they clearly understand this is a tool to make ends meet or cover expenses they would otherwise be unable to pay, rather than supporting their long-term financial health needs.

While few reported issues with EWA and the vast majority plan to continue using the service, participants did offer ideas and suggestions about how to improve the service. These recommendations included reducing fees and tips, providing faster access to funds, integrating with more banks, and improving customer service.

5. Earned Wage Access Helps With On-Time Payments, but Not Income Insufficiency

It is critical to understand whether and how EWA may be impacting users' financial health. There are several aspects to financial health, including whether people are spending, saving, borrowing, and planning in ways that enable them to be financially resilient and pursue opportunities. This study sought discussion board participants' perspectives on how EWA impacted their financial behaviors, habits, and subjective well-being.

Making Spending Easier

Our study found that access to EWA provided users with more breathing room in their day-to-day spending and during emergencies, serving as an adequate tool to address the short-term liquidity needs of users. Participants often discussed that they used EWA specifically to pay bills that were due. Thus, EWA improved users' ability to pay their bills on time, and reduced late fees incurred on those bills.

"EWA has, on numerous occasions, helped me pay a bill on time by giving me access to enough money in time to pay the bill when I otherwise wouldn't have been able to."

There were also times when participants used other sources to pay for unexpected expenses, but EWA then ensured that they could cover day-to-day expenses. One participant explained that because they used EWA, "I was able to keep my utilities on after a huge expense that was totally unexpected."

When it came to covering emergency expenses, participants reported that knowing they could use EWA lowered their stress and overwhelm. One participant said that EWA felt like a "safety net," another said knowing they can access their money to pay for unexpected things "eases my mind," and others talked about feeling "relieved."

Unable To Address Bigger Economic Challenges

Despite these benefits, EWA was not able to solve the underlying factors that caused users to have short-term liquidity challenges. For many participants, income was simply insufficient to cover their bills and any large emergency expenses that came up. Indeed, there are still emergency expenses that are too significant for EWA to make a difference. One participant explained, "Having access to on-demand pay doesn't change what I think about having to cover an unexpected $500 expense. To me, that is an impossible amount for me to have to cover no matter what I do. I would still panic and it's a huge source of anxiety to live from paycheck to paycheck."

Participants reported that these unexpected expenses were still incredibly challenging to manage, particularly in light of their cost of living. Participants wished they had more cushion in their budgets, and others wished they didn't have to draw down from their future paycheck to cover it.

"Even with access to these services, I would not be able to cover an unexpected $500 expense. My rent has literally doubled in the past two years while my job only gave me a $1 raise. We have no savings."

Because the majority of participants were living paycheck to paycheck, most were not focused on long-term savings. Some participants reported that they would use EWA rather than dipping into any savings to cover expenses, but largely felt there was limited impact on their long-term savings outside of avoiding late fees.

Shifting Spending and Borrowing Behavior

In this study, we were interested in learning how the shift in cash flow enabled by EWA impacted users' financial behavior, particularly their spending and borrowing habits.

With regard to spending, there were two distinct effects of having more immediate access to cash that participants reported. For some, the ability to receive income more frequently meant that they felt they did not have to monitor their spending as closely as they would if they had less frequent paydays. Conversely, others noted that they planned and budgeted more meticulously, anticipating a smaller paycheck come payday because they took out money ahead of time.

The relationship between EWA access and borrowing behavior is similarly complex. Other research shows that being paid more frequently can improve subjective financial well-being and perceptions of wealth; in response, people may spend more and save less.[22] They may in turn also borrow more. Yet participants describe a real and pressing need for access to cash, and many turn to EWA in lieu of alternatives that, in their minds, are less desirable. Study participants report relying less on those alternatives and more on EWA to meet their borrowing needs.

A concern about EWA is that it may lead to habitual use that consumers cannot escape: as they use EWA and access wages ahead of payday, they face smaller paychecks on payday. If not planned for, these smaller paychecks could have implications for EWA users' ability to cover their expenses in the next pay period if they are not able to reduce expenses in that time. It could encourage ongoing, frequent use of EWA that does not enable users to catch up, get ahead of their spending, or build savings.

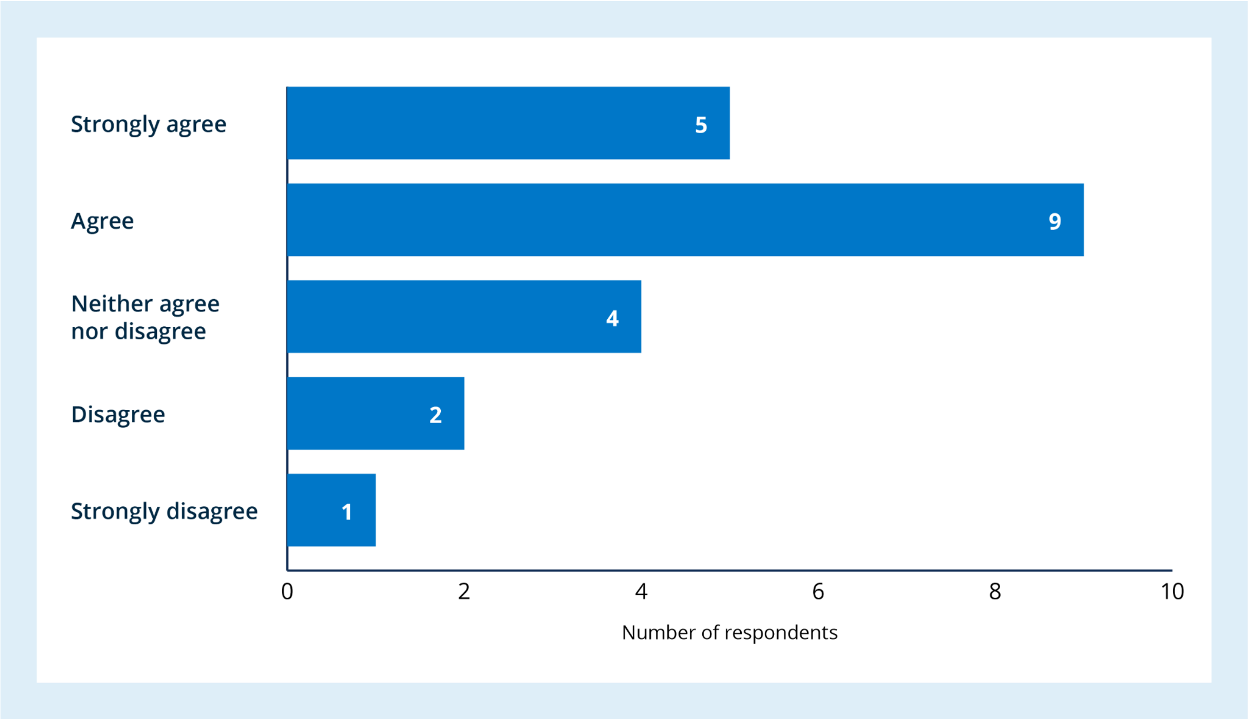
For a few participants in our study, we see this concern borne out. Many participants report using EWA frequently – at least once, but often multiple times, per pay period. In some instances, participants shared that because they received smaller paychecks on payday after using EWA, they got behind on bills and ended up needing to use EWA again. Some participants, when they found themselves with smaller than anticipated paychecks, shouldered the blame for not having planned or budgeted effectively. One participant said, "There have been times where I have not prepared well enough for the amount my check would be. That's my own fault for not tracking how much I had actually taken out for on-demand pay before my check." Another participant felt she was using EWA too much because she ended up with a paycheck for less than $100 come payday. "At times I am glad it's there, and at times I feel it's a curse," she said, illustrating the tension that some users face between accessing cash now and waiting to receive a larger lump sum come payday.

Perceptions of Financial Health Impact

Most of the discussion board participants expressed that they faced hardships, stress, and challenges in managing their financial lives. This study explored participants' understanding of the relationship between EWA use and financial health. When responding to a poll question about whether EWA improved their financial health, roughly two-thirds of study participants felt EWA benefitted their financial health, and only three felt it detracted from their financial health (Figure 1).

[22] Wendy De La Rosa & Stephanie Tully, "The Impact of Payment Frequency on Subjective Wealth Perceptions and Discretionary Spending," June 2020.

Figure 1. **Most participants felt that using EWA has improved their financial health.**
Responses to the poll, "How much do you agree or disagree with the following statement: Using earned wage access/on-demand pay has improved my overall financial health or financial well-being."[23]



Participants who disagreed that EWA improved their financial health indicated that access to EWA did not address their fundamental challenge: They simply were not earning sufficient income, and EWA did not impact the amount they earned. This was underscored by further discussion about the mechanisms through which EWA impacted participants' financial health. About half of participants reported that because EWA did not address the underlying problems that caused their liquidity challenges – like having insufficient income and limited savings – the service did little to impact their financial health. The other half felt that because they were better able to cover daily or unexpected expenses, access to EWA had in fact positively impacted their financial health. These participants also mentioned that EWA helped to prevent them from incurring late fees or overdraft fees. Ultimately, we find that users are leveraging EWA as a strategy to cope with financial precarity.

[23] We did not define the term "financial health" for participants. Participants may have interpreted the concept differently than how the Financial Health Network measures it.

Conclusion

Our study shows that, according to users of the service, EWA is an important and favorable option for addressing liquidity needs. Our study participants are using EWA to meet regular and unexpected expenses and feel that the service is reasonably priced, especially compared to alternatives. For that and other reasons, they reported preferring EWA to alternatives like maxing out credit cards, incurring late fees, and borrowing from friends and families.

However, EWA was not able to solve the underlying financial health challenges that cause these liquidity needs in the first place. Many study participants reported living paycheck to paycheck and that their income simply did not cover their expenses. EWA is a tool to help align income and expenses, but users still grapple with underlying financial precarity.

Thus, as providers evolve their product offerings, policymakers consider regulations to protect users, employers evaluate integrated EWA as a benefit, and people weigh whether to use the service, this study suggests the following new lines of inquiry:

- **Which worker or customer segments could benefit most from faster access to income via EWA?** Misaligned timing between income and expenses was common among our study participants across income levels and demographics. Most participants found that EWA – and the faster access to wages that it provided – was helpful in covering both regular and unexpected expenses. Additional research could investigate when the misalignment between income and expenses is most acute and deepen our understanding of how more immediate access to income can impact financial stressors.
- **How can we increase transparency around EWA product cost, especially tips?** Our study finds some confusion about the fee structure of the service, primarily in terms of voluntary fees (tips), echoing studies with similar findings.[24] Additional research could investigate best practices for fee disclosures and the fairest revenue models that protect consumers.
- **How does EWA compare with other alternatives for short-term liquidity, and when would current non-users choose to use EWA?** Our study participants – all current or recent users of EWA – emphasized that they preferred it to alternatives like taking out payday loans, incurring overdraft fees, and borrowing from friends and family. Additional research could investigate how people who find themselves in similar positions who *haven't*

[24] See for example, "Financial Technology: Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed," United States Government Accountability Office, March 2023.

used EWA might evaluate the solution relative to alternatives. This could lend additional insight into how EWA fits into the broader market of liquidity solutions.

- **Which other strategies could address underlying liquidity constraints?** Study participants reported being unable to make ends meet because their income is too low to cover their expenses. While EWA can marginally decrease the types of costs incurred by helping study participants avoid late and overdraft fees or higher-cost financing alternatives, it cannot increase the income of users. What other innovations and strategies might boost incomes or alleviate expenses and better support households with liquidity challenges?

Participants in our study said they found EWA to be a helpful and preferred option to address their liquidity needs. As consumers, providers and employers, and policymakers continue to invest in EWA as a solution, it is critical that we continue to further investigate and understand the evolution of EWA and its impact on users' financial health.