



Unlocking the pay cycle

A whitepaper on the behavioural and wellbeing impact of offering workers a flexible pay cycle.



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Executive summary

This whitepaper summarises research into the objective and subjective impact of giving workers choice over their own pay cycle—specifically through Wagestream, a financial wellbeing app accessed by employees through their employer.

The research is part of Wagestream's ongoing commitment to ensure its service positively impacts the financial wellbeing of workers, and to improve public understanding of the blockers and drivers of financial wellbeing.

Based on primary quantitative and qualitative research, this paper explores the impact of a flexible pay cycle across three areas: demographics ('who' and 'why'), behaviours ('how'), and financial wellbeing implications. The broad-ranging analysis surfaces nine key findings on the impact of flexible pay, and aims to begin a conversation on positive actions that providers, employers, and researchers can all take to ensure flexible pay cycles positively impact the financial wellbeing of people in work.

Key Findings



#1 Flexible pay is most popular among financially excluded workers



#2 Low income is the primary challenge for many who prefer a flexible pay cycle



#3 Flexible pay is not just 'for emergencies'—its use cases are wide ranging



#4 Flexible pay does not correlate with worsened financial health outcomes



#5 People feel positive about flexible pay—but there are exceptions



#6 Flexible pay can have an impact on pre-existing credit reliance



#7 Flexible pay can exist in conjunction with a savings habit



#8 Choosing a more frequent pay cycle is not inherently negative—but can surface pre-existing financial stress



#9 Providers can do more to put workers in control

Foreword

With an increased spotlight on personal finances, helping people find the right information and tools to manage their money better has never been so important.

Flexible pay started as a concept many in the sector wanted to test, and now we can see the very positive difference it's making to so many lives.

When someone knows their full range of options, they can make informed decisions about their finances in a way that works for them. This can benefit them in so many different ways and with difficult times ahead, it's never been more important.

We welcome this report on flexible pay and wider financial wellbeing which provides some rich insight into the needs of people on low and uncertain incomes. This enables us to work towards recommendations set out in our UK Strategy for Financial Wellbeing, where MaPS and our partners are working together to help people across the UK, particularly those in vulnerable circumstances to make the most of their money and pensions.

We look forward to continuing to collaborate with Wagestream and the wider industry to find solutions to help people better manage their money.



Sarah Porretta

Propositions, Insights and External
Engagement Director,
Money and Pensions Service



Introduction and acknowledgements

At Wagestream, we analyse the impact we have on the people who use our service. Creating and measuring positive impact is a commitment we make to our investors—and is codified in our articles of association as a social charter. As we learn more about the impact we have, we learn to ask new questions which improve how we deliver our products and services.

When Wagestream launched, our focus was on making income provision work better for shift and frontline workers—by giving them a choice over when they got paid. The concept is an old one - workers were paid daily, and then weekly, before longer, locked pay cycles became prevalent in the 1960s—made possible by new technology. However, flexible pay continues to receive attention from government, industry, policymakers and wider society—and as part of our commitment to creating positive impact, we aim to improve collective understanding of it through data, insight and lived experience.

The Wagestream app is now much more than one single feature. We've built a holistic financial wellbeing app that's designed to give workers positive financial pathways over time - with products and services built for them, offered at a fairer price than what's traditionally available. However, flexible pay remains part of our financial wellbeing proposition—and we believe delivering this broader set of features at the point of receiving income encourages workers to engage in a more proactive, positive way with their finances. We hope the paper will contribute to the wider societal understanding of flexible pay as a financial tool, and we remain focused on assessing the impact of all our features as part of our commitment to our investors and our founding social impact partners.

Our research collaborators and Impact Advisory Board play a critical role in supporting us, and I'd particularly like to thank the following experts for their input in shaping this paper:

- Peter Bailey - Senior Evaluation Manager, Money and Pensions Service
- Luisa Cefalà - PhD Economics student, University of California, Berkeley
- Tatseng Chiam - Co-founder and COO, RideTandem
- Jo Phillips - Director of Research and Innovation, Nest Insight
- Roxana Prisacaru - Evaluation Manager, Money and Pensions Service
- Krishan Shah - Economist, Resolution Foundation
- Nicholas Swanson - PhD Economics student, University of California, Berkeley



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Whilst advisory input has been sought from these individuals, the research and the content of the report is Wagestream's own.

Research design

As this paper is primarily focused on the impact of a flexible income cycle, it draws on a survey sample of individuals who use the flexible pay feature within the Wagestream app.

The feature allows a worker to access a proportion of their already-earned pay—a proportion which is set by themselves and their employer—at any point in the pay cycle; the remainder of their pay is received at the end of the pay cycle. The feature is sometimes referred to as ‘stream’ or ‘streaming’ by our members, so we occasionally use this terminology in the paper, too.

To get a baseline understanding, we surveyed just over 4,000 people who access their pay flexibly through Wagestream, asking them about their pay cycle preferences and mapping this against their app behaviours. We then dug deeper into subjective impact—through qualitative follow-up interviews, and by benchmarking respondents against an industry-standard framework for measuring financial health.

How was the research set up and structured?

We designed the question set to understand both positive and negative impacts and were open to what we might learn. The survey was also structured and set up to mitigate bias and ensure high-quality responses.

- An independent expert reviewed the question set to ensure it was presented in a way that would not introduce bias
- We combined pre-defined survey answers that typically followed a Likert scale format and supplementary free text responses
- Where it wasn't suitable to use a Likert scale we randomised the response order so as to remove any bias related to the ordering of responses
- As much as possible we included the options for individuals to respond with “don't know / prefer not to say”, so that we could cut noise out of the survey data
- We conducted telephone interviews with a small number of participants to better understand their survey responses

How were responses collected?

We ran the survey over a two week period in Q3 2022, through the Wagestream app.

- We offered a prize draw incentive of 10 prizes of £25 gift vouchers
- On average, the survey took just over 12 minutes to complete
- Individuals were prompted to take the survey no more than once
- This prompt occurred while they were actively using the Wagestream app
- 4,122 individuals fully completed our survey
- Over 34,000 free text responses were recorded, driving a far deeper understanding of the quantitative data

The demographics of flexible pay

It's important to begin with some context on the workers who use Wagestream:

- Wagestream is designed for shift and deskless workers; people who need to go to work
- They most commonly work in hospitality, retail, healthcare, logistics and support services
- The typical Wagestream member earns less than the national median annual wage of £33,000
- 70% are on hourly pay; 30% are on a fixed salary

Those who responded, on average, use flexible pay more than the typical Wagestream member. If there's a correlation between higher use of flexible pay and financial difficulty, this means we would be more likely to find negative outcomes or problematic behaviour; we test the assumption about this potential correlation in our analysis.

Beyond the basic demographic makeup of people who choose to get paid flexibly, a core piece of context we need to outline is that of financial inclusion.

Financial inclusion means that individuals have access to useful and affordable financial products and services that meet their needs.

The latest research estimates that 1 in 7¹ UK adults are financially excluded—around 14% of all UK adults. This is a really important segment to understand because individuals who are financially excluded will often be marginalised in other ways too.

At Wagestream we spend a lot of time supporting workers who are financially excluded because of 'thin' credit files, or because of 'distressed' credit files.



Thin credit file or no credit file

Impacts individuals who either have no credit footprint, or not enough data for mainstream lenders to make a credit assessment.

Examples of individual circumstances include:

- Recently immigrated
- Recently separated from a partner, where their partner previously handled all their finances. This is statistically more likely to impact women, and particularly women from ethnic minority backgrounds
- New to the workforce and lack formal financial backgrounds through difficult personal circumstances, for example prison and care leavers
- Ex-armed forces personnel, particularly those posted abroad or at sea for significant periods of time

Distressed credit file

Impacts individuals with prior experience with financial difficulties; as a result they can't access fairly-priced financial services, or at all. Anyone who has filed an IVA or used a debt management service in the past six years, for instance, will not be able to take out an overdraft, loan or credit card.

Examples of individual circumstances include:

- Recovering from addiction
- Struggled with or are currently experiencing mental health difficulties²
- Living in impoverished areas, where their credit file is impacted by home address

This final point is particularly important for diversity, equity and inclusion because lower-income households are more likely to have one or more of the following characteristics:

- Women-led, single parent households
- One or more individuals have a disability
- Residents from an ethnic minority background

#1

Flexible pay is most popular among financially excluded workers

The context on financial exclusion is important—because it brings us to our first key finding. We see from the research that certain types of financial products which many people take for granted, such as an overdraft or credit card, are not equally available to many Wagestream members.

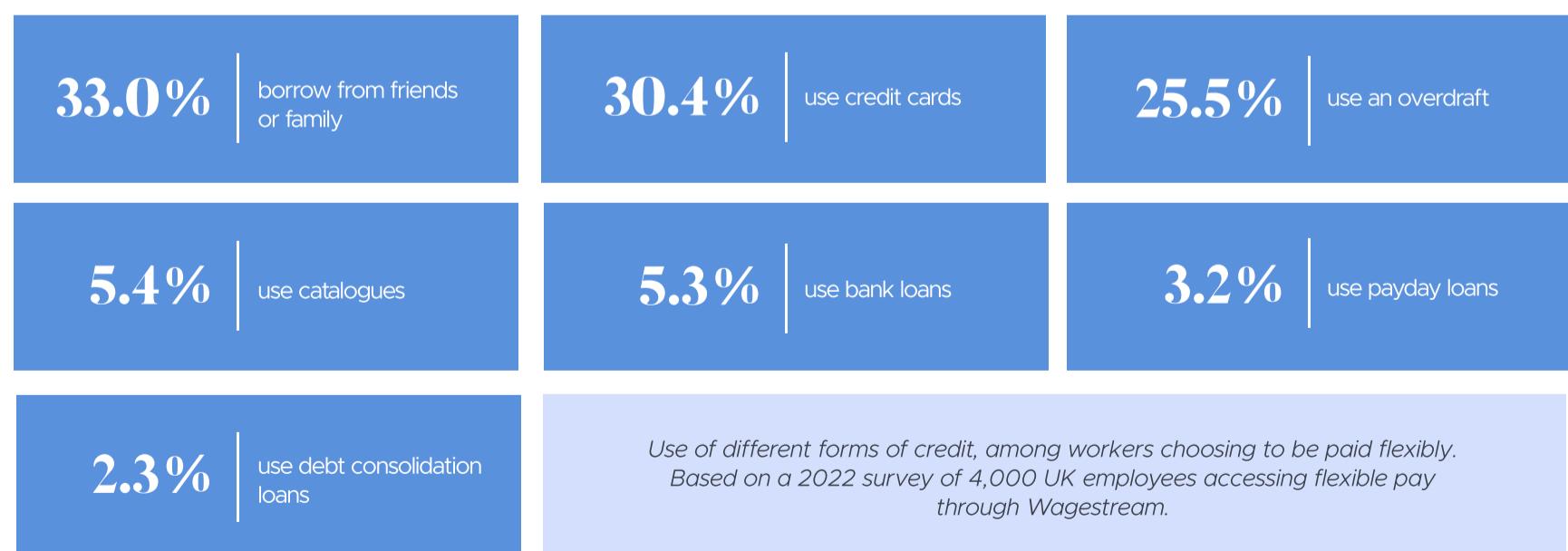
Nationally around half of British adults use an overdraft facility,⁴ and almost 70% have a credit card.⁵ However, within our survey group, only 25.5% stated that they have an overdraft and just 30.4% report using a credit card.

This gap helps demonstrate the role that flexible pay can play in solving for financial exclusion. When people are excluded from 'standard' financial products such as overdrafts and credit cards, providing a fair and affordable way to access funds and make everyday payments is even more important.

It's estimated that 25% of the population has less than £100 in savings and the Money and Pensions Service now estimate that around 17% of the population has nothing saved at all.⁶

Products such as credit cards and overdrafts therefore play a pivotal part in short-term payment smoothing, making it easy to access everyday essentials when needed. They are a mechanism that enables this spending and they serve to bridge the gap between completing paid work and receiving pay. But as noted above, not everyone can access credit.

Within this context, we wanted to understand which credit products feature most prominently amongst people choosing to get paid flexibly—and how their usage has changed over time. Our survey cohort reported the following:



These figures sit far below UK norms for mainstream credit products such as credit cards, overdrafts and loans. However, borrowing from friends or family is over three times greater than UK norms. The [FCA's Financial Lives 2020](#) is the most recently reported data for friends and family borrowing, and shows just 10% of the population use this as a form of credit.

Whilst some borrowing from friends and family can be benign, this can sometimes be a euphemism for forms of illegal money lending and again shows the cost of being financially excluded. Borrowing from friends and family can also cause interpersonal issues, guilt, insecurity and lack of control.⁷

#2

Low income is the primary challenge for many who prefer a flexible pay cycle

This sentiment came through starkly in both quantitative and qualitative results.

The result might make some people or organisations feel uncomfortable, but it's set within a wider context of how society values particular services and products, and our overall willingness to pay. Low pay is not a problem that can be singularly attributed to employers—it is a complex, global, socioeconomic issue.

“While we cannot change levels of pay, we can change the way that someone sees, understands, interacts with, accesses and manages that pay.

Wagestream cannot solve this problem for its members: its toolkit of features is designed to help our members manage through the problem as best as possible. While we cannot change levels of pay, we can change the way that someone sees, understands, interacts with, accesses and manages that pay. We can make sure that the specific needs of frontline workers, particularly those who are managing on pay that's below the UK median wage, are central to our product and service design.

Behaviours and preferences

In this section we look at why and how individuals tend to use the flexible pay feature of Wagestream and how it impacts their overall financial situation.

“

Looking at what people spend on shows how flexible pay is enabling them to contribute more hours to the labour market, and helping them to avoid falling into arrears. While the comparison with credit card and overdraft use illustrates that flexible pay can help individuals achieve these outcomes in a way which is more controlled, more accessible and less costly than incurring debt.

”



Krishan Shah

Economist

Resolution Foundation

#3

Flexible pay is not just 'for emergencies'—its use cases are wide ranging

We asked people to tell us why they use the flexible pay feature. They did this through a mix of answering multiple choice questions and submitting free text responses. Individuals could select more than one answer, which means the figures do not add up to 100%.

Restricted versus unrestricted access

Wagestream has a 'fair use' fee policy which keeps the frequency of flexible pay unrestricted and provides for discretionary partial fee refunds where the fee cost has exceeded our 'fair use' threshold. Our 'fair use' fee policy costs us money to implement, but because our research suggests flexible pay is used systemically to smooth cashflow, it would go against our founding social principles for our members to pay an uncapped amount for access to their earned wages.

“

Wagestream's analysis further confirms what we see on the ground for many of our blue collar employer clients and passengers—with the cost of car ownership having gone up 35% in the last 5 years and 25% of bus routes being cut in the last decade, for too many households, unaffordable and/or unreliable transportation is increasingly a barrier that hinders access to long-term employment.

”



Tatseng Chiam

Co-Founder and COO
RideTandem

✓ Do say

Flexible pay

Having flexibility to choose is empowering and means individuals can set the pay frequency that works best for their circumstances.

✗ Don't say

'Early', 'instant' or 'advance'

Choosing a different pay cycle doesn't make it 'early' or an 'advance'. This language is the language of borrowing, and leads people to feel that they are less in control of their financial circumstances.

Flexible pay is part of a financial toolkit

Flexible pay is one part of a sustainable toolkit for long term financial wellbeing. Acknowledging that different people have different needs, and that for some this is a vital part of the toolkit is important.

Flexible pay helps if you have an emergency

It's true that flexible pay can help in a crisis situation, but this sets it up as a one time product and creates stigma for individuals who see it and use it as a regular and deliberate part of their overall toolkit.

Use settings to create a plan that works for you

This acknowledges that individuals know what works best for them, and are capable of making good choices. Our research shows that individuals have high self-awareness of any impulse control challenges.

Set responsible usage limits

This implies that regular usage or certain amounts of usage of flexible pay is irresponsible, when we know that it's often part of a deliberate strategy such as replacing credit cards for everyday payments.

75.9%
of people use flexible pay
when they have to pay a
bill or make an essential
purchase

Lower earners have a cashflow problem: they've earned sufficient money to pay a bill, but they can't access the money until payday. Flexible pay allows them to pay everyday bills and make essential purchases with money they've earned and smooth out cashflow concerns. This appears to be the primary use case for our members.

34.9%
of people have income
fluctuations such that they
sometimes earn enough to
pay their usual bills and
sometimes do not

When we look at a sample of our data we see that the average shift worker's hours vary by an average of 37 hours month-to-month, which makes financial planning hard.⁸ It can also make meeting recurring commitments incredibly difficult.

Consider that 25% of the UK population has virtually no savings (£100 or less),⁹ therefore coping with a monthly income swing of more than £350¹⁰ could leave a substantial portion of people unable to pay their bills. At best this leads to a worsening credit score and perhaps a few tens of pounds in late payment fees. At worst this could be the difference between topping up the prepayment meter or feeding themselves and their family.

22.1%
of people use flexible
pay for travel to/from
work

There's a growing body of external research that shows a link between absenteeism and financial stress.¹¹

This finding demonstrates how important it is to offer financial flexibility to empower people to get to work and earn. Whether it's a domiciliary care worker being able to top up their petrol so they can take on an extra shift, or a hospitality worker who needs to take a taxi home because their shift finishes after the bus has stopped running, we make sure we provide that service. This can be more acute for new starters who have previously had a period of unemployment and lower than average earnings.

Employers might not be aware how significant a burden the cost of getting to/from work might be. Where employers are reimbursing travel expenses, it's worth considering how quickly you do this, and if any travel allowance can be provided up front to alleviate this pressure.

20.8%
of people use the flexible
pay feature of
Wagestream instead of a
credit card

We found a very strong correlation between the individuals who use the flexible pay feature the most frequently, and those who report they do not have access to an overdraft or credit card. Roughly 50% to 70%¹² of UK adults have access to these products; for our cohort of members these numbers sit at 25.5% and 30.4% respectively.

Financial inclusion is an important lens through which to look at this research. Around 1 in 7 UK adults are financially excluded¹³ but we see much higher proportions in our base of frontline workers. Some of the reasons that sit behind financial exclusion, such as a thin credit file, are also correlated with other minority groups. For example, people who have recently arrived in the UK and haven't yet established a credit footprint might be experiencing discrimination across multiple dimensions.

As well as those for whom traditional forms of credit are simply not an option, we also saw through our qualitative research a strong trend of people preferring to use the flexible pay feature through choice. Individuals frequently stated that, for them, Wagestream was a cheaper alternative. There were also strong themes that the product design was structurally better suited to their circumstances. Many people commented that it was a 'safer' and 'more responsible' way to manage their money – no late fees, automatic reconciliation on payday, and a mechanism to spend within their means because it's based on their earned wages.

16.9%
of people use Wagestream
to pay bills because they
do not have a fixed
monthly payday

Many people who are on an hourly wage get paid on a cycle that is not monthly. For example, every 28 days or every 14 days. This can make it complicated to manage recurring bills which occur on the same day each month, e.g. rent coming out on the 1st of the month. For smaller bills, such as broadband and water, being able to habitually pay them on time means you can avoid late fees, build your credit score and switch to more cost-effective bill payment methods like direct debit.

14

11.3%
of people use
Wagestream to replicate
a weekly pay cycle

Managing money more closely when it is tight and you don't have a savings buffer is an important capability. We have found, through a separate piece of research among those using Wagestream, that it's easier to plan and stick to a budget in a short timeframe such as weekly or fortnightly. Using Wagestream to replicate weekly pay is an approach some people use in order to live within their means—only spending based on their actual earnings.

10.7%
of people use Wagestream
to pay down high cost debt

We analysed a representative sample of over 5,000 Wagestream members and found only 4% have a 'good' credit score which lets them access mainstream credit products at affordable prices. Many individuals use Wagestream as a way to pay down expensive debt more quickly, saving money on interest and fees. The Wagestream app signposts to debt charity Stepchange for those who need additional support.

6.9%
of people use
Wagestream to access
their overtime pay

Behavioural economics research suggests that people have different mental models for different pots of money.¹⁵ Some individuals use flexible pay only for their overtime pay, which they potentially will have earmarked for different use to their core pay.

#4

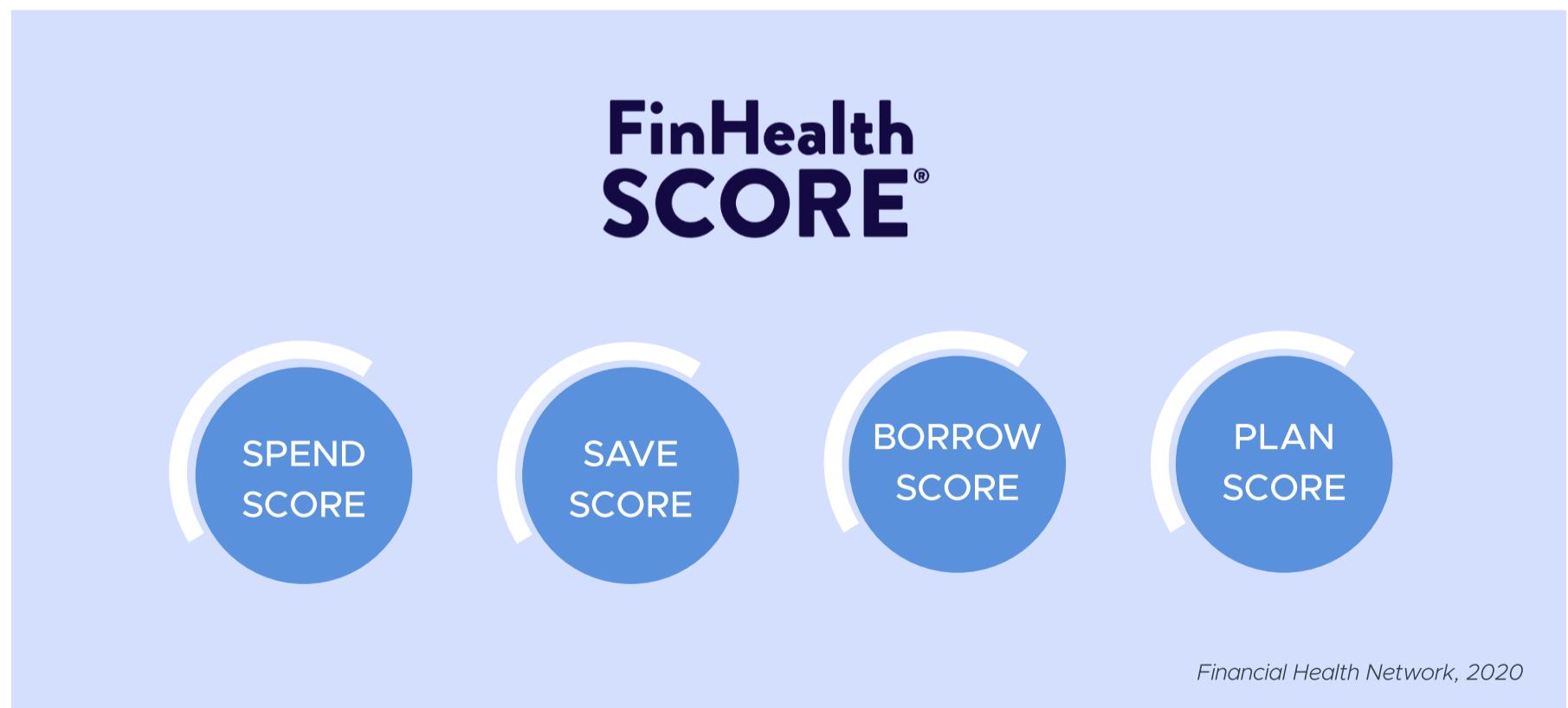
Flexible pay does not correlate with worsened financial health outcomes

We assessed the flexible pay usage characteristics of each individual who gave an expression of negative sentiment about Wagestream to see if there were any predictors in the data that an individual would be more or less likely to form these expressions.

We found no significant difference in the usage or characteristics of anyone who gave any expression of negative sentiment. There was nothing in the data to indicate that this would be more or less likely to occur. We looked for any correlation we might find in how they use flexible pay—including volume, value, frequency, average amount, position in the pay period, time of day, income and tenure with Wagestream. We also tested these against each individual's objective financial health score and found the same result.

Although we've never previously found a link between higher usage and any sort of problem usage or financial distress, we feel it is important to run regular in-depth analysis of our products. This audience uses flexible pay more than the average and we found no correlation in sentiment data and financial health.

We used the FinHealth Score® methodology, created by the Financial Health Network, to assign respondents a financial health score.



This methodology looks at an individual's financial health across spending, saving, borrowing and planning. 64% of individuals were able to fully answer all the questions, and their FinHealth Score® breakdown is as follows:

- Financially vulnerable: 26.7%
- Financially coping: 60.0%
- Financially healthy: 13.3%

This compares roughly as expected to the MaPS segments of struggling, squeezed and cushioned.¹⁶

We compared the behaviours of people who would be classed as financially vulnerable compared to financially coping. The behaviours examined include:

- Flexible pay volume
- Flexible pay value
- Flexible pay frequency
- Average flexible pay amount
- Where in the pay period members use flexible pay
- What time of day members use flexible pay
- Member income
- Member tenure with Wagestream

There was no significant difference in any of the variables for members with different financial health scores.

We also examined whether the proportion of members in each financial score changes if we examine members by how long they have been using the product. Although not exactly causal, if the product had adverse effects we would expect there to be some evidence of higher proportions of worse scores in higher tenure members. However, the proportions remain roughly the same regardless of tenure.

This insight is important because at first glance it is often assumed that high use equates to problem use. There is no evidence to suggest this is true. Instead, there's a rich variety of reasons why some people use flexible pay a lot, some use it a little, and some not at all.

There will almost certainly be some individuals who struggle with money, and for whom flexible pay isn't the right solution. We should also acknowledge that for many households, greater income would positively impact their financial health. Our job, for all our members, is to make sure we present very clear information such that our members can make informed choices that suit their individual circumstances.

Financial health is only one component of financial wellbeing. Attitude to money, financial inclusion, and the ability to feel in control are also important components.

#5

People feel positive about a flexible pay cycle—but there are exceptions

We asked members if their financial situation is better, worse, or unchanged and how they attribute that to Wagestream. Nine in 10 (90.1%) report that their financial situation has either remained stable or improved.

- Just over half (50.7%) of members are in a better financial circumstance and the significant majority (84%) state this is directly because of Wagestream
- Well over a third (39.4%) reported their financial circumstances had not changed
- Under one in 10 (8.6%) reported their financial circumstances were worse
- Just over one in 100 (1.3%) felt unable to answer the question; in a majority of cases this was because they were relatively new to Wagestream

How we asked this question

Is Wagestream making your financial situation better, worse, or no impact?

Choose the answer that best describes how Wagestream impacts your finances

1. My financial situation is better because of Wagestream
2. My financial situation is better, but not because of Wagestream
3. My financial situation has not changed
4. My financial situation is worse because of Wagestream
5. My financial situation is worse, but not because of Wagestream
6. Other (please specify)

Within the 8.6% that said their financial circumstances had gotten worse, just over half attributed their worse financial situation to Wagestream. From the qualitative analysis it becomes clear that those who feel worse off typically also express complex feelings about the flexible pay feature of Wagestream, often pairing a feeling of gratitude about having Wagestream with a sentiment of embarrassment or regret about their financial situation. For example, “I’d rather not need to stream but it’s helpful” or “I hate having to stream money but sometimes it is essential for daily living.” These mixed feelings and what we can do about them is explored in more detail throughout the qualitative feedback.

We also asked members how their financial situation would change if they moved to a new employer who did not offer Wagestream. Of those who felt this would make a difference to their circumstances (52.5%) the vast majority (84%) felt they would be worse off if their employer did not offer Wagestream. For those who felt they would be better off without Wagestream, the main feedback point was a desire to receive a ‘full’ paycheck on payday. This points to a negativity about how much they earn and not wanting to need a toolkit to help manage their money. This may also point to issues with self control or overspending which we’re following up in a separate piece of research led by PhD Economics researchers from UC Berkeley.

People feel neutral-to-positive, about paying a fee to get paid more frequently

It costs a flat fee, typically, £1.75 to use Wagestream’s flexible pay feature. Some employers absorb this fee entirely, some employers fully pass on this fee to their employees, and some run a hybrid model where they cover a proportion of the fee, or absorb a fixed number of fees per pay period. Regardless of who pays, Wagestream has a ‘fair use’ fee policy to ensure that individuals who use flexible pay at a high frequency do not pay more than our policy threshold. We asked members how the flat fee to use the flexible pay feature impacts their financial situation.

- Just over half (50.4%) report no impact at all
- Of those who do notice an impact, 55% felt that the fee improved their financial situation, whereas 45% felt that it made it worse

This result was surprising; we had expected that the majority of people would report negative sentiment on the basis of receiving a charge. Instead, more than three quarters of members (77.5%) say it either has no impact or it makes their financial situation better. Members were three times more likely to be strongly positive than strongly negative, and say the fee made their financial situation a lot better, vs a lot worse.

When reviewing the free text responses it's clear why members have given these answers; many are substituting higher cost or unpalatable alternatives for flexible pay and they are clear that this is helpful to their overall circumstances. They gave specific reasons such as:

- Cheaper than a payday loan, credit card or overdraft—we saw repeated feedback that individuals were rationally substituting flexible pay for higher-cost alternatives.
- Improvement to credit score by paying bills on time – a clear understanding of the impact of being able to pay bills on time and how that would impact their credit score.
- Able to make purchases during a sale – sales and offers, particularly for bigger ticket items like holidays were an important driver of seeing the fee as positive. Saving over £100 on a holiday is far more material than paying the fee.
- Guardrails built in to prevent overspending—using flexible pay to live within your means was a consistent theme, with individuals expressing their positivity about the fact they could only spend what they'd already earned. This limitation had an overall positive impact on their financial situation.
- Personal autonomy and dignity—a strong theme was being able to purchase items when they were wanted and needed without having to disclose their financial situation to family or friends, for example being able to buy school uniforms for children ahead of September. This dignity was valued at much more than the fee.

As stated at the top of this paper, the number one financial problem our members face is that they earn very little pay. Any expense can be difficult to absorb when earnings are very low. And therefore it is understandable that some expressed the fee made their financial situation worse.

One of the reasons Wagestream was founded was to reduce the need for high-cost, short-term credit, and in some cases remove the need for credit altogether.

As detailed above, the majority of individuals state the fee has no impact or in fact a positive impact on their overall financial situation. Even so, we wrestle with this and invite our employer clients to discuss contributing to some or all of these fees. Equally, we would never want to stop our service from being distributed because an employer does not have the margins to absorb this fee. We are highly confident through all our ongoing research streams that our service delivers a positive impact, even when the fee is passed onto the individual employee.

#6

Flexible pay can have an impact on pre-existing credit reliance

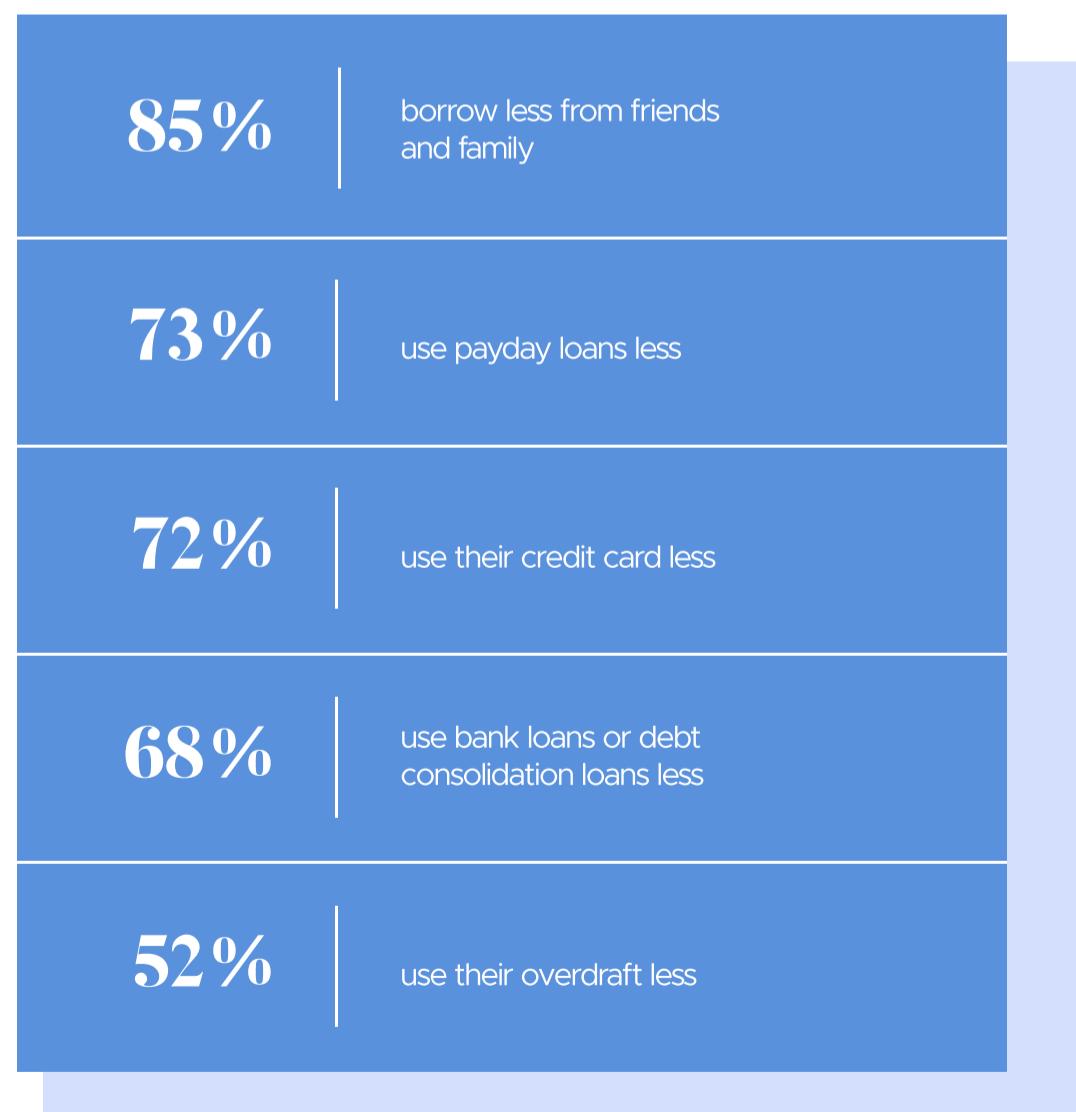
We looked at how the usage of different forms of credit had changed since getting access to flexible pay at Wagestream and asked individuals to self-report any difference in usage.

Across the board roughly a third of individuals reported no change in usage, which aligns with our findings about the proportion of people who use flexible pay to replicate weekly pay, access overtime, or align a lunar pay cycle.

There will be other reasons why usage hasn't changed, in particular the significant cost of living rises that were beginning to bite during our survey data collection period.

Where there is a change in usage we've noted it below; the most notable change is the reduction in friends and family borrowing.

Changes in use of different forms of credit, among workers choosing to be paid flexibly. Based on a 2022 survey of 4,000 UK employees accessing flexible pay through Wagestream.



One of the concerns we sometimes hear about the flexible pay feature is that it will somehow cause individuals to get into debt. Our research consistently presents the opposite findings. Individuals report they use the flexible pay feature to pay bills on time, manage their spending and reduce reliance on credit and debt products.

This is not to say that there will never be individuals who experience financial difficulties. We talk about this in more detail later on.

It's also worth noting that Wagestream's flexible pay feature has no impact on an individual's credit score. Many would see that as a positive. On the flip side it also means that using flexible pay does not directly contribute to building or repairing a credit score. Instead it can only indirectly help by supporting individuals to pay bills on time.

#7

Flexible pay can exist in conjunction with a savings habit

As well as understanding how people use the flexible pay feature of Wagestream and how they think about and use credit products, we also wanted to get a deeper insight into their broader financial resilience and the role of savings.

Wagestream offers a micro-savings pot that's specifically designed for those who may not have thought about saving, or been able to save before. It's simple to use, automatically connects with payroll, and is instantly accessible.

Research from the US by SaverLife and Levi Strauss & Co suggests that individuals are 46% more likely to save when they're offered a payroll savings product, versus having to select and open a savings account on their own.¹⁷ Even with this boost in savings, typical payroll savings products have very low take up. Although there is no reliable data source across employers offering workplace payroll savings under opt-in conditions, anecdotally we know that 1% is normal and 10% is exceptional.

Across the Wagestream membership more than 20% of all individuals have created a pot to set money aside directly from their pay. For this research cohort, the figure is much higher. Just under a third (32.5%) are already setting money aside with Wagestream, and for more than a third (36.1%) it's the first time they've ever saved.

“ Getting people to start saving for the first time ever is a huge achievement, particularly when we know that the habit-building power of payroll savings is so strong.

Getting people to start saving for the first time ever is a huge achievement, particularly when we know that the habit-building power of payroll savings is so strong. Building products that deliver financial services at the point of pay also make them compelling. Data from YouGov shows that roughly a third of people check their banking app at least weekly. By contrast, Wagestream's app is checked at least weekly by more than two thirds of members.

Over two-thirds (67%) of our savers only save with Wagestream and have no other savings elsewhere, making individuals 2x more likely to save with Wagestream than anywhere else.

Equally interesting is the result that the majority of individuals who use the flexible pay feature of Wagestream have some savings. Nearly two thirds (62.3%) of individuals who use the flexible pay feature have some savings; over half of these (52%) are with Wagestream.

Why does this matter? We know from our own State of Financial Wellbeing benchmark¹⁸ that it doesn't feel good to spend your savings on bills and everyday costs. Individuals who have to dip into their savings to make ends meet report an additional 50 days of stress and worry each year. It therefore makes sense that individuals might choose to use flexible pay rather than their savings when it comes to paying for everyday bills and essentials.

Again, this is supportive of the view that financial wellbeing is more than just financial health. Your financial outcomes and how you feel about them are both facets of financial wellbeing.

Wagestream is going even further with savings, and working with Nest Insight to test an opt-out approach to savings.¹⁹ We anticipate having publishable results in Q2 2023.

Those least likely to have savings tend to also be those least likely to make active choices, due to limited bandwidth and lower levels of financial confidence. In an autosave model, however, the need for an active decision falls to those who know they don't need or want to save; a group more likely to be financially confident and to be saving elsewhere. As the cost of living continues to rise and impact households across the UK and beyond, employers may be looking for affordable ways to enhance support for employee financial resilience. An accessible savings pot can be thought of as a self-funded insurance policy, allowing an individual to pay for unexpected expenses without having to turn to expensive forms of credit. We've also seen from our wider programme of work that emergency savings accounts can be used to manage expenditure across a pay period; a strategy that could be really helpful in the context of rising costs.



Jo Phillips
Director of Research and Innovation
Nest Insight

#8

Choosing a more frequent pay cycle is not inherently negative—but can surface pre-existing financial stress

As noted throughout this paper, there is no correlation between any pattern of usage and any differing financial health outcome. We found no evidence that short or long-term frequent usage is a sign of a financial problem, and instead we find evidence that it can be a sign of a deliberate financial strategy.

But we acknowledge that there will always be some individuals who make poor decisions or who need additional support. This is why we offer in-app coaching and why we signpost to specialist services such as Stepchange for debt advice.

To gain a deeper understanding of this area, we targeted individuals who gave expressions of negative sentiment and who showed characteristics of persistent use for qualitative research calls. In every qualitative research call, individuals who were choosing to get paid frequently were able to articulate a clear plan and approach to change that circumstance, or were happy with that circumstance and intended to continue with their pattern.

For example, one person was a recently-separated parent who was now looking after her two children. She had chosen to use flexible pay to get herself back on her feet, and had a plan over the course of the next few months to cycle down her usage of this feature. She was in a temporary pattern of persistent use.

Another spoke of frequently using flexible pay to unwind with friends at the end of a tough week, and both the pleasure and stress relief he felt when he did this. He didn't feel he could candidly discuss finances with peers and, although he had an in-depth understanding of the personalised settings and ability to set limits, didn't want to use these. He preferred full access to flexible pay and will continue his pattern of persistent use.

This particular example is very important. There's a temptation to look at the data and make assumptions or judgements about what constitutes 'good' usage and what constitutes 'bad' usage. Without the full picture you could easily decide that this individual is making 'bad' choices. However, someone making an informed decision about what behaviour and choices will have the best impact on their overall wellbeing could be viewed as a positive outcome, not a negative one.

We also sought out edge cases of individuals who have a known source of financial stress or a financially-related challenge with impulse control. A very small proportion of respondents, for example, reported that they have or previously had a gambling problem (0.7%). We spoke with some of these members in qualitative research calls, to understand what Wagestream could do to support individuals in these circumstances.

One person, who self-identified as having a gambling problem, said if he didn't have Wagestream's flexible pay feature he would instead deposit his tips into his bank account and use those funds for gambling. Having or not having flexible pay doesn't change his behaviour. He is currently seeking support via his company's EAP²⁰ and was very enthusiastic about the support tools his company provided.

Our role as a platform provider is to ensure we give very clear information such that our members can make informed choices that suit their individual circumstances. It's not for us to judge those choices. Instead, we continue to work directly with our members to co-design the in-app journeys and toolkit to meet their needs.

#9

Providers can do more to put workers in control

The Wagestream app has personalised settings built in to empower individuals to set and manage a structured plan for how they use the flexible pay feature. Past research has shown that 'commitment devices' like this can play a positive role in helping people manage their money.²¹

Across our research participants, almost a fifth of individuals (17.7%) already use these settings. They allow individual control over:

- The percentage of pay you'd like to access via flexible pay
- The £ amount of pay you'd like to access via flexible pay, per pay period
- The £ amount of pay you'd like to access via flexible pay, per each payment
- The maximum number of times you'd like to be able to use flexible pay, per pay period
- Customisable blackout windows, where you can disable access to flexible pay during set periods; for example you might choose to disable access on a Friday evening from 6pm through to a Saturday morning at 6am
- Ability to lock settings, from a single day through to a full 30 days at a time; unlocking settings requires an individual to read a custom note they've written for themselves about why they locked their settings, and then type in an override message

These settings allow an individual to make choices and set limits that work for their particular circumstances.

One person, who has overcome her gambling problem, is using Wagestream's flexible pay feature to manage the debt she accumulated while gambling. We asked her to describe what limits or controls she felt she would have needed if she had been using the Wagestream app when she was in the midst of her gambling difficulties. She described wanting a toolkit that would let her limit her own access to flexible pay; she was unaware that this toolkit already exists in the app today. In fact, our research highlighted that 13.9% of members were unaware these controls existed and therefore we have work to do to get this toolkit into the hands of more people.

Flexible pay, in the words of those who choose it

Alongside the quantitative data we collected, we also gathered over 34,000 free text comments and held close to five hours of in-depth research calls with survey respondents to discuss their answers.

The free text comments helped us build a much clearer picture of how people felt about Wagestream, the flexible pay feature, and their overall financial circumstances. The responses gave great depth to the range of circumstances people were facing, and both how they felt about their circumstances and the role that flexible pay has to play. As you might expect, often the emotions were tangled up in broader life circumstances or an overall reflection of how difficult life can be when you are trying to manage on low pay.

We've tried to reflect back a selection of these responses to give a flavour of the overall impact of Wagestream and flexible pay. The terms 'stream' and 'streaming' in the member quotes below all refer to flexible pay.

Some were simple and practical, focusing on the drivers for using it and how it fits into their financial toolkit, for example "*it lets me see how much Im [sic] getting paid in a month and helps me plan my outgoings*".

Some were, frankly, quite funny—for example describing how they regretted using flexible pay for a "*date night takeaway that tasted terrible*".

Some were powerful, for example "*I don't worry about not being able to feed my children*".

Some were complex, for example "*It is genuinely a lifesaver, but I wish I didn't have to use it*".

Some were very tough to read, for example "*At the moment I am classed as homeless with two little children and the council keep moving us from travel lodge to travel lodge so it helps to have Wagestream so I can take money from my earnings in advance when I am struggling*".

And some were indignant, telling us "*It's literally my money, for my labour, which I should be entitled to the moment I finish a shift. Streaming should be as normal as any other pay option*".

The practical perspective

Here we share a selection of responses covering the range of practical ways people told us flexible pay fits into their lives. Although we've covered much of this in the data, there is nuance that comes across in the free text response.

“

“Easy way to stay out of overdraft”

“It helps me to budget”

“Because I don't want to use my savings :)”

“I feel more in control than with a credit card and I feel assured I can never stream so much that I can't pay my bills. I don't have the same guilt as borrowing because I see it as my own money that I have already earned”

“To stop myself from going into debt further”

“Payday doesn't line up with bills”

“To control my spending”

“It's so convenient as it helps keep my stress/anxiety and worry levels down as I know I can get money (which I have earnt) to pay a bill etc”

“To prevent myself using my savings for day to day expenses”

“I had to have surgery this year and have had several periods of absence from work. I do not receive sick pay. Covering lost wages has resulted in having to stream most months. We are attempting to reduce this each month”

“Encourages me to work knowing I have funds available next day”

“I use Stream so I don't get into debt”

“

The emotional perspective

We also asked people how they felt about the flexible pay feature of Wagestream, and as above, gathered a range of responses.

Stigma was a recurring theme, with people expressing that they sometimes felt embarrassed or ashamed, and were grateful that it was private and meant they didn't need to ask for help from family or friends.

There were also strong themes of security and relief, knowing that their money was theirs to use should they choose to do so.

“

“I feel more secure knowing that I have access to my money in case of an emergency”

“Love it!”

“Very helpful feature that I am thankful to have access to, however it can feel embarrassing to have to need the money. I try to avoid if possible but am grateful it is easy and private”

“It's a good thing now I don't have to borrow / beg off family”

“I think it's brilliant. Really useful”

“It is genuinely a lifesaver, but I wish I didn't have to use it”

“I'd rather not do it as it reduces my pay on payday but it's better than having unpaid bills”

“Gives me peace of mind”

“I'd prefer to have enough money to do me between paydays without having to stream”

“Alright as it's my money and I'm not borrowing”

“I do like it because I can't get a credit card and will never end up in debt using it”

“Grateful that it's a relatively safe option for me”



Closing comments

Throughout this research we found ourselves returning to a few recurring themes, on the role of the (flexible) pay cycle within a worker's financial life.

Multiple intersecting challenges

We are serving a membership who face many intersecting financial challenges: low pay, variable hours and financial exclusion. Any of these challenges alone would be hard to face, and when you start layering them on top of each other it's clear to see how difficult it is for so many individuals to get on a path to financial wellbeing. The 'cost of living crisis' isn't new to most of our members, and there was no change in overall usage patterns of flexible pay frequency throughout all of 2022.

Flexible pay as a deliberate choice

Our flexible pay feature is a vital part of the toolkit for many of our members, and they show time and again that they use the feature in a deliberate and considered manner. High usage or persistent usage of flexible pay is not a sign of financial distress; instead it's more likely to be a sign of an individual taking control of their financial situation and making positive changes. Flexible pay does not lead to debt; instead we show that flexible pay consistently supports individuals to reduce their debt. Again, we acknowledge that there will always be outliers and it's important to have support in place for those who need it.

Paternalism leading to money stigma

Language and positioning are a vital part of financial wellbeing. We all have a job to do to change how we talk about and position flexible pay. Overly-paternalistic approaches that caution people about excessive usage or suggest that it's for emergencies only are damaging to financial wellbeing and create a culture where individuals feel ashamed and unable to ask for help exactly when they need it. Shame does not help anyone. Ironically this paternalistic approach can have the opposite effect intended. Rather than helping people make good choices, it can prevent people from making the choices that would improve their circumstances.

Our guidance to employers is to have a clear route to signpost their EAP for individuals who want or need extra support, and to carefully consider the language they use to describe Wagestream or flexible pay when communicating to their colleagues. We encourage employers to use positive language around choice and control, and to create an open culture such that if an individual is experiencing any difficulties, they will be more confident of a positive reception and support if they reach out to their line manager or People team.

We know we also have work to do here, and are working through changes to all of our language in our app and across our communications channels.

Language matters

Financial wellbeing is a combination of financial health, such as the resilience to be able to cope with a financial shock, and the emotional side of feeling good about money and feeling in control. Whilst we can see evidence that our flexible pay feature hits both these notes, we think there is work to be done to support people to feel empowered by their money, rather than ashamed.

This work can be done in part by Wagestream. We're looking carefully at the language we use throughout our app and service experience, and have noted some of this later in this paper.

This research really highlighted how much further we need to go here, and so we wanted to share some of the changes we're making in direct response.

Historically in the Wagestream app we've referred to flexible pay as 'streaming'. It's a word that was meant to denote speed, ease and freedom. Now we're moving to using the clearer terminology of 'flexible pay' or simply even 'pay'. This is because our word choice inadvertently made 'streaming' feel like it was somehow different to pay, and that impacted how people felt about using that feature.

Flexible pay is simply pay. It's about choosing when to receive the pay you've already earned. It isn't credit. You don't pay it back. It's pay you've already received.

Here are some more of our deliberate word choices.

 **Do say****Flexible pay**

Having flexibility to choose is empowering and means individuals can set the pay frequency that works best for their circumstances.

 **Don't say****Early wage access or wage advance**

Choosing a different pay cycle doesn't make it 'early' or an 'advance'. This language is the language of borrowing, and leads people to feel that they are less in control of their financial circumstances.

Flexible pay is part of a financial toolkit

Flexible pay is one part of a sustainable toolkit for long term financial wellbeing. Acknowledging that different people have different needs, and that for some this is a vital part of the toolkit is important.

Flexible pay helps if you have an emergency

It's true that flexible pay can help in a crisis situation, but this sets it up as a one time product and creates stigma for individuals who see it and use it as a regular and deliberate part of their overall toolkit.

Use settings to create a plan that works for you

This acknowledges that individuals know what works best for them, and are capable of making good choices. Our research shows that individuals have high self-awareness of any impulse control challenges.

Set responsible usage limits

This implies that regular usage or certain amounts of usage of flexible pay is irresponsible, when we know that it's often part of a deliberate strategy such as replacing credit cards for everyday payments.

This work can also be supported by employers, who should be very deliberate about how they position financial wellbeing services such as Wagestream and flexible pay. Wagestream is designed to be part of an employer's long term strategy to support ongoing financial wellbeing.

Creating language or positioning around distress and emergency use can lead people to feel ashamed about using the very toolkit that's designed for their needs, when in fact the upstream problem is that individuals who work in low-paid sectors often have very little money and very little choice or access when it comes to financial services.

Instead, employers that use language and positioning that empowers their people to have control and flexibility and which diminishes money stigma or shame, can have a material impact on the overall wellbeing of their people.²² Diminishing money stigma and shame is also an important component of supporting individuals who are in difficult circumstances and might need further help.

A path for future research

We know that the task of research and understanding our impact is never finished and there is always more we can learn. In particular we continue to seek reliable upstream data that will indicate when someone is in need of additional support, and we continue to work directly with our members to design the toolkit that best meets their needs.

For us this research highlights that we have the right toolkit in place, but we have work to do to make sure our members engage with and use all the components that suit their circumstances. In particular this refers to our customisable settings.

We also continue to work with our employer clients to help them deepen their understanding of the financial lives of their employees, the challenges they face, and how they can best support them. Creating an open and supportive culture has never been more important, and we urge our employer clients to think carefully about the impact that word 'choice' can have.

Finally, we're grateful to the thousands of Wagestream members who took part in this research, and who shared their experiences and perspectives. We'll continue building our service, and our research programme, collaboratively with them.

Appendix

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5. [UK Finance: UK Payments Market Summary \(2021\)](#)
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13. [Lexis Nexis, Financial Inclusion: Up to date analysis of access to affordable financial services across the UK \(2021\)](#)
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