

Earned Wage Access:

Tapping into the Potential of Flexible Pay
for Today's World of Work



Employer and
Employee attitudes
towards earned
wage access: an ADP
research study.



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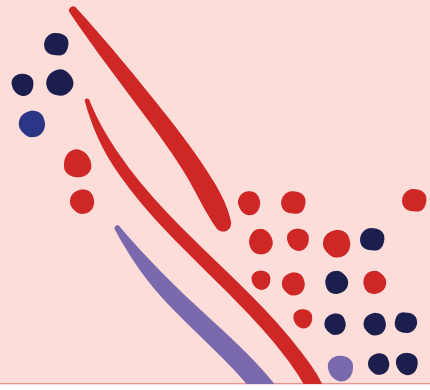
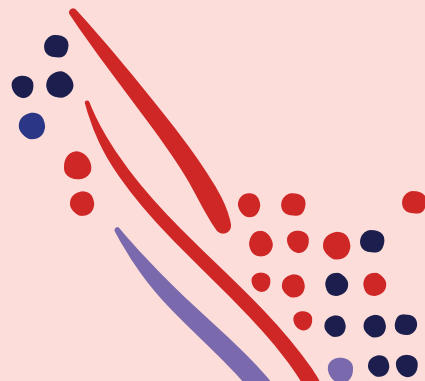


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Introduction



An explosion of new payment methods introduced over the past decade has reshaped how consumers pay for goods and services and how they manage their spending and finances. These consumer trends are influencing how employees want to receive and manage their pay – creating new challenges and opportunities for employers.

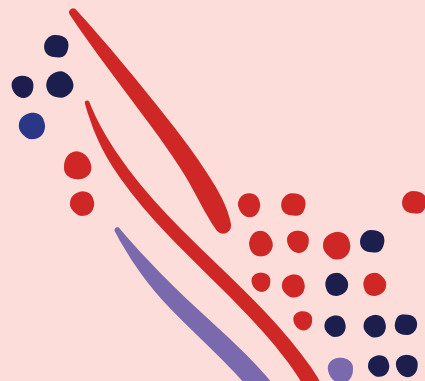
By allowing employees to tap into their earned wages prior to their next pay period, they can pay their bills on time and meet unexpected expenses, without having to pay late fees, overdraft fees, or resort to predatory payday loans.

Today, earned wage access (EWA) programs have evolved from the early adoption phase to an established business practice that is part of the benefits package offered to employees. When used effectively, EWA programs could provide employees with greater financial security.

As our survey results suggest, employers also find that employees who use this benefit are more loyal and want to stay with them longer, reducing turnover and its associated costs.

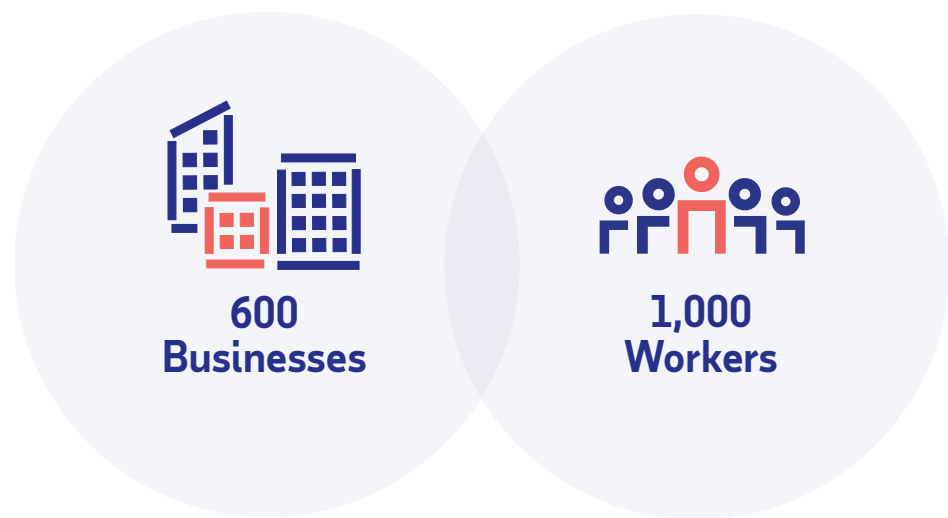
One new opportunity to emerge from the changing landscape of employee pay options is EWA. Unlike payday loans and advances, earned wage access allows employees to receive wages they have already earned, providing financial flexibility between pay periods without the costs associated with advances or loans.

This report is focused on helping employers better understand the opportunities and implications posed by earned wage access, based on a Q1 2022 third-party survey of **600 employers** (300 employers with 151-999 employees and 300 employers with 1,000 or more employees) and **1,000 employees** initiated by ADP.



Executive Summary

Earned Wage Access Market Research Study



Employer and Employee Benefits of Earned Wage Access

According to Neighborhood Trust Financial Partners, personal finance is ranked as a leading cause of employee stress in the country and nearly 50% of US. employees suffer from financial stress. Financially stressed employees lose about a month of productive workdays each year, and they are twice as likely to seek a new job opportunity. Earned wage access may help relieve financial stress by eliminating the burden of having to wait for their next paycheck to access pay.

Based on the results of ADP's survey, there is clearly an opportunity for employers to gain a recruiting and retention advantage, and for employees to benefit from added flexibility when it comes to when and how they are paid.

As we'll see when we dig further into the survey data, both employers and employees see value in the adoption of EWA.

EWA: Key Findings from Employers and Employees



Broad interest in earned wage access (EWA).

Workers in every age group, at every educational level, and at every income level expressed interest in EWA. On average, 66% of employees working for companies that didn't offer EWA said they would be interested if their employer were to offer it.

Similarly, **82%** of surveyed employers* that did not offer EWA said they were interested in adopting it.



There is an unrealized need among workers for EWA. Survey results from employers offering EWA suggest that adoption is broad and swift across employee demographics, often exceeding expectations. When asked how often they might use EWA, 20% of surveyed employees suggested they might use it every or every other pay period. Among employees that did have access to EWA, 62% surveyed said they used it every or every other pay period.



Millennials would prioritize job offers from employers that offer EWA. 59% of millennials would give priority to a job offer with an employer that offers earned wage access. 75% say that availability of earned wage access would influence their acceptance of a job offer. This suggests that employers offering EWA can gain a competitive recruiting and retention advantage.

Employers cite EWA as aiding talent attraction & retention efforts, further supporting what employees told us about the value of EWA when choosing an employer.

76% of surveyed employees across all age, education, and income levels said it was important for their employer to offer EWA.



Employers perceive three main obstacles to EWA Adoption. Among surveyed employers not currently offering EWA, only 18%* said they had no interest in doing so. The biggest perceived obstacles to implementing EWA from the

perspective of those employers were: compliance, cost, and implementation. Those employers indicated that a solution that had no impact on current payroll processes, that was simple to execute and required minimal incremental work for their staff would be attractive to them.



Employers prefer to partner with a trusted name and work with their current payroll provider for EWA. Because EWA is relatively new, the survey indicates employers prefer to work with an experienced provider who understands their existing payroll processes.

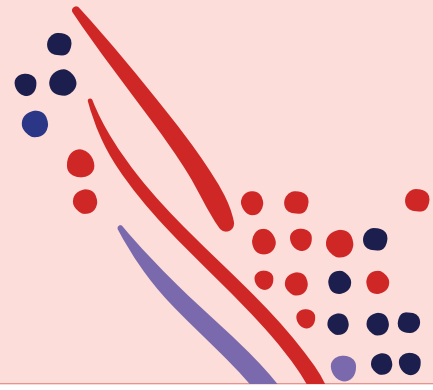


Employers prioritize EWA models that minimize change to existing payroll processes, with no incremental costs or added administrative burden. In other words, employers want to minimize disruption to existing processes as they adopt EWA. At the same time, employers said that they would prefer to influence the frequency of EWA transactions and/or the portion of wages available.

In aggregate, the results of this survey make it clear that EWA is attractive to both employers and employees. From the employer perspective, finding the right provider to integrate EWA into existing payroll processes seamlessly is the greatest deciding factor in adoption.

As we explore our survey results in more detail, we'll illustrate differences in perceptions among employers currently offering EWA and those who do not; and among employees by demographic cohort, including Gen Z, Millennials, Gen X, and Boomers.

Earned Wage Access Research Findings



With a basic understanding of the components and processes associated with earned wage access programs, let's explore how employers and employees perceive their value.

Employer Survey Findings

A majority of employers expressed awareness of EWA programs and interest in their adoption. Concerns among those who were not interested in EWA programs included perceived cost and complexity.

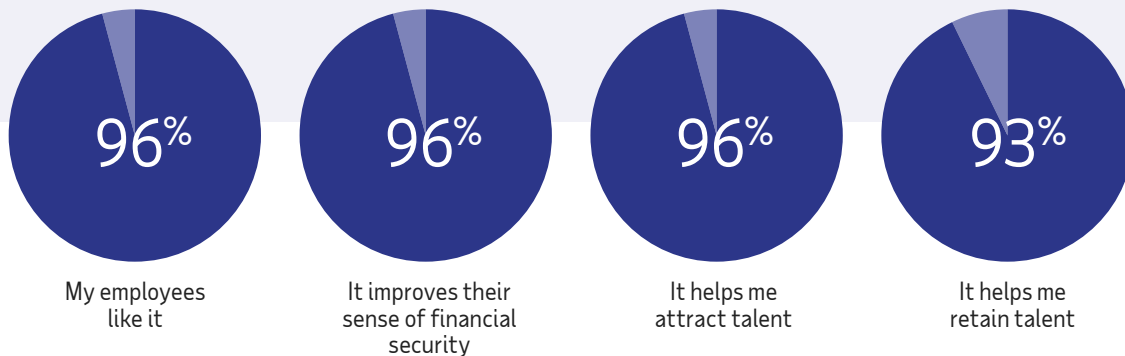
Employer Awareness and Interest

Interest and awareness of EWA programs was high among our survey participants. Nine out of ten employers are aware of flexible payment options such as EWA. Currently, 4 out of 5 employers offer EWA to employees and among those who don't, the majority are interested in doing so.

Adoption and Satisfaction with EWA Programs

The vast majority of employers indicate that their employees like EWA and it helps improve employees' sense of financial security. Employers also say that it helps them attract and retain talent.

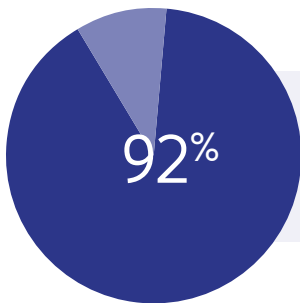
Employers* offering EWA overwhelming say that their workers like it and it helps with talent attraction & retention



EWA Transaction Limits

The majority employers believe that there should be a limit on the number of EWA transactions per pay period - with most feeling that one to two transactions would be appropriate. Additionally, seven out of ten employers think it is reasonable to charge employees a fee for using earned wage access. Employers may view a small fee as a potential guardrail against over-usage.

In addition, 92% of employers agreed that only a portion of the accrued wages should be available for early access, ranging from a minimum of 25% to a maximum of 75%.



92% of Employers* believe that a portion of accrued wages should be available for early access, with 25% to 75% being preferred range.

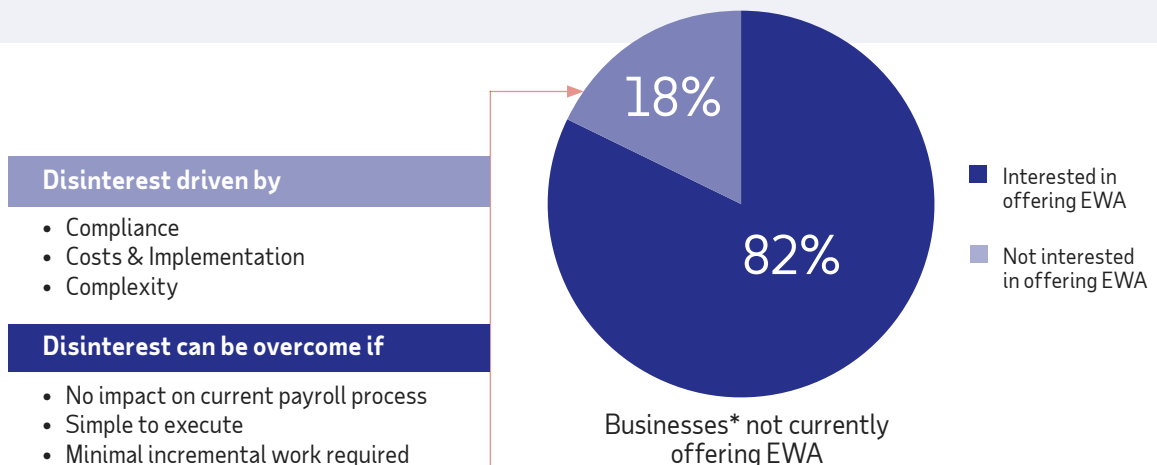
EWA Concerns Among Non-Adopters

Employers that do not currently offer EWA, and are not interested in offering it, cite "the 3 C's" as primary concerns: compliance, costs/implementation, and complexity.

Those citing these concerns suggested that these issues could be overcome if the EWA system:

- Had no impact on the current payroll process.
- Was simple to use
- Required a minimal amount of incremental work for the employer.

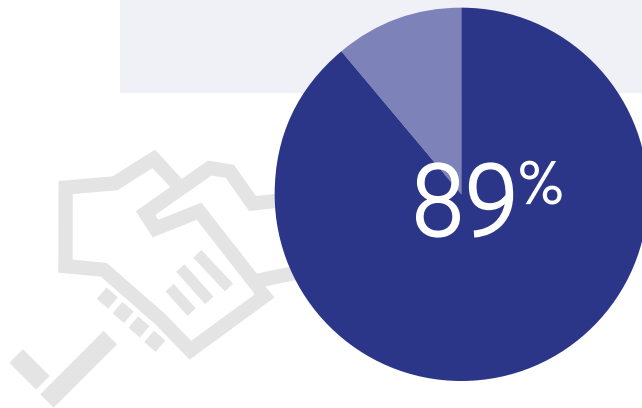
Of those who said they were not interested, a majority said their objections could be overcome if there was minimal to no impact on their existing status quo



Reputation and Payroll Experience

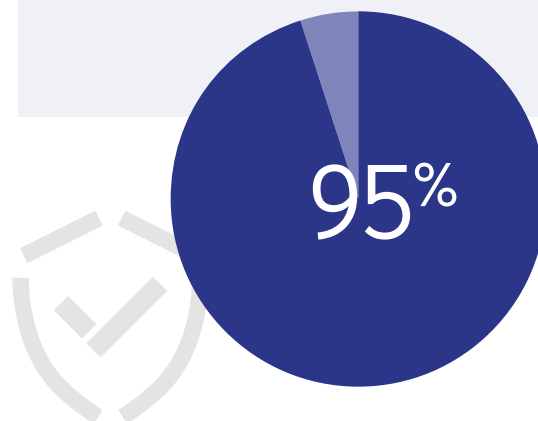
A majority of employers think it is important to work with their payroll provider to offer earned wage access, suggesting that understanding and involvement in existing payroll processes would factor into their selection of a provider.

89% of Employers say it is important that they work with their payroll provider to offer EWA



Working with a reputable EWA provider is important to nearly all employers.

95% of Employers say it is important to use a reliable name for earned wage access



Employee Survey Findings

Responses from employees about EWA aligned with the perspectives and priorities of employers.

Having a Say in EWA

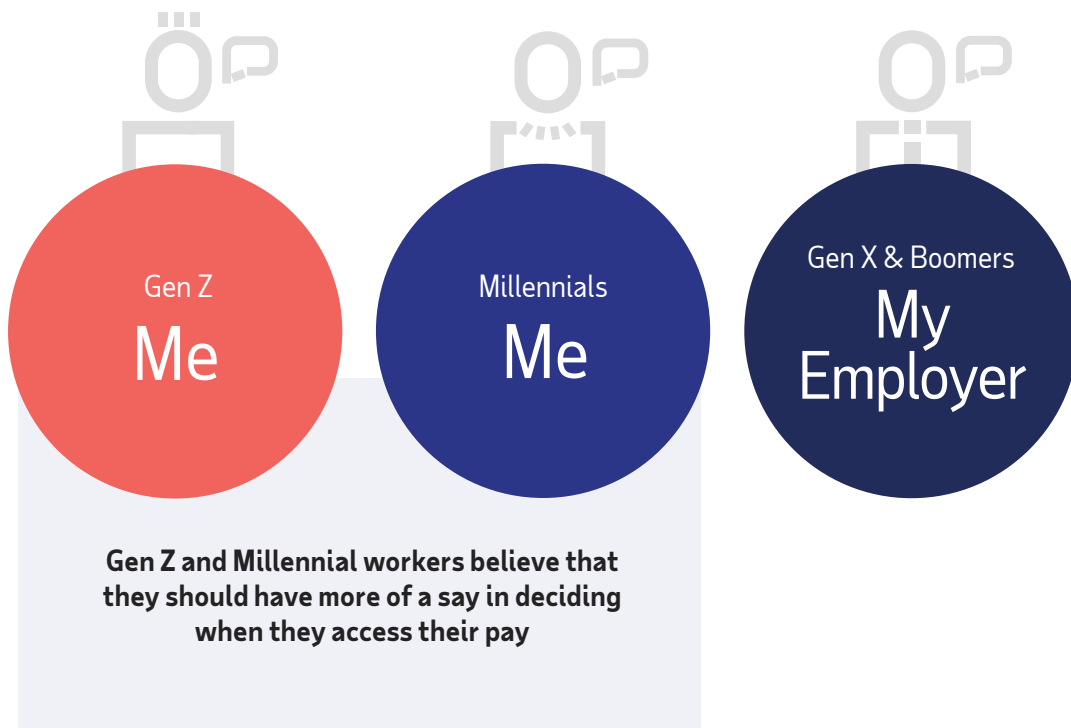
When it came to survey responses from different generational cohorts (ages 18-24, ages 25-44, and ages 45-64), most responses were consistent with the exception of who should have the most say in deciding how often an employee can receive their pay.

When asked who should have more say regarding access to pay—the employee or their employer—a majority of employees aged 45-64 said that their employer should determine frequency.

However, Gen Z and Millennials (ages 18-24 and ages 25-44, respectively) suggested that they should have more input in determining frequency of earned pay access.

When asked about interest in having their employer offer EWA, these generational differences **did not apply**.

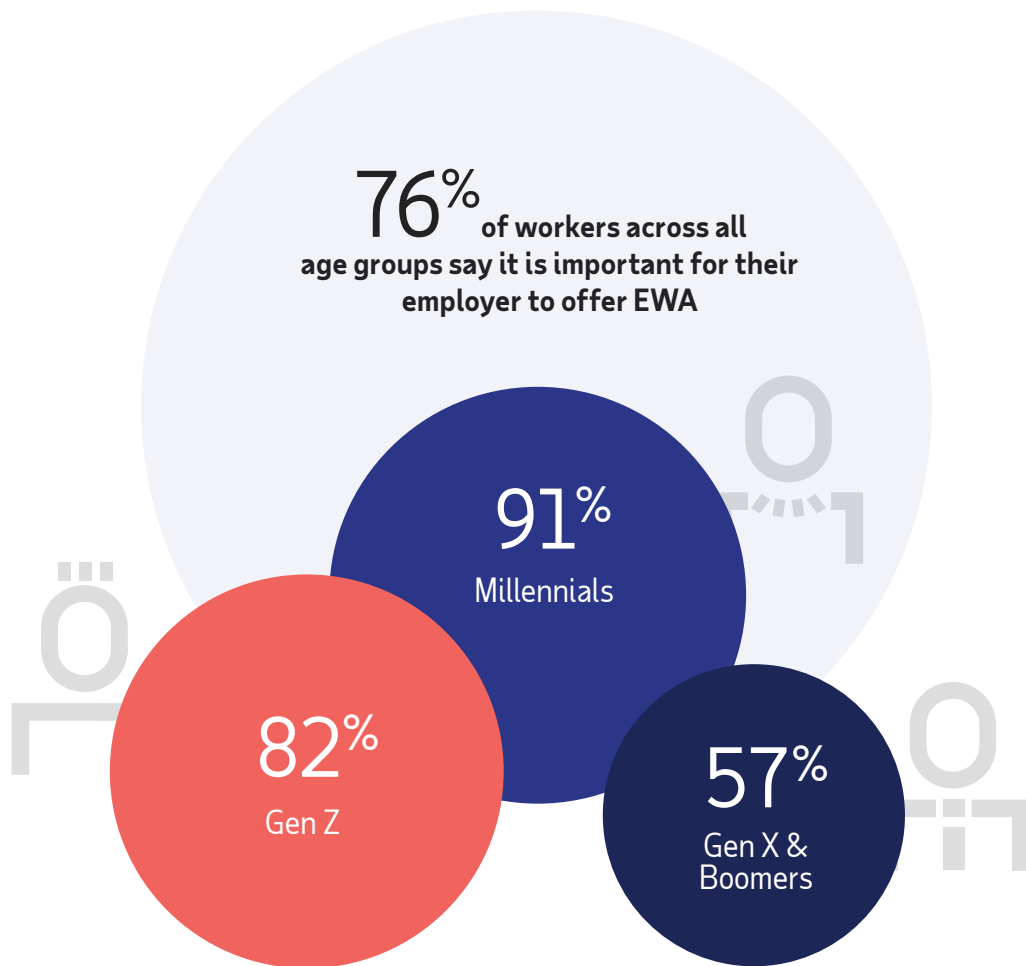
Who should have more say regarding access to pay?



Employee Interest and Adoption

Three out of four employees say it is important for their employer to offer EWA. But, only half indicate that their current company offers it.

Further emphasizing the importance of offering EWA, four out of five employees have used it when it is available.

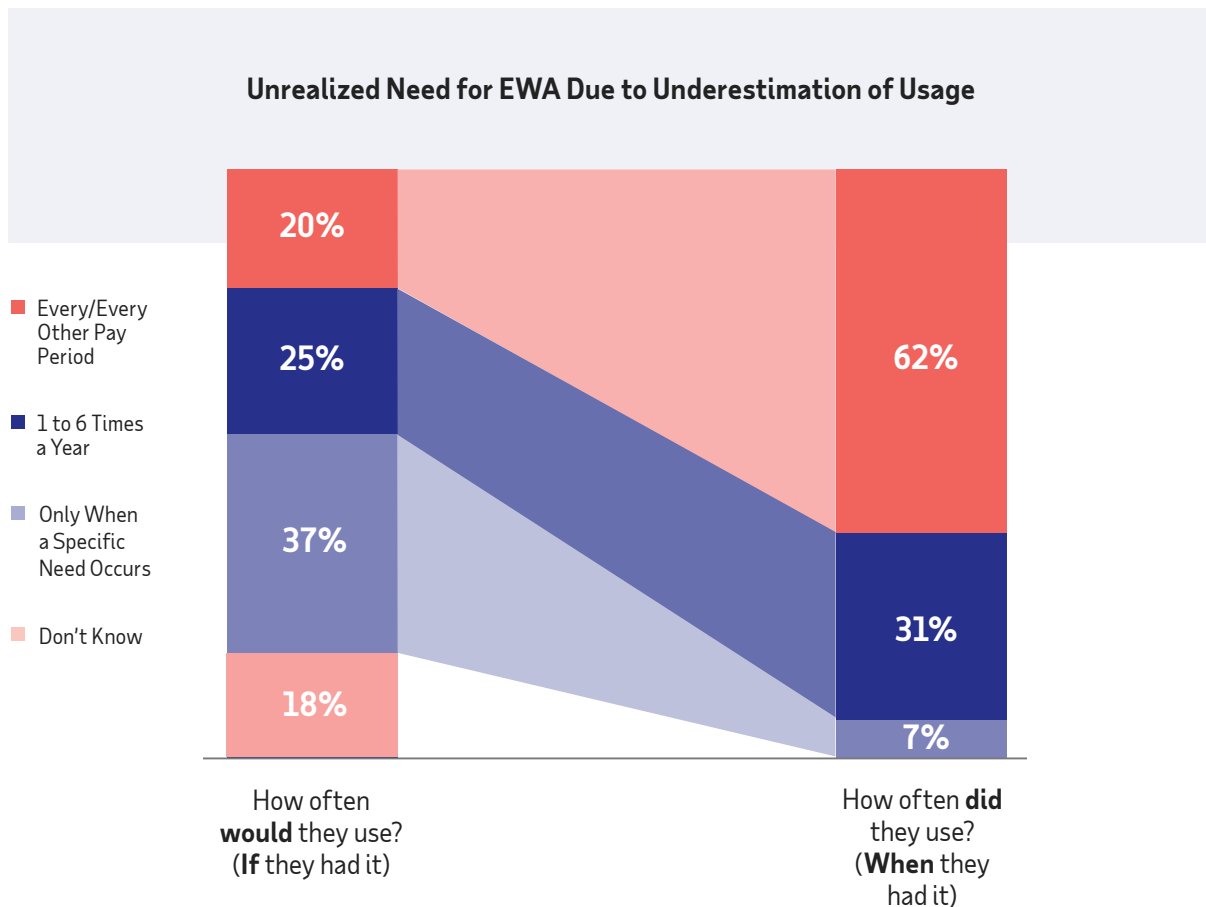


Unrealized Need for EWA Among Workers

Our survey found that workers tended to underestimate how often they would use EWA, as compared to how often they do when it is made available for them to access.

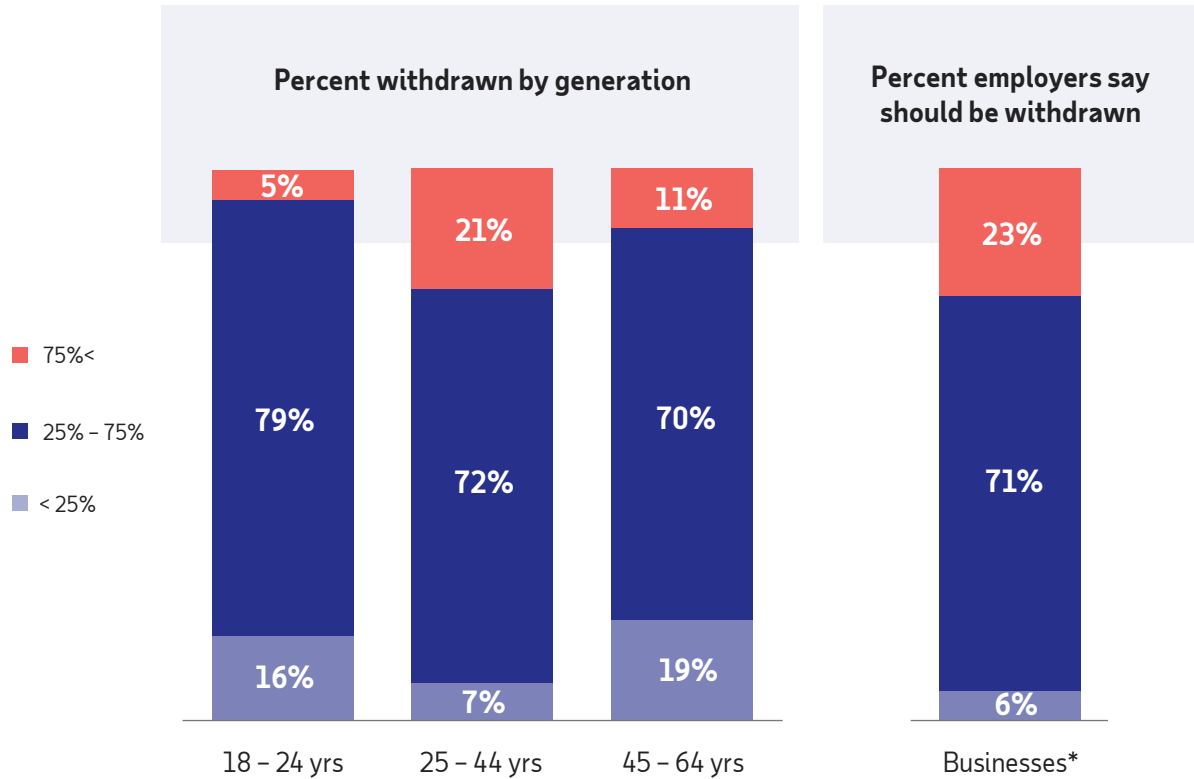
Thirty-seven percent of employees who do not have access to EWA, estimated they would request an early payment only when a specific need occurred. One-quarter would use EWA 1-6 times a year, while 20% suggested they might use it every or every other pay period.

In reality, the majority of employees who have access to EWA indicate they request early access every or every other pay period (62%). Nearly a third said they used it one to six times per year, and only 7% indicated that they used EWA only when a specific need occurred.



Amount of Withdrawal and Use of EWA Funds

Employees typically withdraw between 25% to 75% of available wages during an earned wage access transaction, regardless of generation. The portion of wages commonly withdrawn lines up with the portion that employers say should be withdrawn.



Usage of accessed early wages differs by age. Younger employees, age 18-24 years old, tend to use it to reduce the stress of not having enough cash until payday. Those age 25 and older use it for family expenses and to pay bills in order to avoid late fees.

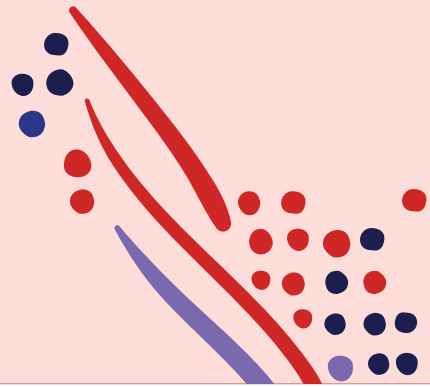
Different Generations Offered Different Rationales as to Why They Use Earned Wage Access



Reasons	18 - 24 Gen Z	25 - 44 Millennials	45 - 64 Gen X & Boomers
An expense related to my family		X	X
Paying a bill		X	X
Buying groceries	X	X	X
Reduce my stress around having enough cash until payday	X		
Paying a loan	X		
An emergency medical expense			X
Paying rent/mortgage	X		
Emergency expense related to car		X	

X = The Most Common Reasons for Each Generation

Conclusions and Key Takeaways



As we've explored from the perspective of employers, EWA presents a timely opportunity to leverage a new payment option for employees that addresses their priorities without introducing complexity or adding significant costs.

As our EWA survey of employers and employees suggests, EWA offers a unique opportunity in which both parties benefit. As such, it's not surprising that our results suggest:



Broad interest in EWA from workers in every age group



Unrealized need among workers for EWA leading to substantial adoption when it is offered



Prioritization of job offers by employees from employers that offer EWA



A benefit to talent attraction & retention efforts by employers adopting EWA



There was a preference among employers for an EWA model that would not change existing payroll processes, introduce incremental costs or effort, or limit frequency of EWA transactions. This suggests that employers desire a model that prioritizes flexibility without introducing complexity or cost.

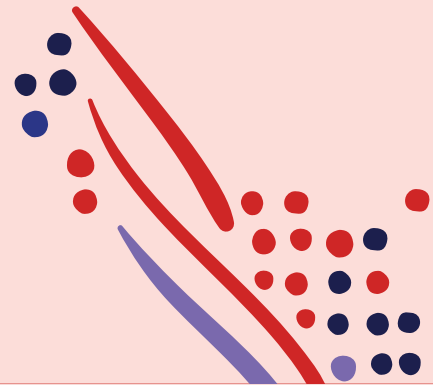
At the same time, employers told us that they prioritize experience, expertise and reputation when it comes to selecting an EWA provider.

For experienced payroll providers, both operational and compliance requirements as they relate to payroll in general are second nature. This is why employers have indicated a preference for working with established payroll providers when it comes to EWA.



Finding an experienced EWA partner ensures that you can avoid interrupting your existing payroll process and offer your employees the flexible pay methods they want without increasing costs or introducing unnecessary compliance risk.

How ADP Can Help

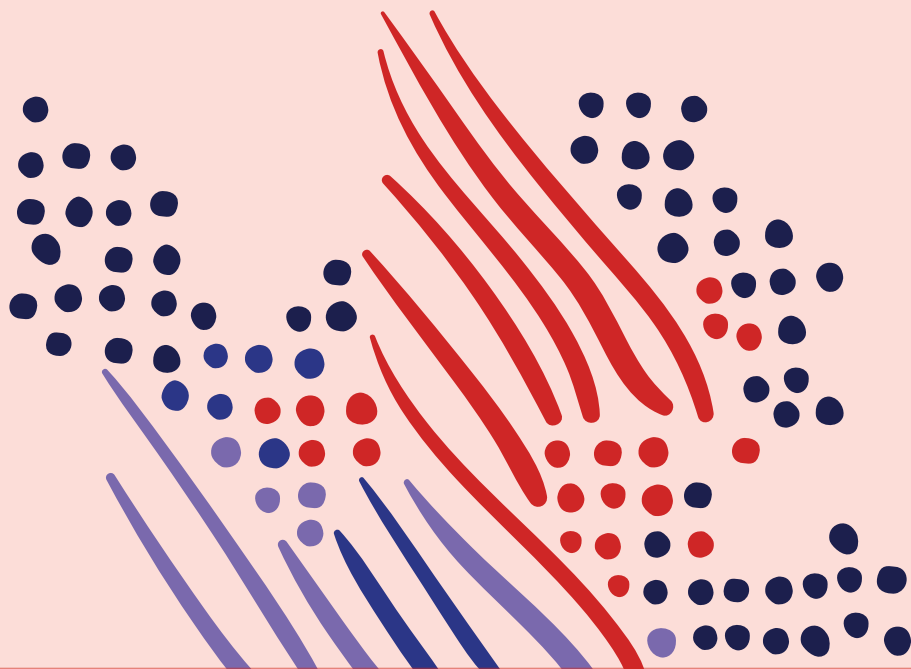


Wisely from ADP is a suite of cost-effective, efficient solutions for diverse payment needs. Wisely® helps employers attract, engage, and retain top talent through the convenience and flexibility of an employee-focused payment offering. Wisely's innovative technologies and workflows allow for 100% electronic pay, reduced costs, and easy administration.

Wisely has features like earned wage access that gives workers a more flexible way to get paid which may help to promote financial wellness and give them more control over their money.

Employers can do it all with confidence by partnering with a market leader in payroll innovation. To learn more about Wisely, visit www.adp.com/wisely.





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