

# Walmart to pay some wages in advance

Retailer aims to help workers avoid debt traps, like costly short-term loans

BY MICHAEL CORKERY

For decades, Walmart has taken heat for how it treats its work force, including paying low wages and creating unpredictable schedules. Now, the giant retailer is trying to ease some of its workers' financial strain, allowing them to receive wages before their next payday.

Instead of waiting two weeks between paychecks, Walmart workers can now use an app to receive a portion of wages for hours they have already worked.

But Walmart's new service also highlights, although unwittingly, the financial struggles of the low-wage workers in the retail and service industries. Even as the economy strengthens, many workers in stores and restaurants are not earning enough to make ends meet.

Walmart said the new initiative is intended to help workers avoid costly payday loans and other debt traps, and reduce the stress that comes with financial hardship. Workers who are less worried about cash issues "feel more confident and more settled at work," Judith McKenna, Walmart's chief operating officer, said in an interview.

"We believe this is the right thing to do, and we are happy to champion it," Ms. McKenna said.

Labor groups say the best investment Walmart could make is not in a new app, but in increasing pay.

"It sounds like this may be a useful service but it doesn't tackle the fundamental problem Walmart workers suffer," said Paul Sonn, the general counsel of the National Employment Law Project, a labor advocacy group. "Their paychecks are too small."

In the United States, the minimum starting wage at Walmart is \$9 an hour, which is \$1.75 higher than the federal minimum wage. But it is lower than the starting wage at retailers like Costco, which pays \$13 an hour, and Target, which recently raised its entry-level wage to \$11 an hour.

The average hourly wage for a full-time Walmart worker is \$13.85, while the average hourly wage at Costco is about \$24.50.

Walmart executives say that raising wages alone will not solve the problems

many Americans have managing their cash flow. Rather, the company says, the new service is meant to help workers with the broader issues of financial management.

The app, called Even, has been used by other employers, but never on such a large scale as Walmart. With the service, every Walmart employee can obtain a portion of his or her earned wages eight times a year free of charge. For most of the workers, the so-called Instapays will be deducted from their next

paycheck. The workers can pay extra if they want more than eight Instapays.

The Even app also helps workers manage their finances by pinpointing exactly how much they can safely spend before their next paycheck.

Alexis Adderley, who works nights in a Walmart distribution center in Fort Pierce, Fla., has started using the Even app as part of a pilot program.

At first she was suspicious, she said, that the app was yet another in a long line of financial products like payday advances and "overdraft protection" that end up driving low-income workers deeper into a hole. But Ms. Adderley, the mother of boys ages 8, 7, 4 and 2, said she had been pleasantly surprised.

The app, which connects to her bank account, calculates how much she pays for housing, food and phone bills and tracks when she makes big monthly payments. With that data, Even provides Ms. Adderley a real-time estimate of how much she has to spend before payday. She earns \$19.25 an hour, more than the average Walmart employee, and works 30 hours a week. But money is still tight, especially since she was forced to leave her home after Hurricane Irma. This week, the app warned Ms. Adderley, 30, that she had only enough money to safely spend \$9.08 before her next paycheck.

"I would love to save more," she said.

Walmart executives said they learned about Even after reading a New York Times article about the firm a few years ago. The retailer is also working with an-

other tech firm, PayActiv, which facilitates some of the payments.

Jon Schlossberg, 30, one of the founders of Even, said he set out to create a product that could reduce the stress associated with money problems, joining a crowd of other so-called fintech start-ups seeking to disrupt the traditional banking model.

Walmart pays a small fee to Even to allow workers to withdraw their wages ahead of payday. Workers can take out only a portion of wages that they have already earned during the two-week pay cycle — so technically, Even says, these are not loans.

For years, consumer advocates and regulators have warned about the dangers of using high-interest loans to pay for unexpected expenses. Walmart workers will not be charged interest if they opt to obtain their wages in advance. But getting paid early will leave the workers with less money on payday.

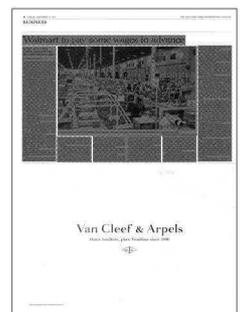
"It is still going to be a struggle for most people," said Alex Horowitz, a senior researcher at the Pew Charitable Trusts who focuses on consumer finance.

Matt Fixel, 29, a Walmart worker in Tucson, lives on the financial edge. He works part time earning \$10.20 an hour unloading trucks and stocking shelves. When he ran into trouble paying rent one month, he overdraw his bank account, incurring huge fees. Unable to obtain a credit card because "his credit is just shot," Mr. Fixel pays for services like Hulu with gift cards. "That app sounds helpful," Mr. Fixel said of the Even service, but added, "I would prefer it if they gave me more hours."

Cash flow issues, Walmart executives say, are not just a problem for the poor, but affect a broad segment of Americans. Ms. McKenna cited a survey by the Federal Reserve that showed that 46 percent of Americans would have trouble paying for an emergency expense of \$400.

Ms. McKenna said Walmart was making a "reasonably substantial investment" in paying for the Even service for its employees. The company raised starting wages nearly three years ago, and Ms. McKenna pointed out that Walmart has also increased employee training programs that aim to advance workers into management, where they can earn more.

"We continue to look at investing in our associates," Ms. McKenna said.





SAM HODGSON FOR THE NEW YORK TIMES

A Walmart order shipment center in Bethlehem, Pa. The company is offering workers an app to collect interest-free advances on their wages between paydays.