

# Earned Wage Access and your bottom line: A report on a growing sector

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There's been a lot of talk in the news and HR community recently about earned wage access or earned salary access schemes and what they can offer for organisations and their people. In this report, we're going to delve deeper into earned wages access schemes and look at the benefits for both employees and employers.

**Does earned wage access really affect your bottom line?**

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## What you'll learn in this report

- What is earned wage access?
- The need for earned wage access
- Why earned wage access is the most important innovation for the post covid world

# What is earned wage access?

Earned wage access or earned salary access schemes (ESAS) quite simply allow employees to access their wages as they're earned. Wagestream only ever provides access to wages that have been earned, so there is no borrowing or interest charged. Other solutions can be slightly different.

Earned wage access provides more liquidity to staff, meaning that they can cover unexpected expenses, manage money better and build towards a more secure financial future.

Running payroll frequently is not really an effective option for many organisations. These solutions provide a way for employees to benefit from increased liquidity without disrupting internal processes or creating more work for the organisation.

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## How does it work?

Wagestream's solution looks at workforce data to understand, in real-time, the hours worked by a member of staff to then understand what they've earned at any given point during the month. A member of staff can then access the wages they've earned, and only the wages they've earned, for a flat transaction fee of £1.75.

This is then automatically settled at the end of the month through Wagestream's unique solution. Other solutions can vary in how they operate, with the majority running through your payroll systems causing internal disruption.

# The need for earned wage access

The link between employee satisfaction and a more efficient and sustainable business has long been understood. We're going to look at how earned wage access benefits your staff and the overall impact it can have on your business.

**With 77% of users feeling less stressed as a result of using Wagestream**, earned wage access can be a powerful tool in improving employee satisfaction.

## What earned wage access means for...

### EMPLOYEES

#### Liquidity

The way in which employees are paid hasn't seen innovation for decades; the majority of workers across the world are still paid monthly, leaving many financially exposed and unable to plan for the future.

The feast and famine effect of the monthly pay cycle means, on average, **43% of disposable income is spent in the first 24 hours of payday\***, exposing 3.1 million people in the UK to payday lenders every year.\*

\*Portifina \*FCA Financial Lives Survey

ESAS provides employees with the liquidity to make their wages work for them and avoid expensive forms of credit. We've found it to be a powerful tool at Wagestream. ●



Earned Wage Access has helped:



of our users avoid turning to a payday lender



of our users avoid going into their overdraft



of our users cover an unexpected bill with their own wages

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## THE IMPACT ON YOUR BUSINESS

### Improved retention

Effective and responsible access to earned wages has been proven to increase employee retention. Organisations working with Wagestream have seen a 16% reduction in people leaving their business as a result of offering earned wage access.

Pwc's 8th Annual Employee Financial Wellness Survey found 78% of working people were more likely to leave their employer for another company which cares more about their financial wellbeing. **53% of Wagestream users feel their financial situation has improved through access to Wagestream via their employer.** By providing access to earned wages, a practical solution that genuinely improves the financial lives of employees, organisations can effectively reduce attrition and retain their best talent.

Read the full report on retention and earned wage access [here](#).

## Easier recruitment

Earned wage access has a similar effect on the recruitment process. We know that better benefits can help to attract the right talent, so did some research to understand the impact of mentioning earned wage access schemes in job ads.

**We found that the organisations mentioning earned wage access in their listings were able to fill their vacancies 27% quicker than those that didn't.**

Oxford Economics puts the cost of recruiting a new member of staff and getting them up to full working capacity at around £30,614. If businesses can reduce this time by even 27% that has the potential to have a huge cost saving and impact on productivity for organisations.

**Read the full report on recruitment and earned wage access [here](#).**

## Improving your brand

Many brands have suffered at the hands of poor staff treatment, especially during the aftermath of the outbreak. Brands who get staff reward and recognition right on the other hand, such as John Lewis, are renowned for doing so and have a strong level of trust with their customer.

According to a recent survey from Edelman, over 2 thirds of respondents suggested that the way a company responded to the crisis would have an impact on the likelihood of them buying its products in the future. A further 37% of respondents claimed to have switched brands or used a new brand as a result of the way it responded to the outbreak.

Looking after your staff will help you to strengthen your employer brand and therefore your overall brand recognition.

# Does earned wage access really affect your bottom line?

Yes. Earned wage access has proven to have a positive impact on retention, productivity and your employer brand, all elements that directly impact your bottom line.

Taking into account the fact that earned wage access will also directly impact the financial lives of your employees, it's a no-brainer for organisations. Whilst it may be relatively new technology to the UK market, across the US, earned wage access schemes are already commonplace. It's only a matter of time before earned wage access becomes the norm across the globe.

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## Earned wage access: a key part of working life

More and more organisations are now waking up to the importance of earned wage access. Wagestream is already working with 100s brands across the UK and globally and only sees that trend rising.

A recent report by The Resolution Foundation outlined that 'the huge growth in payday lending, indicates that when workers are paid can matter' and that 'workers should have the right to choose how regularly they get paid'. With Chancellor Rishi Sunak set to look over a plan put forward to let workers draw pay as soon as they've earned it, earned wage access schemes may become a requirement moving forwards.

Organisations looking to not get left behind and stay ahead of the curve need to provide direct and immediate earned wage access.

# Earned wage access: the most important payroll benefit in a post Covid world

The outbreak of covid-19 has brought about great change. For the financial lives of working people, sustained reduction in wages has meant their financial resilience has suffered. Businesses looking for a speedy recovery need to provide direct and immediate assistance to help their workers rebuild.

## The State of the Nation

More than half of UK consumers started 2020 carrying debt\*. With UK households predicted to see a £45 billion fall in cash available for essential spending due to the outbreak, it's clear that the extended period of economic downturn is set to have a significant effect on the financial resilience of staff. \*money.co.uk \*CEBR

## The financial impact of the outbreak



**19% say that they have used some form of credit to cover necessary expenses in the first four weeks of lockdown\***

\*Standard Life Foundation Coronavirus Financial Tracker April 2020



**Disposable income likely to fall by approximately £515 a month\***

\*CEBR

# Earned wage access and the future sustainability of your workforce

Financial worries are having a real impact on your employees when they're at work, even though they may not be at work in the traditional sense. A PWC survey found that 48% say that their financial worries are a distraction at work and 54% say that financial worries are the biggest stress factor in their lives.

Earned wage access provides a powerful way in which employers can overcome these stresses and protect the future sustainability of their workforce.

The way in which employees are paid hasn't seen innovation for decades; the majority of workers across the world are still paid monthly, leaving many financially exposed and unable to plan for the future.

The financial exposure experienced means many are turning to payday lenders to cover essential costs. On average, payday loan borrowers are set to repay 1.65\* times the amount they borrow, starting them off on a negative cycle. \*FCA Financial Lives Survey

Through earned wage access, employers can disrupt this negative cycle and have a real positive impact on, not only their employees' lives, but also on their business.

As we move into the recovery period and into the new working world, employers looking to future proof their workforce need to start making changes now that are going to have a genuine impact on the lives of their staff. There is no better way of doing this than by providing earned wage access for their staff.

If you want to stay ahead of  
the curve and offer earned  
wage access, get in touch

@ wagestream.com

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