What Is Early Wage Access, Anyway?

From Rain

Early wage access programs allow workers to gain access to wages before their company's regular payday. These programs are great for helping employees make it from paycheck to paycheck, which in turn increases their productivity and reduces company turnover rates.

Since these programs simply provide access to money that the user has technically already earned, it is not a loan. There is no interest. Early wage access companies typically charge a small fee (a few dollars) for each early withdrawal. That money is the provider's profit — and is much less significant than payday loan interest or the overdraft and late fees that workers might incur without this service.

TYPES OF EARLY WAGE ACCESS PROGRAMS

Early wage access programs are also called "earned wage access," "pay on demand," and "on demand pay." There are a few different early wage access models:

Direct-to-consumer: In this model, the employer has nothing to do with the early wage access program. These programs function more like loans. The app or program advances money to the employee, and the employee pays that back out of their bank account on payday.

Self-hosted daily pay: In this model, the company has their own manual system where employees are paid daily. This requires a lot more work for the employer and may result in confusion in regard to taxes and other garnishments.

Self-hosted advances: In this model, the company fulfills wage advancement requests whenever an employee needs help. This can be an administrative nightmare, especially for small payroll teams. Plus, there may have to be paperwork involved to ensure that the employee returns to work after receiving their advance.

Employer benefit: In this model (which is the model that Rain uses), the early wage access program connects to the employer's payroll and timekeeping systems to enable employees to receive pay advances. Rain's capital is used to advance the money, and the employer reimburses Rain on payday. The employer releases the same amount of money on payday that they would if they didn't have the program, and there are no additional costs for the company. There is much less of a lift for both employers and employees with this model, and no one has to think twice about where the money is coming from. Employees don't have to worry about having money in their accounts to "reimburse" the on demand pay vendor, and their money is safe.

EARLY WAGE ACCESS AS AN EMPLOYER BENEFIT

When offered as part of a benefits package, on-demand pay can prove to be a useful tool for employee retention and productivity and can result in more job applicants.

Even employees who don't need an early wage access service might see the value in it and feel comfort in the fact that their employer is offering such a useful benefit. Anyone, at any time, can end up in a financially unstable position due to unplanned expenses or accidents. If that happens, it's important

for the person to have faith in their employer and have motivation to keep showing up to work. The ability to get paid almost immediately after a shift can make a huge difference for someone going through a financial crisis. Life doesn't wait two weeks for payday.

FREQUENTLY ASKED QUESTIONS ABOUT EARLY WAGE ACCESS:

Is early wage access a loan?

By legal definition, Rain is not a lender. We only provide money that has already been earned. Technically, it's not an advance, either. You can't request funds from Rain for work that you plan on doing tomorrow. All we're doing is enabling people to get paid sooner without causing an administrative hassle for the company.

Are people paying to get paid?

One of the objections we hear at Rain from time to time is, "I don't want my employees to have to pay to get paid."

Rain is a completely voluntary benefit. Your employees can choose whether or not to sign up. Even once they do sign up, they do not have to use Rain. Rain is meant to be there when people need it. For some, that might require daily use. Others may only use Rain once per year. It is free to download the app, and then each withdrawal will require a small fee, similar to an ATM fee.

How much work is required to use it?

Here at Rain, we can promise you that we'll do all the heavy lifting for you. The amount of time it takes to set up will depend on which payroll and timekeeping systems you use, but most clients get set up in less than one week. No matter what, we'll take care of the setup process. All we need from you is a bit of information for your systems.

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