Earned Wage Access Impact Assessment

February 2020

Key Findings

1. 52% of Wagestream users are not making any transfers at all in a given month, and are choosing to use the app for tracking purposes only.

2. Those who choose to make Earned Wage Access (EWA) transfers are transferring 23% of their gross salary, which equates to less than 50% of what is available for them to transfer in that period.

3. 46% of transfers are spent on essential items such as groceries and bills. Transfers for ‘fun’ and ‘holidays’ make up 12%

4. Users who had previously relied on short-term, high-cost credit products reported a significant reduction in the use of these products after joining Wagestream. Of users who had previously used payday loans, 56% reported a decrease in the use of such loans due to Wagestream. Similarly, 39% of users who had previously used their overdraft reported using it less as a result of Wagestream.

Preface and Methodology

This impact assessment is based on data and analysis provided by Wagestream - the UK's largest provider of Earned Wage Access (EWA), also referred to as Employer Salary Advance Schemes (ESAS). EWA is the process that allows workers to receive a percentage of their pay, as they earn it, throughout the month, rather than being locked into the traditional pay cycle. As part of a growing trend in workplace financial services, EWA is designed to give workers greater control of their money and boost their financial resilience.

This report is based primarily on a sample of approximately 100,000 transactions between 1st June, 2019 and 30th November, 2019. Using this data we explore how Wagestream's EWA product is used and the impact this has had on workers. To answer this last point we look at how the workers themselves perceive the impact that EWA has had on their lives. In summary, we see strong indicators that EWA is having a positive impact on the financial resilience of its users with a significant decrease in the use of short-term, high-cost credit.

Wagestream was founded with a social charter at its heart, with early charity backers including Big Society Capital, Fair by Design, Barrow Cadbury Trust and the Joseph Rowntree Foundation. Built with the guidance of these partners, every Wagestream product is designed to improve the financial wellbeing of people in work - with financial services that give, not take. We take our role as the leading EWA provider seriously, and aim to help the industry analyse and share the impact of EWA on workers, with transparency and regularity.

Every six months, we will publish this Impact Assessment to share the impact that EWA is having on workers' financial lives. As part of this, we welcome input from the wider industry on the impact assessment methodology and how the findings can be used to ensure EWA supports the wellbeing of people in work.

EWA Usage and Impact

Wagestream allows employees to track and access their wages in real time to help them budget and manage unexpected expenses. At any one time, up to 50% of these accrued gross earnings are available to transfer through the app. The employee selects the amount that they would like to transfer to their bank account and the money is then sent using Faster Payments. We will refer to this as an 'Earned Wage Access Transfer', and it is the use of this product that this report concerns. The Wagestream app also offers other financial tools to its users including the ability to track the shifts they've worked, save directly from their salary and access to financial fitness tools and impartial education. Whilst we will not explicitly discuss these functions, a significant proportion of users do not make any EWA transfers, and instead use the app exclusively for these other features.

1. How is the ‘Earned Wage Access’ product used?

a. How often do employees make EWA transfers?

The majority of enrolled users are using the app for tracking purposes only, with 52% making no transfers in a given paycycle.

35% of enrolled users are choosing to transfer less than once a week, allowing them to roughly replicate the cadence of weekly pay.

A small subset of users make more frequent transfers, resulting in 7 or more transfers in a given pay period (roughly two transfers a week).

Please note that the Wagestream app allows companies and users to set usage controls, and users receive targeted in-app notifications to remind them of the fees associated with repeat transfers.

b. How much do employees transfer?

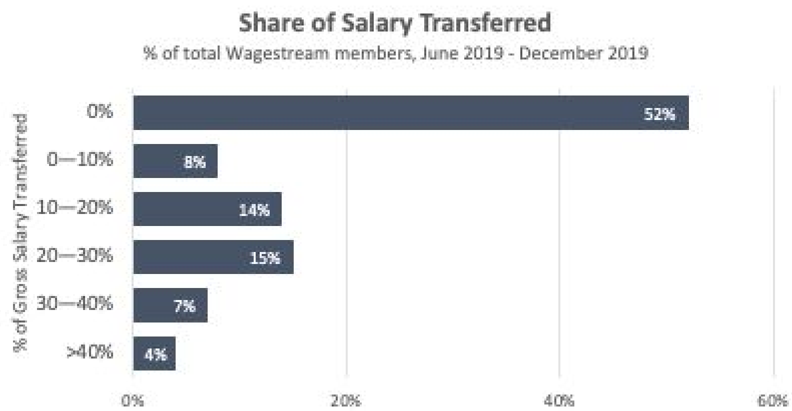
Wagestream allows employees to transfer up to 50% of their accrued gross wages. Their available balance increases as shifts are completed, and it reduces whenever a transfer is made.

The amount an employee chooses to transfer is governed by two things:

1. The amount that they wish to transfer to their bank account (e.g. to cover a specific expense or need), and
2. The amount they have available to transfer at that time

The second of these points is important, since the amount available to transfer decreases each time a transfer is made. Therefore those who transfer larger amounts will, by design, be unable to transfer as frequently as those who transfer smaller amounts (assuming their overall earnings are similar). This unavoidably skews the graph above to the lower amounts, and provides useful context to the 47% of transfers that are for £50 or less. Overall the average transfer amount is £75.

To remove this nuance, consider instead the total amount that an employee transfers each month as a percentage of their salary.[1]



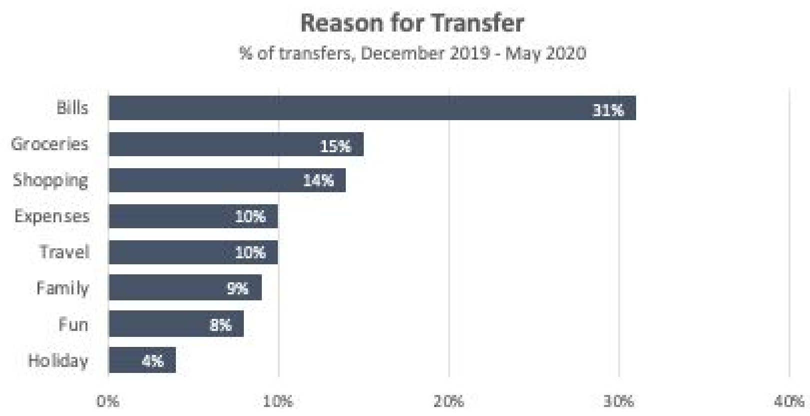
Again we see that 52% of enrolled users are opting not to stream within a given month.

Those that do choose to make a transfer are transferring 23% of their gross salary on average, which represents less than half of what they could have transferred in that pay period.

2. What do employees spend their transfers on?

Following each transfer, employees are asked to pick one of eight categories to identify why they made that transfer. The results are the following:

[1] Gross salary is estimated by taking net salary and assuming standard English income tax deductions. It is possible that this underestimates an employees gross salary in situations where there are non-standard deductions on their payslip (e.g. student loan repayments), or where the employee has more than one job.

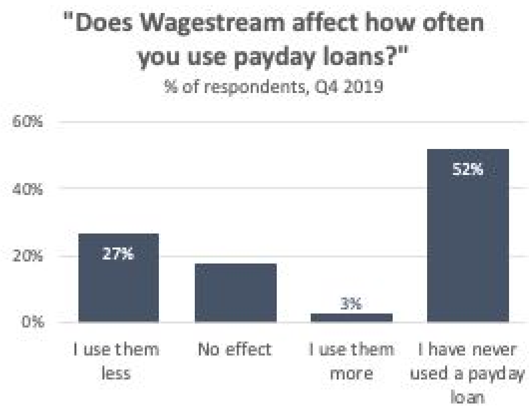


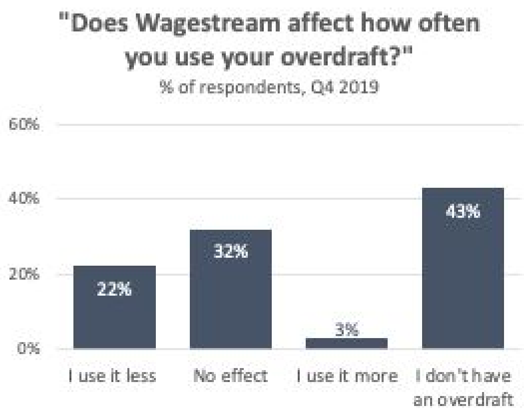
Just under half of transfers are for ‘bills’ and ‘groceries’, with ‘fun’ and ‘holidays’ making up 12%.

3. How does usage impact their personal finances?

This is the question that we at Wagestream most want to answer. We have seen how employees use our product, but what we really want to know is how, or even if, the product has impacted their lives and their personal finances.

In this report we look at the impact Wagestream has on the use of short-term, high-cost credit products, using results from a survey conducted between October and December 2019 with 499 respondents.





The results show a positive impact with 27% of respondents using payday loans less as a result of Wagestream, and 22% using their overdraft less as a result of Wagestream. Given a significant number of respondents had never used these products before joining Wagestream, this equates to decreasing usage for 56% and 39% of those that previously used payday loans and overdrafts respectively.