

ENHANCING YOUR EMPLOYEES' FINANCIAL WELLNESS WITH EARNED WAGE ACCESS

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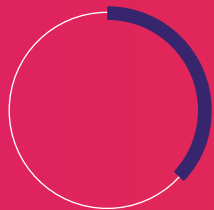
Sixty percent of U.S. employees live paycheck to paycheck.¹ That means that every day, a sizable share of your employees are trying to maintain the delicate balance of a tight budget.

One misstep — an unexpected prescription, a dead car battery or textbooks required for a college class — and your employee can be in a bind. They're not alone. Only 37% of Americans have savings to handle a \$1,000 emergency.² To put it another way, three in five people cannot absorb that type of financial hit.

Sometimes, the employee may have already earned the money they need, but they can't access it until payday, which could be two weeks — or even a month — away. The results are the same: risking further debt through a payday loan, getting fees for an unpaid or late bill, falling behind on their rent or mortgage, or having to choose among other necessities.

This dilemma isn't new, but it's one that came to the forefront during the pandemic as the financial stresses so many employees regularly face became clear. As companies focus on supporting employees' well-being long term, it is critical to ensure financial wellness is part of the equation.

Beyond providing a paycheck, employers can play an important role in their workers' financial health. One way is by providing responsible earned wage access (EWA). EWA, also known as on-demand pay, allows employees to draw some of their earned pay before payday.³ It has proven links to workplace productivity and retention. But despite its recognized benefits, HR leaders may need more information to understand how EWA works and how it provides employees with a viable path to financial wellness.



**ONLY 37% OF AMERICANS HAVE SAVINGS TO
HANDLE A \$1,000 EMERGENCY.**

WHAT IS **FINANCIAL WELLNESS/ WELL-BEING?**

When we have physical health, it goes beyond not being sick: It's feeling energetic, at ease in our bodies and confident we can participate in the activities we want.

Being financially well is similar. The Consumer Financial Protection Bureau (CFPB) defines financial well-being as “having financial security and financial freedom of choice, in the present and in the future.”⁴

Specifically, the CFPB says the four elements of financial well-being are:⁵

| | PRESENT | FUTURE |
|--------------------------|---|---------------------------------------|
| SECURITY | Control over your day-to-day, month-to-month finances | Capacity to absorb a financial shock |
| FREEDOM OF CHOICE | Financial freedom to make choices to enjoy life | On track to meet your financial goals |



FINANCIAL WELLNESS — A CRITICAL PART OF HOLISTIC WELLNESS

Years ago, when employers thought about how to address wellness, they thought about physical wellness. Company wellness initiatives included smoking cessation, weight loss and exercise programs. As the importance of mental wellness has come to the forefront, companies increased their investments in employee assistance programs, with new technologies such as apps to provide individual support.

But offering programs for physical and mental wellness is not enough to help employees be healthy. Companies realize that the aspects of wellness are intertwined. It takes a holistic approach that addresses the physical, mental, social and financial aspects to have a positive effect on employees' health.

Think of the employee who is constantly worried about paying bills or worried that they won't get their paycheck before the rent due date. Certainly, their financial well-being suffers. But the anxiousness they feel can be overwhelming and affect their mental health. Even more, that psychological stress can raise the employee's blood pressure, leading to physical ailments.⁶

Financial stress creates cascading issues for employees and employers. Financial stress alone costs employers \$2,169 per employee per year in productivity and absenteeism.⁷ If employees can't perform their jobs or perform them well, they face disciplinary actions or being let go — further escalating their financial difficulties.

AN EPIDEMIC OF FINANCIAL NON-WELL-BEING

Even as we begin to understand the many ways the lack of financial well-being can take its toll, it's also critical to recognize how pervasive this issue is.

Numerous research points to one conclusion: When it comes to financial health, employees are not OK.



56% of employees said they were stressed about money.⁸



53% said that stress affected their work.⁹



47% of employees said they wouldn't be able to cover basic expenses if they lost income for an extended period.¹⁰



49% said they would need to dip into their retirement savings to fund a period of unemployment.¹¹

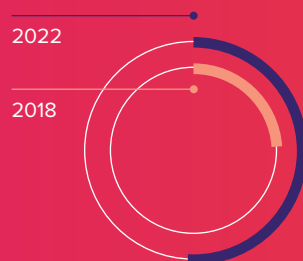


42% said they could not meet monthly expenses.¹²



Nearly 66% of employees said their financial stress had grown since the pandemic began.¹³

As concerning as the situation is, it's getting worse. Instant Financial's recent proprietary research found that more than twice as many working Americans are short on money before they get to payday in 2022 (51%), compared with 2018 (24%). With the national average gas price in June at \$5 per gallon, and inflation hitting every aspect of life, this shortfall will continue.



MORE THAN TWICE AS MANY WORKING AMERICANS ARE SHORT ON MONEY BEFORE THEY GET TO PAYDAY IN 2022 (51%), COMPARED WITH 2018 (24%).

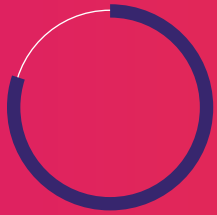
HOW COMPANIES CAN HELP EMPLOYEES **IMPROVE THEIR FINANCIAL WELL-BEING**

Addressing financial wellness requires a holistic approach that includes critical work around minimum wage rates, financial education and career development opportunities. These issues are essential, but implementing them will take time.

While businesses should certainly move forward with that effort, one way employers can address aspects of financial wellness more immediately is by offering earned wage access.

Since earned wage access lets workers get the pay they've earned almost immediately, they have the flexibility and autonomy to better balance their finances. EWA, which is typically — but not only — offered to hourly workers, is spurred by the rise of gig employment, where workers expect to get paid once the job or project is completed. The trend is growing: In 2021, 5% of U.S. companies offered EWA, but that is expected to increase to 20% in 2023.¹⁴ Already, companies such as McDonald's and Uber have adopted EWA as a benefit.¹⁵





**80% OF EMPLOYERS SAID EWA IMPROVED
EMPLOYEES' MENTAL HEALTH.**

BENEFITS OF EWA

EWA offers numerous advantages to both employers and workers. Employee Benefit News reported that EWA increases employee retention 36%.¹⁶ It also improves morale 77%, with 91% of employers saying it provides an advantage in recruiting — which is especially critical when hiring remains a struggle.¹⁷

Employers also say that EWA helps with employees' financial well-being. Employee Benefit News also reported that 80% of employers said EWA improved employees' mental health and that 88% of leaders who offered EWA saw less employee stress.¹⁸

An Instant Financial study found similar positive results: 62% of working Americans would feel more valued as an employee if their employer provided immediate access to their earned pay after every day's work.

Furthermore, 62% of Americans reported that they were more likely to stay longer at a job that offers immediate access to their earned pay after every day's work.

Companies that implemented EWA have seen positive results, with 19% lower turnover rates. Most employees (89%) said they felt more motivated and productive when they had access to their pay before payday, and 74% said they had fewer unplanned absences.¹⁹

With all the positives that EWA offers, it is surprising that more companies aren't on board — especially as they compete to recruit and hire workers. But that could be because the concept and technology involving EWA have evolved, and not all HR leaders are familiar with what it is and how it can work in an organization.

HOW EWA WORKS AND COMMON MISCONCEPTIONS

It's essential to understand what EWA is — and what it isn't. It's not a company loan or advance. It's not a predatory third-party payday loan, which can charge 400% APR.²⁰ Instead, employees and workers can receive the money they earned almost immediately — even collecting their daily pay and tips at the end of a shift.

Most companies that implement EWA will typically partner with third-party platforms, such as Instant Financial, to streamline the process for both employees and employers. The technology integrates with HR and payroll systems to ensure that payment information is updated, and then the employee-facing app puts all financial information — and access to their earned wages — at workers' fingertips.

For example, with Instant Financial's unique product, Instant Pay, once an employee works a shift and clocks out, they receive a notification through Instant's mobile app. The employee can then claim part of their pay and have it transferred to their account to use instantly. They can then use their Instant card to make purchases anywhere they would use a debit or credit card. The funds in the account can also be transferred to the person's bank account.



INSTANT FINANCIAL'S DIFFERENT APPROACH TO EWA

Like payday loans, many alternative forms of pay advances come with high-interest fees. Some EWA providers even charge small fees just for an employee to access their money. But Instant Financial uses a different model. It is unique because it does not charge a fee to either employers or employees. Instead, those costs are passed on to the merchants, and Instant Financial takes a small interchange fee when account holders use their cards.

FINDING THE **RIGHT EWA VENDOR**

When looking for an EWA vendor, it's important to consider the following questions:

1

Does the vendor charge employees even small fees to withdraw funds? Consider what APR that would equate to.

2

Ethically, should your employees have to pay to access their own money?

3

Ensure the model chosen offers a safety net for employees, limiting the amount they can access in advance so they still have wages available at payday.

4

Determine if the model being considered is compliant in the state or states your company operates in. Some EWA models are not compliant in all states, which could create liability risk.

5

How seamlessly can this process be implemented? Not all solutions are easy to implement, so it's critical to look for one that does not disrupt the existing organizational process.

EWA offers many benefits, but it is still only one part of the employee's journey to financial wellness. Companies must also provide financial education and opportunities for wage increases and career development. These endeavors, along with other wellness initiatives, are critical components in helping employees reach and attain holistic well-being and productivity.

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Instant Financial is the pioneer in offering responsible, same-day pay to thousands of employees across the U.S., fostering financial freedom and wellness through its earned wage access solutions. By enabling employees to access their daily wages immediately after their shift, Instant Financial helps organizations improve retention and reduce absenteeism while helping employees take control of their financial freedom by bridging the gap between workday and payday.

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