Earned Wage Access: A Case of Dailypay

Source: Pexels (2021)

Background

Waiting for your monthly paycheck to meet financial obligations can be tough, especially for the low-income group. It gets even more challenging as unexpected events sometimes occur, requiring immediate financial attention. In fact, more than one third of Americans could not afford to cover a US$400 emergency (Vox, 2023). Remarkably, new financial technology has emerged to offer companies a more flexible salary distribution and better financial support for their employees.

DailyPay, a fintech startup, is a platform that allows businesses to offer earned wage access (EWA) or on-demand pay to their employees (Forbes, 2023). It is designed to help employees get through short-term financial hiccups and manage their bills by offering access to what they have already earned ahead of their scheduled paycheck (FTA, 2024). In other words, employees can choose to collect their earnings daily or weekly instead of waiting until the end of the month through Dailypay's platform. It is suggested that this mode of salary distribution helps improve employees' financial wellness, motivation at work and intention to stay with hospitality industry (Dailypay, n.d.). In addition to instant salary access, Dailypay also offer a range of ancillary services, including debit card, financial planning tools, credit score assessment, and international transfers (Dailypay, n.d.).

Traditionally, people have relied on payday loans to alleviate their financial difficulties. These loans allow employees to borrow their salary in advance and repay it on their next payday. However, they often come with high interest rates and hidden fees that are set to put people in a vicious debt cycle (Level, n.d.). In contrast, EWA providers must be officially appointed by businesses before they can offer services to its employees, whereas the amount employees can take is also limited to the hours that they have already worked (Nerd Wallet, 2023). Hence, employees do not owe anything to EWA providers or any other parties.

Challenges

While EWA platforms like DailyPay offer on-demand financial support to workers, they are not entirely free of cost. Sheri Wilkins, a 60-year-old employee of a healthcare provider using DailyPay, reports that the app charges her $7 per day—amounting to three hours of her pay each week, or the equivalent of a day and a half's work per month (Los Angeles Times, 2024). It appears that the app implements a handling fee for each immediate transaction, in addition to offering a no-cost option that requires users to wait for 1 to 3 business days. As a result, despite the original intent of being a workplace benefit that offers workers flexibility and control over when they are paid, using EWA providers could require employees to pay addition fees to access their paychecks early, potentially resulting in them earning less money overall (Vox, 2023). Moreover, allowing early access to salary may cause unhealthy spending habits and ultimately undermining their financial management ability.

Discussion Questions

1. What are the potential long-term implications of offering EWA as a staff benefit on employees' financial management skills and overall financial health?

2. How do the additional services offered by EWA platforms, such as financial planning tools and credit score assessments, enhance the overall value of this benefit for employees?

   What are the potential benefits and drawbacks of adopting EWA platforms like DailyPay for both employees and employers?

3. How might access to earned wages on demand influence employees' spending behaviors? Could this lead to more impulsive spending, or might it encourage better financial planning?

4. How might the availability of immediate wage access influence employees' perceptions of their financial stability and job satisfaction?

References

Dailypay. (n.d.). An Earned Wage Access Platform Built for Today's Employees. Retrieved from https://www.dailypay.com/earned-wage-access-platform/

Forbes. (2023). Why Frontline Workers Receiving Instant Pay And Digital Tips Is Meaningful In This Economy. Retrieved from https://www.forbes.com/sites/jackkelly/2023/11/01/why-frontline-workers-receiving-instant-pay-and-digital-tips-is-meaningful-in-this-economy/

Financial Technology Association. (2024). Earned Wage Access Explained. Retrieved from https://www.ftassociation.org/wp-content/uploads/2024/02/FTA-Earned-Wage-Access-Explained-2024_Final.pdf

Level. (n.d.). Earned Wage Access vs Payday Loans. Retrieved from https://www.levelft.com/blog/earned-wage-access-vs-payday-loans

Los Angeles Times. (2024). These apps allow workers to get paid between paychecks. Experts say there are steep costs. Retrieved from https://www.latimes.com/business/story/2024-06-23/these-apps-allow-workers-to-get-paid-between-paychecks-experts-say-there-are-steep-costs

Nerd Wallet. (2023). What Is Earned Wage Access?. Retrieved from https://www.nerdwallet.com/article/loans/personal-loans/what-is-earned-wage-access

Pexels (2021). Banknotes and Calculator on Table. Retrieved from https://www.pexels.com/search/wage%20management%20phone/

Vox. (2023). Why so many people are paying to get their paychecks. Retrieved from https://www.vox.com/future-perfect/23863440/early-earned-wage-access-apps-payday-loans-regulation-earnin-moneylion-dailypay

Keywords

- Financial Management
- Financial Flexibility
- Salary Distribution
- Hospitality
- Employee benefit
- Financial Technology