

# Addressing the consumption smoothing question via earned wage access for low-income workers

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## KEY RESULTS

- Women with higher financial stress were more likely to access their earned wages.
- Earned wage access (EWA) decreased reliance on informal borrowings.
- Improved liquidity via EWA reduced the likelihood of skipping monthly expenses.
- The intervention enhanced employee retention, and boosted productivity which was primarily driven by those with high financial stress.

**Evidence shows how access to financial liquidity can improve a worker's economic health, enhance firm retention, and boost productivity.**

### **THE LIQUIDITY PROBLEM**

Low-wage earners have tight budgets with little wiggle room for unexpected or irregular expenses. In developing countries, these households often lack precautionary savings and access to formal credit, which builds reliance on costly informal credit or social networks. While the growth of digital financial services (DFS) has shown promise in providing much-needed liquidity, improving savings, and smoothing consumption, it has also highlighted the gender divide in access to such services. Employer-enabled DFS, especially in sectors like textiles and garments employing largely women, has the potential to overcome technological and social barriers. However, little research exists on the benefits of such employer-enabled DFS and its impacts on workers and businesses.

## RESEARCH APPROACH

We conducted a randomized trial from September 2023 to September 2024 in a garment manufacturing factory in a semi-rural district of Karnataka, India. Workers at the site of our study are formal employees and receive monthly wages. They also have formal bank accounts that are registered with the firm they work at.

Those eligible for the study were ever-married women who must have completed at least six months with the firm. 834 women sampled from this eligible population were then randomly assigned into two groups: treatment and control.

Those in the treatment group were provided EWA via a tablet-based digital application placed on the factory floor. Through this application, they could withdraw up to 50% of their earned wages in up to three withdrawals a month. The withdrawn money is credited instantly into their registered bank accounts. This money is then deducted from their monthly earnings from the firm, as all the withdrawal data is linked with the firm's payroll system.

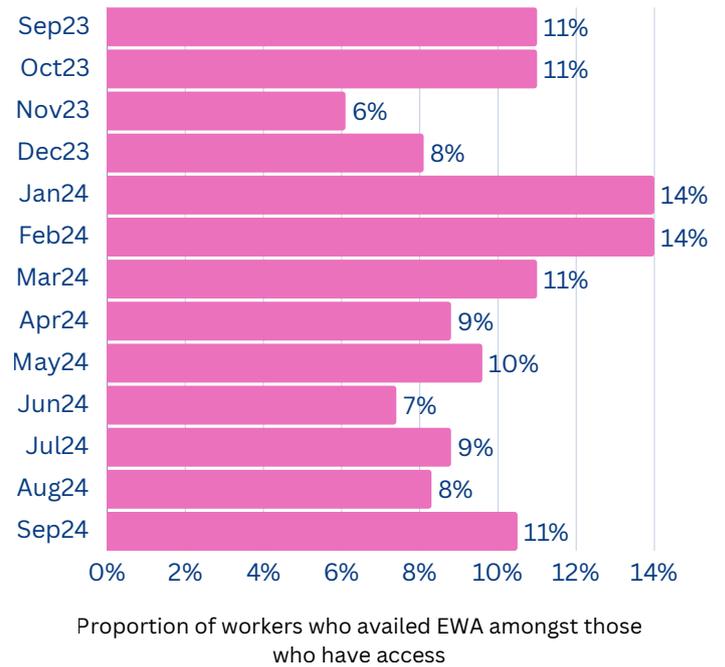
We trained the treatment group workers on using the application and provided on-ground support staff to help with usage. The workers in the control group operated under business-as-usual circumstances where they received their wages on a monthly cycle.

We collected primary data through surveys before, during, and after the intervention period; as well as secondary administrative firm data on workers' attendance, salary, and productivity. The data from the digital application provided details about take-up, timing, purpose, and amount of withdrawals.

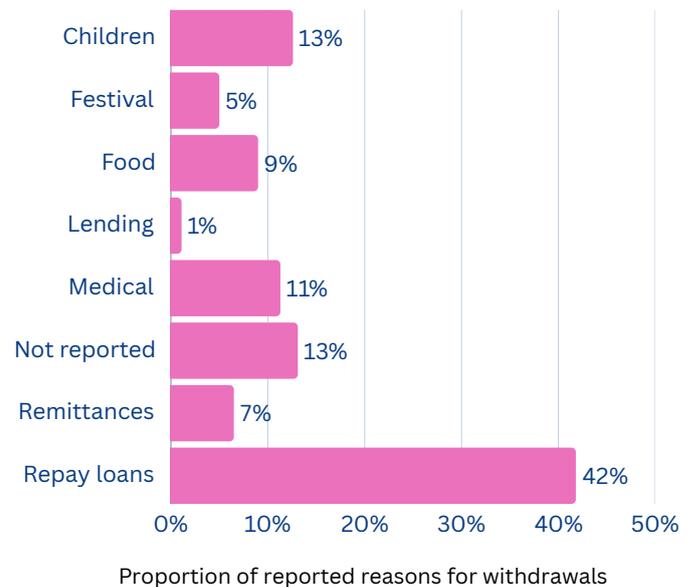
## RESULTS

In 13 months of the intervention, 34.3% of the treatment group had used the application at least once. Women with lower financial-resilience (ability to mobilize resources in times of need), higher financial stress, and pre-existing informal loans were more likely to use the application.

*Users per month*



*Workers primarily withdrew to repay loans*



Repayment of loans was reported as the most frequent reason for using EWA. Workers were moving away from high-cost informal loans to relying on their own earned wages (which is interest-free).

### **Access to earned wages for women improved their financial resilience**

Compared to the control group, women in the treatment group were relying less on borrowing money.

*Women in the treatment group saw...*



Workers in the treatment group were less likely to report difficulties in making ends meet and 20% less likely to report foregone expenditure.

Within their social networks, the treatment group is 35% less likely to borrow from coworkers and 34% less likely to borrow from friends and family. While we see no differences in lending to coworkers, the treatment group does lend more often to friends and family. This again demonstrates workers moving away from informal loans, which in this case come attached with social costs such as stigma and shame.

Concerns of overspending or reduction in savings due to increased liquidity are not substantiated by the results, as we do not see any difference between the two groups.

To measure the impact of women's empowerment in financial decision-making, we asked them about their income sharing, permission-seeking, and participation in household expenditures, and authority in decision-making during conflict. Our finding-

s reveal no significant differences between the two groups across these dimensions. However, women in the treatment group report higher self-confidence in mobilizing money during times of need or emergency.

### **The intervention effectively reduced low-stress women's reservation wages and improved retention at the firm**

Those in treatment were 21% less likely to quit the firm and 4% more likely to be present at work on any given day. While turnover rates are highest among those who faced low levels of financial stress at the start, the effects on retention are strongest among this group. We argue that the EWA amenity effectively lowers the reservation wage of this group by providing a financial benefit (without directly altering wages), leading to greater effects on retention.

We also see an increase in the overall earnings of workers by 12%. This and the effects on retention can be attributed to the extended duration of remaining in the labor force.

### **Highly stressed workers drive the effects on productivity**

On average, the treatment group's daily productivity was 8% higher than that of the control group. However, the effects on productivity were purely driven by workers who faced high financial stress at the start, with a 24% increase in productivity amongst this group. Given that we see those with high levels of financial stress also using the app the most, access to earned wages effectively lowers their mental strain and positively impacts workplace efficiency.

## LESSONS FOR POLICYMAKING

This research addresses critical gaps in the literature on employer-enabled DFS and their impact on women's financial strength, well-being, and economic empowerment in developing countries.

### Understanding the broader implications of such liquidity-easing interventions is critical

While critics highlight the risks of overspending and poor financial planning with the influx of additional liquidity, we demonstrate how thoughtfully designed tools (with limits on the withdrawal amounts) mitigate the risks of overspending. Future research should explore whether integrating DFS with financial literacy can promote better long-term financial decisions.

### Adoption of DFS hinges on appropriate support structures

Training women on using digital financial services alone is not enough to ensure adoption. Effective engagement requires tailored support, including application designs in local languages and dedicated on-ground assistance — particularly from other women. Women benefit significantly from peer support, and this hands-on approach fosters confidence, overcomes barriers to usage, and ultimately drives sustained adoption of such tools.

### Social norms continue to dictate access, but workplace-based interventions can help build trust

While providing DFS at the workplace can help overcome infrastructural barriers like access to smartphones and/or the internet,

further research is needed to understand how social norms mediate usage, particularly for women. For example, 10% of non-users cited the lack of decision-making power in their households as contributing to their non-usage. 5% of non-users also expressed concerns of misappropriation.

### *The dual benefit of workplace amenities*



The trust placed in workplaces can be key for adoption, coupled with easily accessible redressal mechanisms. The findings makes a compelling case for workplaces to offer DFS tools like EWA as they not only improve worker well-being but also boost productivity and worker retention, delivering tangible returns on investment.