

Earned Wage Access Impact Assessment

August 2020

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Key Findings

1. 62% of Wagestream users each month are not making any transfers at all, 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. Data suggests that, on average, EWA transfers reduce when someone has continued access to the product. Within 12 months of making their first transfer, the average user is making fewer transfers each month, transferring a smaller percentage of their pay and is doing so at a later stage in the paycycle than when they first started using the product.
4. More than half of transfers are spent on essential items such as groceries and bills, with this percentage increasing significantly at the start of the Covid-19 pandemic
5. A majority of users feel that EWA has had a positive impact on their finances, with 77% feeling less stressed and 67% feeling more in control of their finances since downloading the app. Furthermore, 53% claim their financial situation has changed for the better as a result of using 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 on a sample of approximately 500,000 transactions between 1st December, 2019 and 31st May, 2020. Using this data we explore how Wagestream's EWA product is used, how this has changed over time, and most importantly, what impact this has had on workers. To answer this last point we look at how usage changes the longer an employee has access to EWA, as well as how the workers themselves perceive the impact that EWA has had on their lives. In summary, we see decreased EWA usage over time, and strong indicators that the product is having a positive impact on its users' finances.

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.

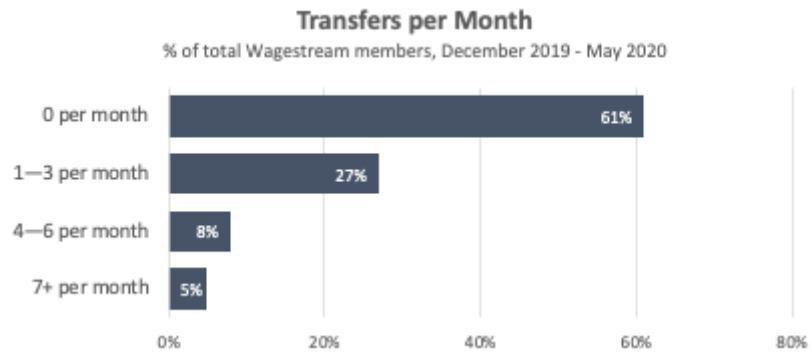
Every six months, we will publish this Impact Assessment to share the impact that EWA is having on workers' financial lives. As part of this, we welcome input from the wider industry on the impact assessment methodology and how the findings can be used to ensure EWA supports the wellbeing of people in 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 61% making no transfers in a given paycycle.

27% 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).

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.

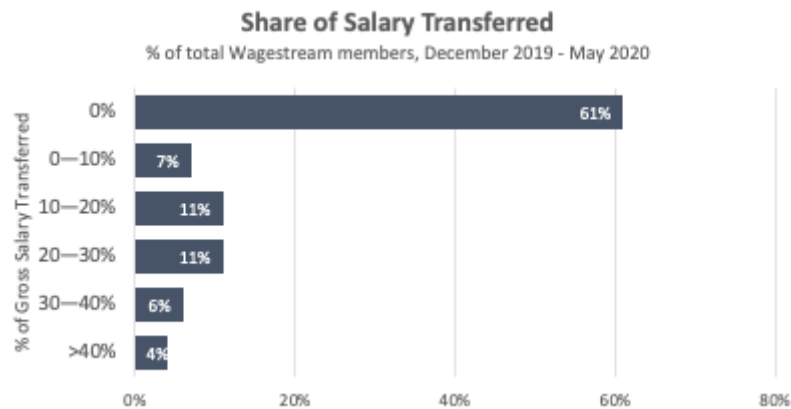


The amount an employee chooses to transfer is governed by two things:

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 48% of transfers that are for less than £50. 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 61% 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.

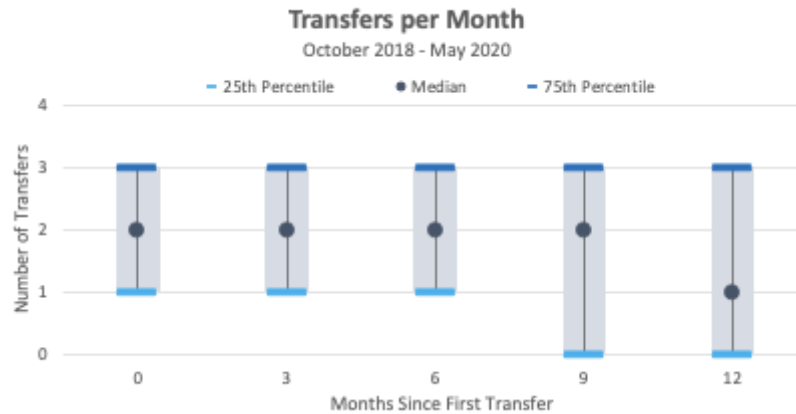
2. Does usage increase over time?

Whilst it is insightful to look at high level metrics concerning product usage, if we are truly to understand the impact that Wagestream is having on the financial resilience of its users we need to monitor whether usage changes as an employee continues to use Wagestream from one month to the next. Crucially we want to understand if employees use the product more or less the longer they have access to it.

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.

To do this consider distinct points in the customer journey: the month that they make their first transfer, and then regular 3 month intervals after that². At each of these points in time, consider how *often* employees make transfers, how *much* they are transferring, and *when* in the paycycle they are making these transfers. For each of these metrics we will look at how the average changes over the first 12 months of the customer journey.

- a. Do employees transfer more often over time?



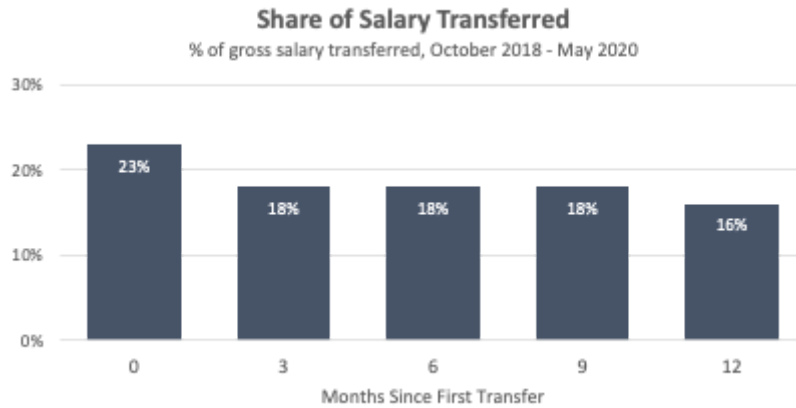
In the month of their very first EWA transfer, the median employee makes a total of two transfers. 12 months later the median has decreased to one transfer per month. In other words, after 12 months of using Wagestream 50% of users are now making at most one transfer per month, whereas previously they were making two. This gives some indication that monthly transfers are starting to reduce for a majority of users by the end of their first year.

- b. Do employees transfer larger amounts over time?

To remove the nuances discussed earlier, we will consider the amount that an employee transfers in a given month as a % of their gross salary.³

² These metrics exclude any employee who has enrolled less than 12 months ago to ensure that we are looking at the same set of users in month 0 as we are in month 12. For the same reason we have also excluded any employee who left their company within 12 months of their first transfer.

³ For reasons discussed previously the gross salary figures may underestimate the gross salary of some users, hence the percentages in this graph may be slightly higher than in reality.

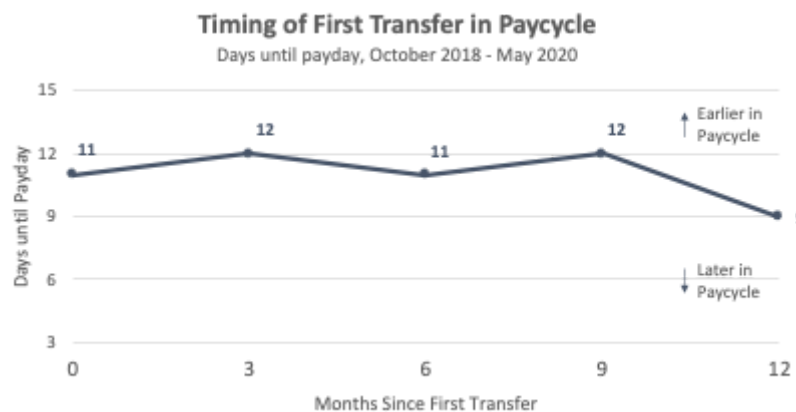


In the month of their first Wagestream transfer, employees transfer an average of 23% of their gross salary. 12 months later this has reduced to 16% of their gross salary.

This trend towards lower amounts over time is encouraging as it implies that employees may be improving their financial situation through access to Wagestream. This will be discussed in greater detail in the last section of this report.

c. Do employees transfer earlier in the paycycle over time?

For each employee we look at the first transfer they make in a given pay cycle, and record how many days before payday that transfer occurred⁴. This allows us to gauge whether users are accessing their salary *earlier* or *later* from one month to the next.



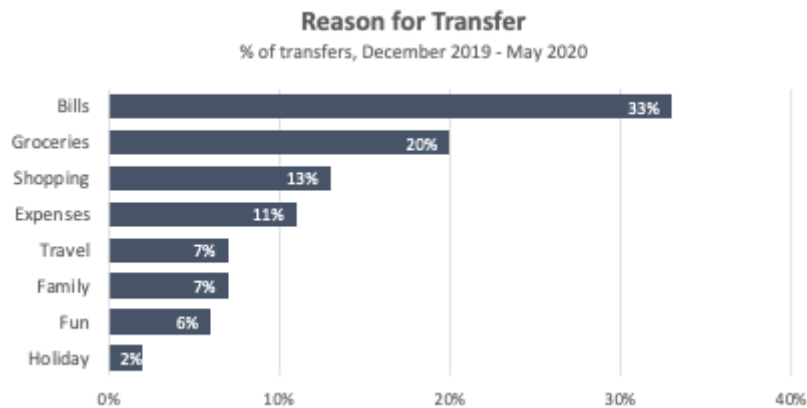
⁴ If an employee does not make a transfer then they are assumed to have made their first 'transfer' on their payday (i.e. at 0 days until payday)

In month 0 users make their first transfer at an average of 11 days before payday. By the end of their first year this has reduced to 9 days before payday. This suggests that, on average employees are waiting slightly longer each month before choosing to access their earned wages.

In summary, within a year of making their first transfer employees are, on average, transferring lower amounts, less often, and at later stages in the pay cycle than they were originally.

3. 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:



Over half of transfers are for 'bills' and 'groceries', with 'fun' and 'holidays' making up less than 10%.

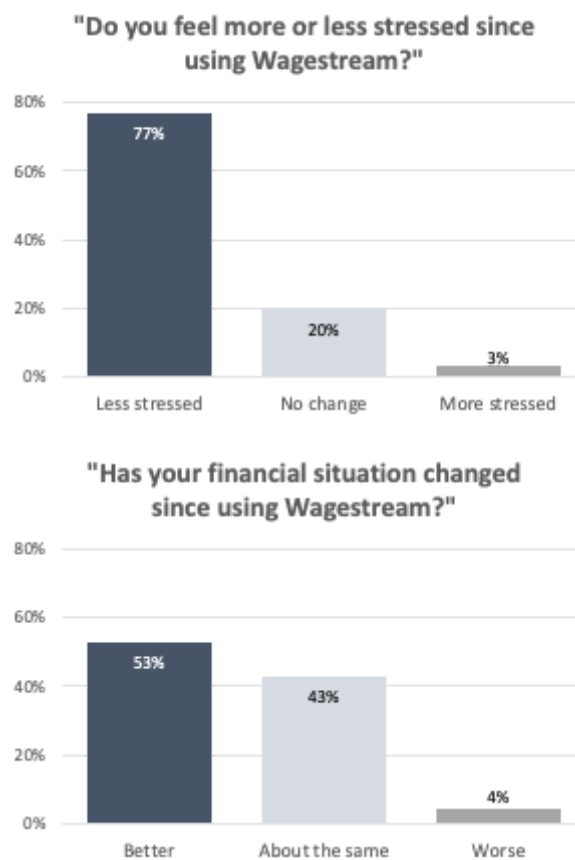
Generally users are extremely consistent in how they characterize their transfers from one month to the next, but the start of the Covid-19 pandemic in late March 2020 saw a material increase in Groceries, and corresponding decreases in Expenses, Travel, Holidays and Fun. We will continue to monitor these changes and will provide more detail in our next report.

4. How does usage impact their personal finances?

This is the question that we at Wagestream most want to answer. We have discussed how the product is used and we have seen that this usage generally decreases over time, but what we really want to know is how, or even if, the product has impacted our users' lives and their personal finances.

Impact can be a difficult thing to measure, and at Wagestream we are continuously working to find improved ways to evaluate progress in this area. In this report we discuss results from recently conducted surveys where our users report on the impact Wagestream has had on their lives. Ideally we would like to corroborate these findings with evidence-based proof that our users' lives have indeed improved in the way that they state. In the future we hope to be able to use insights derived from our open banking portal to do just this, but we do not yet have enough data to share our findings. Please bear with us on this, and in the meantime we will discuss the *perceived* impact that Wagestream has had on its users⁵.

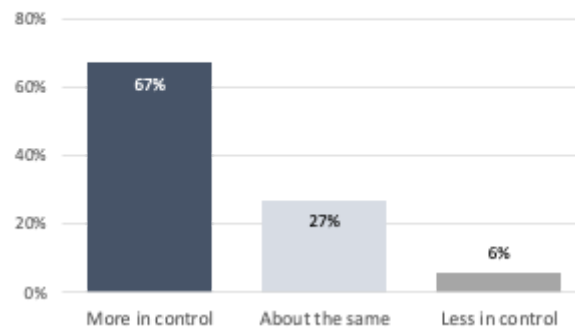
In this report we focus on the impact Wagestream has on its users' financial resilience, using results from a survey conducted in the first half of 2020 with 1,225 respondents⁶.



⁵ Survey data is collected anonymously which prevents us from drawing conclusions on how survey responses correlate with the usage patterns discussed earlier.

⁶ The question concerning whether users feel more or less in control of their finances was included in the survey at a later date than the other two questions. For this reason it only received 686 responses.

"Do you feel more or less in control of your finances since using Wagestream?"



Survey responses suggest that respondents feel overwhelmingly positive about the impact that Wagestream has had on their lives, across a range of financial resilience indicators. 77% of respondents reported feeling less stressed since using Wagestream, 53% said that their financial situation was better since using Wagestream, and 67% felt more in control of their finances since using Wagestream. Furthermore only a small subset of respondents felt that Wagestream had worsened their outlook regarding any of these indicators.