

THE 2023 EARNED WAGE ACCESS BUYERS GUIDE



instant



OVERVIEW

As the calendar turns to 2023, many organizations are giving additional scrutiny to their employee benefits programs, and enhancing what they offer to staff. Earned wage access is one nascent offering that is growing in popularity, as organizations look to differentiate themselves, and offer benefits that set them apart from others in a competitive hiring environment.

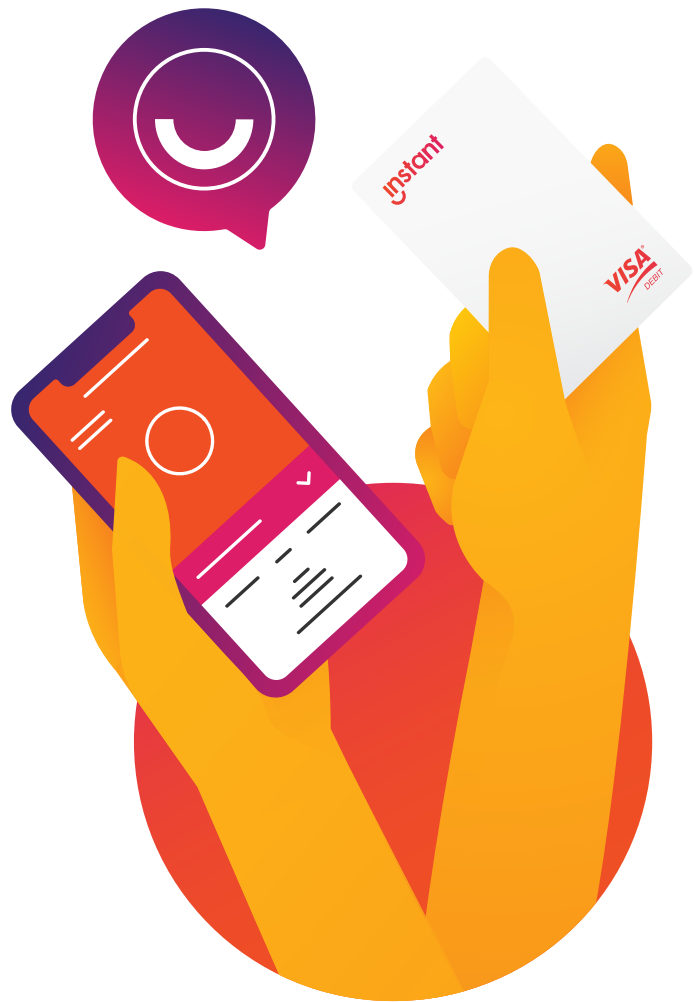
Consider that as recently as 2021, only 5% of U.S. companies offered earned wage access. That number is expected to increase to 20% in 2023.¹ Already, companies such as McDonald's and Uber have adopted EWA as a benefit, and it will soon become table stakes as a benefit offered by organizations to staff.

To help navigate the decision-making process, we've developed this buyers guide, designed to take some of the complexity and confusion out of the way.

Whether you're starting your vendor review as a formal project, or are simply exploring the idea of on-demand pay as something that might be suitable for your workforce, we hope this guide helps shed some light on the process to make your evaluation easier. If the team at Instant can be a resource to you along the way, please feel free to contact us at sales@instant.co.

¹ Schiavo, Amanda. "Earned Wage Access Is Just One Weapon in the Fight for Financial Wellness." Employee Benefit News, Oct. 6, 2021, <https://www.benefitnews.com/news/earned-wage-access-is-just-one-weapon-in-the-fight-for-financialwellness>.

WHAT IS EARNED WAGE ACCESS?



Earned wage access – also known as ‘on-demand pay’ or other similar names – is a financial wellness benefit offered by organizations that enables employees to access their pay before the next regularly scheduled payday. On-demand pay usually makes an employee's wages available on the same day worked or the day after. As labor force demographics shift and working habits change, employees' expectations about how they will be paid have also evolved. In response to these demands, the market has seen a proliferation of providers offering a variety of models of on-demand pay.

DISPELLING THE MYTHS OF EARNED WAGE ACCESS

MYTH

All earned wage access vendors are the same.

FACT

There are a number of methods to deliver on-demand pay, some of which we'll touch on later in this guide, but know that not all vendors are created equal.

MYTH

Earned wage access payments are just a loan.

FACT

Payment given to employees in between pay periods is simply wages they've already earned. With the proper guardrails and compliance measures in place, it's a smart way to help employees access money that's rightfully theirs, and put them back on track to improve their financial wellness.

MYTH

All states have the same regulations in place with respect to earned wage access.

FACT

Not surprisingly, the regulations in place for how organizations can implement earned wage access vary from state to state; in some states, some earned wage access models are not even permitted. It's important to choose the right vendor that complies with regulations in the states your business operates in.

MYTH

Earned wage access fees are insignificant, just like an ATM fee.

FACT

Despite what some vendors claim, the fees attached to various earned wage access programs can be as predatory as a payday loan. Consider a seemingly simple \$2.99 fee on \$50 for 5 days – that's an annual percentage rate (APR) of 436%.

MYTH

EWA is only for hourly staff, not salaried employees.

FACT

Any employee can benefit from having access to on-demand pay, whether an hourly employee or a member of your salaried staff. At its core, earned wage access is a financial wellness solution that allows employees to better take control of their own finances, regardless of how they are paid.

WHY WOULD YOU CONSIDER EARNED WAGE ACCESS?

There are a number of reasons an organization would consider implementing an earned wage access solution, and the benefits are numerous. From organizational HR performance improvements to employee engagement and well-being, a well-thought out program with the right set of guardrails in place can have significant positive impacts on both employer and employee.

Benefits to Your Organization

With the changing expectations of today's workforce, organizations are continually examining their benefits programs to find ways to adapt to what employees are looking for. The right on-demand pay solution can significantly improve key HR metrics, while delivering real business value.



REDUCED TURNOVER

Offering your employees access to their pay has proven positive impacts on turnover and retention. At Instant, our clients have seen an average of 27% reduction in turnover as a result of earned wage access being offered to employees, resulting in significant savings for the business.



EMPLOYEE ENGAGEMENT

Having access to pay immediately after they work has proven to improve employee engagement, with employees more likely to feel a sense of connection and loyalty to their employer.

Additionally, Employee Benefit News reported that 80% of employers said EWA improved employees' mental health and that 88% of leaders who offered EWA saw less employee stress.²

² Schiavo, Amanda. "Why This Benefits CEO Says the Two-Week Pay Cycle's 'Days Are Numbered.'" Employee Benefit News, Sept. 29, 2021, www.benefitnews.com/news/why-this-benefits-ceo-says-the-two-week-pay-cycles-days-are-numbered.



COST SAVINGS

In addition to the savings organizations can realize in reduced turnover and increased retention, a comprehensive set of solutions can offer additional cost reductions. A handful of vendors also offer other solutions like electronic tips payments and payroll cards. At Instant, our Instant Tips solution is proven to reduce the costs associated with carrying cash for tip payouts, and significantly decreases the amount of time that management spends on manual cash counting.

Benefits To Your Employees

Most obviously, earned wage access allows employees to gain control of their finances, helping them to make ends meet in between pay periods, if necessary. But there are cascading benefits to employees, which are often overlooked.

89%

of employees said they felt more motivated and productive when they had access to their pay before payday.³

74%

of employees said they had fewer unplanned absences.³

According to Instant Financial's own **Wages and Wellbeing study**, commissioned in 2022:

62%

of working Americans would feel more valued as an employee if their employer provided immediate access to their earned pay after every day's work.

62%

of Americans reported that they were more likely to stay longer at a job that offers immediate access to their earned pay after every day's work.

³ "Is Earned Wage Access the Way of the Future? 5 Tips for Employers Seeking To Attract and Retain Talent Through On-Demand Pay." Fisher Phillips, March 30, 2022, www.fisherphillips.com/news-insights/earned-wage-access-tips-for-employersseeking-to-attract-retain-talent.html.

THE METHODS OF DELIVERING ON-DEMAND PAY

There are a number of ways that vendors are set up to deliver on-demand pay for organizations, yet not all of them are compliant from state to state. Before selecting a vendor, it's important to understand the structure of the various models, and the risks that may be associated with each. We've identified the three most common models for delivering earned wage access:

Deduction Model

The Deduction Model of on-demand pay requires the employer to make payroll deductions in order to recover the earned wage advance. This use of payroll deduction is restricted in more than 14 states, thus exposing the employer to risk associated with state labor regulations. Because it changes the date that an employee has constructive receipt of wages, this model also creates tax withholding and reporting issues for the employer.

Wage Assignment or Intercept Model

The Wage Assignment Model of delivering on-demand pay requires participating employees to reroute the direct deposit of their wages to the earned wage access vendor, using the vendor's pooled account, where wages are held. Because this process requires the employee to give control of all of their wages to the provider, it creates significant risk for workers. For this reason, wage assignment programs are prohibited or significantly restricted in multiple states, including Illinois, Maryland, New Jersey, New York, and Virginia. This model may also require the provider to obtain a money transmitter license in each state in which it operates.

Responsible Model

The Responsible Model of delivering on-demand pay, pioneered by Instant Financial, is the only solution that protects the employer from risk and does not require it to implement payroll deductions or other process changes. The Instant Financial model gives the employee full control over how and when they receive their pay. Workers can access on-demand when they choose and are never charged a fee for the service.

IMPLEMENTATION CONSIDERATIONS

As you get closer to selecting a vendor, it's critical to give thought to the implementation process and how the rollout of your new earned wage access program will actually happen.

When engaging with your new vendor partner, the following steps should be addressed in some capacity. If any of these pieces are missing, the likelihood of program interruption increases greatly.



Technology Discovery

A thorough exploration of your existing payroll and HR technology stack, and an analysis of how easily your selected vendor can integrate with them.



Operational Discovery

In partnership with your organization's payroll team, a hand-in-hand review of internal operational processes that should be in place and approved prior to going live with your on-demand pay partner.



Banking and Finance Requirements

A detailed exploration and due diligence review of banking processes, along with test payment transactions to validate NACHA information, ensuring no errors during critical employee payments.



Training, Education and Onboarding

Detailed sessions with key internal departments and stakeholders to review ongoing requirements, process changes and overall program benefits to ensure high adoption rates.

ORGANIZATIONAL STAKEHOLDERS

WHO SHOULD BE AT THE TABLE

Once you're ready to choose a vendor, the question of resourcing needs to be considered. To ensure a successful program rollout and continued program success, who should be involved in decision-making and the implementation process? By no means exhaustive, as each organization and implementation is different, here are the key stakeholders that we recommend are included to ensure success:



Payroll

A critical stakeholder to oversee payroll system integrations and overall processes.



Human Resources

A key role within the HR function that typically acts as a main liaison between the vendor and organization, while also offering high level oversight of the overall project.



Information Technology

A critical role to ensure that any integrations are considered, from a broader organizational and architecture perspective.



Operations Lead

Critical to implementation success, the operations lead helps shape and mobilize the internal resources required for program rollout.



Training & Education Lead


This role is responsible for internal training, education and communication downward to the individual employees who will be utilizing the earned wage access solution.





Executive Sponsor


A critical role at the executive level that has provided their approval on the project, to ensure resourcing and timeline requirements are adhered to internally.


FREQUENTLY ASKED QUESTIONS / QUESTIONS TO CONSIDER

-  Does the vendor you're considering charge employees fees to withdraw funds? Consider what APR that even a small \$2.99 fee (or similar) would equate to.

-  Ethically, should your employees have to pay to access their own money? An employee financial wellness tool shouldn't penalize an employee for being in need.

-  Ensure the model chosen offers a safety net for employees, limiting the amount they can access in advance so they still have wages available at payday.

-  Determine if the model being considered is compliant in the state or states your company operates in. Some EWA models are not compliant in all states, which could create liability and risk.

-  How seamlessly can this process be implemented? Not all solutions are easy to implement, so it's critical to look for one that does not disrupt your existing organizational process.



CONCLUSION

Reviewing and selecting an earned wage access vendor can appear to be a daunting task. But it doesn't have to be.

On-demand pay is a proven positive net addition to employee benefit programs, and helps move the needle on turnover, retention and hiring, all while helping to foster improved employee wellness.

With the right evaluation process in place, guided by the sections outlined in this document, choosing the right vendor can be a straightforward process that has significant business benefits.



Instant Financial is the pioneer in offering responsible, same-day pay to thousands of employees across the U.S., fostering financial freedom and wellness through its no-fee earned wage access solutions.

By enabling employees to access their daily wages immediately after their shift, without the burden of predatory fees, Instant Financial helps organizations improve retention and reduce absenteeism while helping employees take control of their financial freedom by bridging the gap between workday and payday.

To learn more about Instant, or to schedule a consultation about the role of earned wage access at your organization, visit us at instant.co.