



Terms of Reference

Support to a study on financial services to wage workers

► Introduction and background

The digital payment of wages— into a financial institution account, a prepaid or payroll card, or a mobile money account – enables workers to access a range of financial services that would otherwise not be accessible to them. Among these financial services, ‘earned wage access’ (EWA) services has experienced rapid growth, but raises questions regarding its benefits, costs, opportunities, risks for employers, workers, and financial service providers, as well as its adequate regulation. Considering the small number of existing case studies and independent evaluations, further research would help assess the enabling conditions for the responsible offer and use of EWA services. The consideration of such issues is relevant particularly in relation to its potential impact on women and men workers’ financial and overall wellbeing and empowerment.

‘Earned wage access’ is a financial service that allows workers to access part of their wages in advance of the payment date. Also known as ‘on-demand pay’ or ‘advanced wage access’, EWA services differ from payday loans and advances in that they are offered by external providers (not by the employer, as it is usually the case with advances), do not incur in interest rates (as payday loans), and only allow workers to access the fraction of their wages that they have already earned. Two main models have often gone by the label of ‘earned wage access’: (i) products that involve a partnership between the service provider and the employer (B2B), usually offered as a benefit within the compensation package of workers (such as private health insurance, wellness programs, learning allowances etc.); and (ii) products that directly target workers as independent consumers (B2C), an arrangement that may be more accurately understood as a short-term loan service and may incur overdraft or interest charges.

Providers are typically Fintech companies that offer different financial products and vary in their business and revenue models. Some charge workers for example via a setup fee, subscription fee, or transaction fee (flat fees, percentage fees, or a combination thereof, including for cashing out). Others have their costs borne either fully or partly by the employer (either by design or by enabling employers to ‘subsidize’ the costs for the workers). Yet other EWA providers may bear the costs fully and provide additional financial or non-financial services to either employers (such as payroll services) or workers (most typically financial education and savings). In some cases, providers act as intermediaries, obtaining information from employers on the level of ‘earned wages’ and transferring cash directly to workers’ accounts, being subsequently reimbursed by employers on pay day. In other cases, Fintech companies also serve as technology providers, integrating EWA services within the employers’ payroll systems, thus allowing workers to automatically trigger advances during the pay cycle.

The development of the EWA services’ global market counts with a range of providers that largely vary according to size, region, scale of the operation, and business model. A significant number of mature providers operate in Europe, the United States and Australia, a few of which have expanded their businesses to developing countries. For the more recent development of EWA markets in Africa, Asia, and Latin America, there are mostly examples of smaller, national-level providers, that face increasing competition from global brands, but also regional-level providers with operations in several countries in Africa and Asia. A rapid review identified relevant examples of national and regional providers in Bangladesh, Cambodia, India, Indonesia, South Africa, Nigeria, Kenya, Mexico, and Peru.

Preliminary information gathered from desk review, including reports of consultant firms and providers mostly operating in the global north, suggests that EWA services offer substantive benefits to workers and employers, pointing to its advantages as an alternative to cash shortfalls that usually lead to financial distress and negatively

impact workers' wellbeing and firm-level productivity. From the workers' perspective, EWA services have been argued to provide benefits in terms of increased financial control, reduced mental stress, flexible access to earned wages for paying for unplanned expenses, reduced usage of usurious credit card debt or other sources of informal borrowing, and improved financial literacy and ability to save. From the employers' perspective, EWA services seem to positively impact workers' attraction and retention (reduced turnover), attendance records, and engagement (increased productivity), also offering business operational efficiencies from the outsourcing of off-cycle payments, such as termination payments, settlements, bonuses, and emergency advances, and cash flow management.

Research on EWA services, which is most frequently commissioned by providers and their investors, usually presents compelling evidence for its adoption, but are not as sensitive to the possible longer-term risks of the service to final users, nor to its regulatory challenges. Regarding the risks for workers, more attention should be given to possible underlying motivations for their use of these services, for instance receiving wages in an irregular or untimely manner (leading to a timing mismatch between their income and expenses) or receiving wages that are too low compared to their expenses (in which case it may postpone the problem and possibly exacerbate the risk of indebtedness).

In regulatory terms, even if several financial and labour laws and regulations are relevant to EWA services and should be observed by providers and employers, no specific mention or framework could be found from the preliminary desk review ¹. There are evident challenges to governments, including the appropriate locus of regulation within financial and/or labour relations authorities. From a strictly financial perspective, EWA services have been usually understood as 'money transmission services' and not as loan services (such as payday loans), leading to critical regulatory implications. From the perspective of consumer rights, there are relevant aspects that require further attention, including assurances for free and informed decisions by workers, observation of wage and financial consumer protection principles, and transparency in costs and data protection.

The growing market for EWA services, notably in countries like India, and the risks and regulatory challenges that they entail, recommend further investigation, with a view to elaborating in more detail their business models, different usages, and potential benefits and impact.

► Objective of the assignment

The ILO's Global Centre on Digital Wages for Decent Work seeks to hire a national consultant to support a study of the global landscape of EWA services with information from India, assessing *in loco* the opportunities and challenges for workers, employers, service providers, and regulators.

► Scope of work

The national consultant is expected to provide support to the study on EWA services with information collected in India, including applicable national regulations, as well as the local coordination of interviews with key informants and enterprises, and focal group discussions with workers. The national consultant will conduct key informant interviews at the national level, in-depth interviews with enterprises offering EWA services to their employees, and focal group discussions with workers.

Research tools, technical guidance and operational support will be provided by the ILO Global Centre on Digital Wages for Decent Work and by a lead consultant hired to conduct the study at the global level. The global study will map the landscape of EWA services in four selected countries, including India.

The national consultant should provide information regarding EWA services in India on the following issues:

- A. Review of national regulations, if any, considering aspects of labour relations, consumer protection and financial services that apply to EWA services.
- B. Non-exhaustive mapping of service providers operating in India (1 -2 EWA service providers). It should include information on their business and revenue models, taking into account applicable fees, information on cost-sharing arrangements, related financial services offered by EWA providers, operational issues

¹ The only exception is Bill S442 of the United States of America Senate, which is going to be effective from May 1, 2024. More information available at: <https://lrs.sog.unc.edu/billsum/s-442-2023-2024>

(technology, data transfer from employers to providers, integration to payroll systems), target markets, risk management, orientation to social impact and training of workers to use the services, and other aspects deemed relevant. An initial list of providers in India will be available to the national consultant.

- C. Identification of the reasons why employers offer EWA services to their workers and the decision-making process for selecting services and providers. The information collected by the national consultant is expected to contribute to a better understanding of the benefits, risks and impacts for enterprises, taking into account financial (cash flow management), human resources (turnover, engagement, productivity), and operational (integration to payroll services) aspects, as well as usage of additional financial and non-financial services. It should present information obtained from enterprises of different sizes and economic sectors and should allow for the understanding of different usages of EWA services amongst them.
- D. Collecting of quantitative and qualitative information on the rationale of women and men workers' demand for EWA services, as well as their perception regarding costs, benefits, and risks. The collected information should support the understanding of EWA services' impact on the overall wellbeing (including mental health), financial control (including access to earned wages to pay for unexpected expenditures and usage of usurious sources of borrowing), spending patterns, financial literacy, and incentives to access additional formal financial services. It is critical that the information considers gender-specific issues, including aspects such as control over wages, empowerment, and economic opportunities.

► Methodology

The methodology combines desk review, key informant interviews, in-depth interviews with enterprises and focal group discussions with workers. Specifically, the methodological approach includes:

- A. **Desk review** of selected bibliography (to be provided by the ILO) and of the relevant regulation in India. The desk review provides information on the EWA services and the national regulatory framework.
- B. **Key informant interviews** with service providers, financial sector industry associations, business associations, trade unions, and regulatory authorities.

The ILO will support the national consultant in contacting and engaging key informants.

- Service providers and financial sector industry associations clarify and complement the desk review with qualitative information on the business and revenue models of EWA services. They also provide information on the perspective of providers and financial sector industry associations on the opportunities and challenges for the development of the EWA services' market at the national level, as well as their perception regarding the current regulation.

Tentative: 1-2 providers and one financial sector industry association.

- Regulatory authorities clarify and complement the desk review with qualitative information on the conditions under which EWA services can be responsibly offered to workers. They provide additional information on the regulatory challenges as perceived by national government authorities, including their understanding of the appropriate locus of regulation and promising ways of coordinating initiatives among different government bodies.

Tentative: 1-2 regulatory authorities.

- Business associations and trade unions complement the study with their perception of the benefits, risks, and impact of EWA services for enterprises and workers, as well as their perspective on regulatory challenges. They also provide information on the perceived role of social dialogue in the decision-making process for selecting the service provider and in the support to workers. The interviews also contribute to the mapping of potential good practices of business associations and/or trade unions in the responsible promotion of EWA services.

Tentative: one trade union and one business association.

- C. **In-depth interviews with enterprises** provide information on the rationale for offering EWA services to their workers and selecting providers. They also help assess perceived benefits, risks, and impact from the perspective of their businesses.

The ILO will support the national consultant in contacting and engaging enterprises. The national consultant is expected to organize the in-depth interviews.

Tentative: 2-3 enterprises, preferably of different sizes and sectors.

- D. **Focal group discussions with workers** complement the study with qualitative information on perceived benefits, risk, and opportunities for women and men workers' usage of EWA services. The focal groups include workers from the enterprises selected for the interview. The composition of focal groups allows for further investigation of gender-specific issues and should comprise workers using and not using EWA products to provide insights on different rationales of potential users.

The national consultant is expected to coordinate with the enterprises interviewed for item C the identification of workers to participate in the focal group discussion, as well as its organization and logistics.

Tentative: 1-2 focal groups, with 10 workers each, per enterprise. At least 1 focal group should be composed exclusively of women.

For the global study, the information collected by the national consultant in India will be complemented by a mobile phone survey which will provide quantitative information on the demographics and impact of EWA service on users. The arrangements will be coordinated directly between the ILO and the social impact measuring company hired for the mobile phone survey. The national consultant is not expected to be involved in the operational aspects but may be invited to comment on the questionnaire and will be informed of the results obtained.

► Management arrangements

For the management arrangements, the national consultant hired for this assignment is responsible for:

- (i) Reviewing relevant regulation applicable to EWA services in India;
- (ii) Conducting interviews with key informants at the national level, using the research tools provided;
- (iii) Conducting the in-depth interviews with enterprises, using the research tools provided;
- (iv) Coordinating with interviewed enterprises to identify workers and conducting the focal group discussions using the research tools provided. The organization and logistics should ideally be arranged by the interviewed enterprises. The profile of the workers selected should be coordinated with the lead consultant and the ILO;
- (v) Preparing a database with the quantitative and qualitative information obtained from the interviews and focal group discussions, according to the specifications of the research tools provided.
- (vi) Collaborating with the lead consultant in the development of the final report, clarifying doubts on the collected data and commenting on the first draft.

The ILO's Global Centre on Digital Wages provides technical inputs throughout the study, liaises with ILO offices and programmes to facilitate access to constituents and enterprises, and supports the coordination of the research.

The lead consultant hired for the global study coordinates the activities at the global level and in the four selected countries, including India, develops the research tools and trains the national consultants to use them, provide technical support to national consultants throughout the process, and consolidates and analysis data collected to develop a final report.

The national consultant is expected to report to the lead consultant, participate in a virtual training workshop for the research tools, and follow the technical advice provided throughout the assessment.

▶ Expected deliverables, level of efforts and timeframe

The national consultant is expected to produce the following deliverables:

Deliverables/ outputs	Expected level of effort	Target due dates
Deliverable 1: Work plan and preparation of the field work.	4 days	October 31, 2023
Deliverable 2: Database with information collected from desk review and key informant interviews.	3 days	November 17, 2023
Deliverable 3: Database with information collected from in-depth interviews with enterprises and focal group discussions with workers.	5 days	December 8, 2023

The lead consultant is the focal point for the assignment and responsible for day-to-day questions and management of the study. Regular meetings will take place with the study team to monitor progress of the assignment, discuss any issues, questions, and risks, and provide technical guidance. The Technical Officer of the ILO Global Centre on Digital Wages for Decent Work will provide additional support as needed.

▶ Qualifications

The applicants are expected to be individuals or teams with the following qualifications:

- Master's degree in social science or related field (such as economics, finance, banking, management, sociology, anthropology, political science, gender, or international development).
- At least 5 years of experience with qualitative research implementation, analysis, and reporting.
- Demonstrated experience conducting research on digital wage payments, decent work, financial inclusion, digital financial services and Fintech innovations, gender equality, or related topics.
- Demonstrated ability to engage effectively and sensitively with policymakers, financial service providers, business leaders, and trade union leaders.
- Good interpersonal skills, working knowledge of English.
- Ability to work in a multicultural environment and gender-sensitive behaviour and attitudes.

▶ Applications

Interested applicants should submit their technical and financial proposal in English. The proposals should clearly outline:

- Cover letter, explaining why the applicant is suitable for the assignment.
- CV clearly showing how the qualifications required are met.
- Technical proposal with understanding of the task and financial proposal outlining an estimated budget for the overall assignment.

The technical and financial proposal should not exceed five pages excluding annexes.

Submission of proposals to: digitalwages@ilo.org, by October 11, 2023. Please mention "Study on Earned Wage Access in India" in the subject of the email.