

# Relieve Financial Stress and Drive Engagement Through Earned Wage Access



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# Introduction

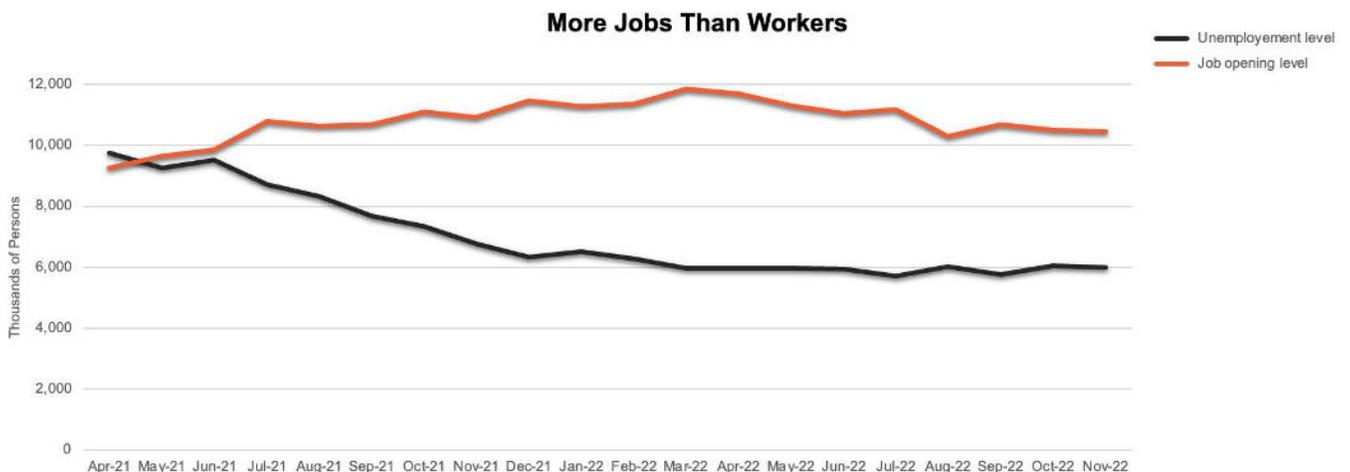
Over the past two years, titles like “War for Talent” and “Great Resignation” have been making headlines. Most organizations are still struggling to attract and retain talent, putting pressure on leadership to discover new alternatives to become an “Employer of Choice”. As leaders evaluate an organization’s Total Rewards package, all elements are important to ensure a well-rounded offering. However, compensation is arguably one of the most important components as take-home pay impacts an employee’s day-to-day lifestyle.



## Market Trends

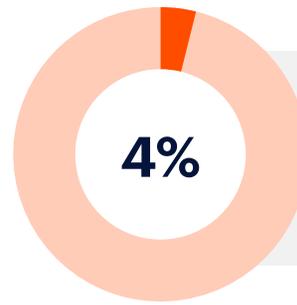
The COVID-19 pandemic disrupted the labor force, leading to record-shattering numbers over the past two years. According to the [Federal Reserve Economic Data](#), a historic high of 4.3 million workers quit their jobs in December 2021 and job openings remained elevated until peaking at 11.86 million in March 2022. Workers quitting at historic rates and job openings remaining high created an extremely hot market for talent, giving employees the upper hand.

In addition to the challenging labor force, many economic factors started to impact consumer's purchasing power. In 2022, the consumer price index ("CPI"), one measure of inflation, climbed to staggering numbers. According to the [U.S. Bureau of Labor Statistics](#), in June 2022, the CPI hit 9.1%, the highest rate since 1981. Within the same month, gasoline prices spiked. The U.S. average retail gasoline price reached \$5.06 per gallon ([June 2022](#)). Coupling these factors with an already hot talent market, the need for organizations to revisit wages was critical.



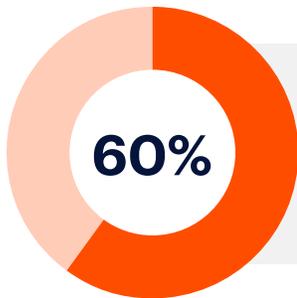
# Compensation Planning

Given labor challenges and market pressures, [various compensation surveys](#) indicate that salary budgets, on average, are projected to be between 4.1% to 4.6% for 2023. The increase in budgets is partly due to labor challenges and inflationary pressures, but organizations are also more focused on employee retention. Many organizations struggled to get talent in the door over the past two years. In many cases, organizations hired new employees at higher wages than the current workforce, causing internal compression. To retain talent, organizations will need to focus on addressing compression in 2023.



**on average, salary budgets are projected to be between 4.1% to 4.6% for 2023**

In addition to robust salary budgets, many organizations are looking for alternative methods to become an “Employer of Choice.” To control fixed costs, organizations continue to utilize variable pay programs in the compensation offering to attract and retain talent. Employers are utilizing annual incentives, spot bonuses, discretionary awards, and retention bonuses to provide additional compensation to employees.



**Over 60% of U.S. consumers were living paycheck to paycheck in 2022**

While additional compensation is a great way to attract and retain employees, there is a key element that employers might be overlooking. Compensation typically is paid on a lag, meaning employees must wait several days or weeks to pocket earned wages. This is concerning knowing that based on [studies conducted in 2022](#), over 60% of U.S. consumers were living paycheck to paycheck. If organizations want to stand out and attract and retain talent, creating solutions to put earned wages in employee’s hands quicker could be an idea to explore.





## Employees Are Struggling

For many workers, the struggle to pay bills on time is an ongoing battle. The resources available to pay those bills on time can be financially crippling. Each year, about [12 million Americans](#) resort to payday loans to make ends meet, despite the fact that only 14% of payday loan borrowers can actually pay back their loans that include exorbitant fees. In regards to bank overdraft fees, Americans are paying over [\\$8 billion](#) each year. In most cases, these are the folks that can afford to pay these fees the least.

For those living on the edge of economic solvency, financial uncertainty can cause tremendous stress and constant trepidation every time the phone

rings or an envelope shows up in the mailbox. This stress impacts not just the employee but the employer. When an employee is stressed, [research](#) shows they come to work less and are less productive. In fact, [1 in 5](#) quit their jobs because of stress, thus driving up recruiting costs for the company.

Life is stressful enough. Helping to alleviate an employee's financial stress can be a win-win for all. By leveraging the right benefits, an employer can help employees manage their finances to pay bills on time which can be a game-changer for those living paycheck to paycheck.

# Access to Earned Wages Relieves Financial Stress

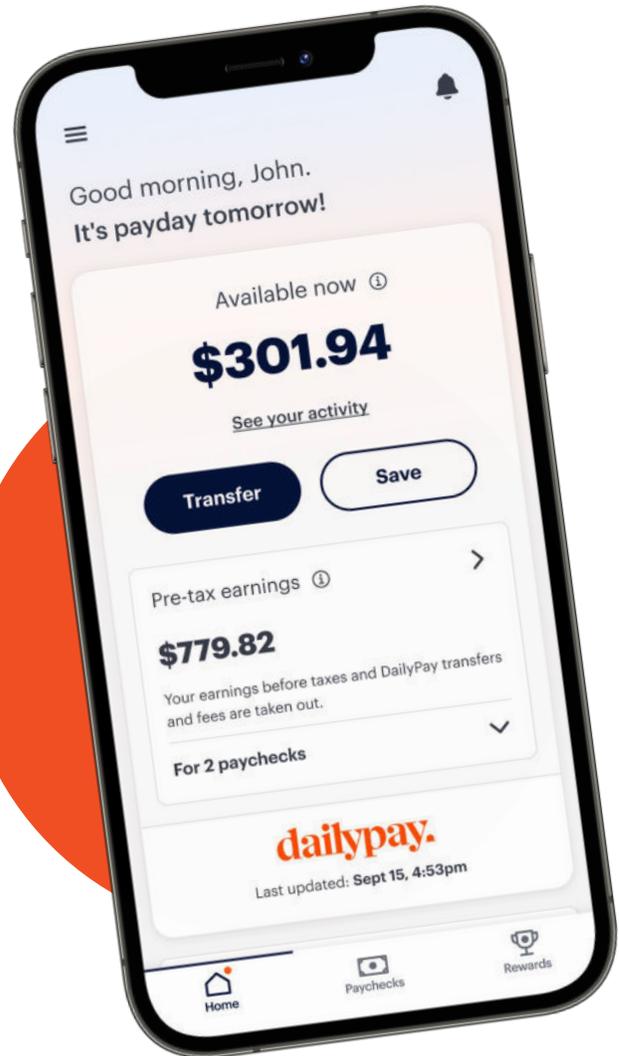
One benefit that can alleviate financial stress is on-demand pay (or Earned Wage Access).

Having [access](#) to your earned pay through a daily pay solution can have a profound effect on the ability to pay bills on time. The power of choice and control over one's pay can play a significant role in helping workers avoid the vicious cycle of debt.

[Research](#) from The Aite-Novarica Group, commissioned by DailyPay, found that 95% of those previously reliant on payday loans in any way either stopped using payday loans (81%) or reduced use (15%) after using DailyPay. On a similar note, 97% of those that said they overdraw their bank account prior to using DailyPay now rarely or never suffer overdraft fees (79%) or report experiencing fewer instances of overdraft fees (18%) after using DailyPay.

This puts a significant amount of money back in one's pocket each year. In fact, the DailyPay-commissioned research from the Aite-Novarica Group conservatively estimates that frequent payday loan users save between \$624-930 annually using DailyPay and frequent overdrafters save \$660 annually using DailyPay. For an employee, it's like receiving an immediate raise, despite it costing nothing for the employer. With [77%](#) of Americans carrying some form of debt, this additional savings can be monumental.

An on-demand pay platform can also provide unprecedented insight into a worker's net worth. Knowledge is power, as they say. A [recent consumer survey](#) conducted online by The Harris Poll revealed only 44% of hourly workers check their bank account five or more times a week, and 65% check three or more times a week. In contrast, a DailyPay October 2022 user survey



found that nearly six in 10 (57%) of hourly workers who are DailyPay users view their Pay Balance five times or more per week for an accurate, real-time tally of the amount of money they've just earned in a given pay period.

This visibility into earned income provides critical pay transparency that can have a major impact on your ability to pay bills, spend, save or invest. With more concrete knowledge of their spending power, users can make important financial decisions, which is particularly critical during the current challenging time of high inflation.



## Good for Employees, Good for Employers

Providing employees with the tools to help themselves get on a path toward financial wellness can deepen the bond between employer and employee. It signifies that the employer cares for the employee's well-being. When employees feel [valued](#) and connected to their employer, they are more engaged and more productive. They develop loyalty and a stronger commitment, leading to longer tenure on the job. As [research](#) shows, longer-tenured employees are better, more productive employees.

There is no single magic formula that ensures higher retention. However, empowering employees to take charge of their finances with the ability to pay bills, spend, save, invest, on their own schedule, not an arbitrary payday, can truly be transformational.

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