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# On-Demand Pay: 60 Percent of U.S. Workers Want Daily Access to Earned Wages

New research that analyzed the impact of same-day pay showed 60% of working Americans want employers to offer workers immediate access to daily earned wages.

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*By Christopher Wood, CPP.*

A new national research study that analyzed the impact of same-day pay showed that, among other things, more than 60% of working Americans think that all employers should offer their employees immediate access to their daily earned wages.

**Pay frequency.** Most employers pay their employees' wages for services performed within one of the following frequencies: weekly, bi-weekly, semi-monthly, and monthly. At the federal level, there are no pay frequency requirements. The U.S. Department of Labor's (DOL) Fair Labor Standards Act (FLSA), which regulates minimum wage, overtime, hours worked, recordkeeping, and child labor, does not dictate when an employee must be paid. However, some U.S. states have certain pay frequency requirements.

For example, in New Hampshire, employers must pay employees wages on a weekly or bi-weekly schedule. Semi-monthly and monthly pay frequencies must be approved by the New Hampshire Department of Labor (NHDOL).

In California and Michigan, the frequency of pay depends on the occupation. In California, wages, with some exceptions, must be paid at least twice during each calendar month on the days designated in advance as regular paydays.

**Early/earned wage access.** Within the last decade or so, a new pay frequency is being used by more employers and third-party payors that allows employees to receive their earned wages on the same day that they perform the services. These arrangements are typically referred to as earned/early wage access (EWA) and these on-demand pay programs are becoming more popular, especially in certain types of jobs.

**App-based drivers.** In 2016, app-based driving company, Uber, partnered with Green Dot, a financial technology and bank holding company, for an EWA program for its workers. Uber's website explains that drivers can cash out up to five times per day. A few years later, Lyft offered an EWA for its drivers with instant access to wages after every ride and no transfer fees.

**How EWAs work.** In general, employees use mobile applications to access accrued wages before the end of their regular pay cycle and the amounts are transferred to a bank account, pre-paid debit card, or payroll card. This process differs from payday lending because the worker has already performed the work for which he or she is being paid.

**Benefits to employers and employees.** According to the American Payroll Association (APA), EWA programs are becoming a more established business practice and part of the benefits package offered to employees. A clear benefit for an employee is to gain greater financial security.

There are also potential benefits for employers. During a workshop on financial wellbeing at APA's annual Congress event in Las Vegas this past May, Felicia Cheek, Director, HCM Product Strategy at Oracle, said that an employee's financial wellbeing is a way to help employers acquire and retain talent as a way to "combat" the Great Resignation, which occurred during the height of the coronavirus (COVID-19) pandemic.

Cheek also pointed out that financial stress among workers can impact an employer's bottom line with a chart that showed the cost of financial stress per employee, per year in lost productivity and absenteeism is increasing ($2,412.00 per employee in 2021).

**Federal government proposal on EWAs.** The 2022 U.S. Treasury Department's annual "General Explanations of the Administration's Revenue Proposals" publication addressed the treatment of on-demand pay arrangements or EWA programs. According to the report, employees receiving EWA advances may be deemed to be in "constructive receipt" of their wages, which creates payroll withholding and depositing burdens for employers to re-configure payroll systems to accommodate such withholding and depositing more frequently than the typical biweekly or monthly payroll cycle.

The Treasury Department indicates in its proposal, which would take effect next year, that EWA providers appear to have largely ignored the "constructive receipt" obligations to date and proposed the following amendments to the Internal Revenue Code:

- Provide a definition of on-demand pay arrangements.
- Clarify that on-demand pay arrangements are not loans.
- Provide that on-demand pay arrangements be treated as weekly payroll periods, even if employees have access to wages during the week.
- Provide special deposit rules for on-demand pay arrangements.

**New survey on impact of same-day pay.** Back in 2018, Instant Financial, an EWA business, conducted a survey of the American workforce to understand the effects and perceptions of wage frequency on job consideration, application and job offer acceptance. Instant said that the results highlighted the impact of pay frequency across generations, and provided insight into how frequency of pay can influence factors beyond just financial health, including workforce engagement, loyalty and more.

In July 2022, Instant issued a follow-up national research study in partnership with the Center for Generational Kinetics that analyzed the impact of same-day pay. For this report, Instant sought to understand how perceptions have changed around wage frequency, primarily due to the impact of the coronavirus (COVID-19) pandemic, and what impact the frequency of pay can have on financial health and other organizational factors.

The report asks why employees continue to typically be paid every two weeks when "we live in a real-time world, with on-demand everything becoming the norm?" The responses in the report show that, "implementing an EWA program can minimize the adverse effects of the challenging labor market, improving both recruitment and retention, while also helping to improve the financial health of the typical working American."

**Overall results of the study.** The main takeaways of the study say that more Americans:

1) Are concerned about making their paycheck last until their next payday (54% in 2022 versus 29% in 2018);

2) End up becoming short on money before their next payday (51% in 2022 versus 24% in 2018); and

3) Want to be able to have their wages paid the same day they work (79% in 2022, which is 30% higher than in 2018).

*Employee retention.* Another aspect of the survey shows that American workers would stay longer at a job if they could get immediate access to their earned pay after each day's work at no cost (56% of workers in the 2022 report).

*More value and engagement.* Another interesting aspect of the study explains that those polled would feel more engaged and valued as an employee – and would recommend the company to family and friends for employment – if the employer offered EWA after each day of work at no cost.

*A shift in sentiment.* Instant said that it is clear that, “there has been a significant shift in employee sentiment over the past four years, and a shifting economic and labor landscape has impacted organizations and employees alike.”

**Impact of COVID-19.** One of the results of the survey points out that some 58% of those polled said that immediate access to their earned wages after every day’s work is more important to them now than before COVID-19. Survey results showed that from 2018 to 2022, 12% more Americans worry about making their pay last until their next payday on a daily basis.

*Asking for wage advancement increased.* The study also notes that three times more Americans would ask for a wage or payroll advance from an employer when compared with the 2018 study. According to Instant, this was the biggest increase from 2018 to 2022, which the EWA company said, “further underscores the need for a solution like earned wage access to alleviate the financial burden that many are clearly facing.”

**Impact on employee retention.** According to the U.S. Bureau of Labor and Statistics BLS), the resignation rate over the last year in the United States has reached highs not seen since the start of the BLS’s Job Openings and Labor Turnover Survey program in December 2000. This recent phenomenon is commonly called the “Great Resignation.”

Employee retention is important to employers and the 2022 research study shows that more than half (56%) of working Americans would stay a month to over a year longer at a job if they could get immediate access to their earned pay after each day’s work at no cost.

**More employer benefits.** One of the questions asked what an individual would be likely to do if an employer offered immediate access to a portion of their earned pay after every day’s work at no cost? And as stated earlier, some 70% of those polled said they would recommend the employer to friends, family or others looking for a job. Other feedback from this question shows that:

- 67% of respondents would see a longer career with that employer;
- 69% of respondents would stay longer with that employer;

- 69% of respondents would pick up additional shifts or work more optional days; and
- 72% of respondents would feel valued and appreciated at such a job.

**EWA universally appealing; younger generations a bit more interested.** The study shows that 79% of all working Americans would be more interested in applying for a job that pays them the same day they work, which is 30% points greater than the 2018 study. However, Millennial (84%) and Generation Z (87%) workers showed more interest in applying for a job that pays them the same day that they work.

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