

Earned Wage Access Confirmed to Increase Employee Retention



Numbers Confirm the Retention Benefits of the Payactiv Financial Wellness Program

THE PROOF IS IN THE PUDDING

The Payactiv financial wellness program provides financial relief to workers living paycheck to paycheck by giving them on-demand access to their earned wages. Employers who offer Payactiv to their employees report a happier workforce and an increase in recruitment and retention. Measuring these results is not only challenging but also time consuming. It requires an investment in deep data analysis of disparate data.

Recently, a Payactiv client, a leading BPO company measured the effectiveness of on-demand pay in reducing attrition. The results show a statistically significant positive relationship of participation in Payactiv and a reduction in attrition, both overall and in nearly all subgroups used. Business savings of lowering attrition by 1% (n=100) were expected to be \$200,000 or savings in replacement cost of \$2000 per employee retained.

In this article we have summarized the results of the study. This analysis will be most useful for decision makers, benefit program leaders, HR, payroll and talent managers in businesses that employ hourly and lower income workers.



Attrition Within 30 Days



Attrition Within 60 Days



Attrition Within 90 Days

Figure 1: Overall reductions in attrition for employees who left the company within 30, 60, and 90 days

The analysis was conducted by comparing attrition rates of employees who were Payactiv users versus non-users for periods of employment of 30, 60, and 90 days after the program was implemented. Overall, the results showed a significant decrease in attrition for the group that were Payactiv users. The reduction in attrition for those that left the company within 30 days was as much as 36% among Payactiv users.

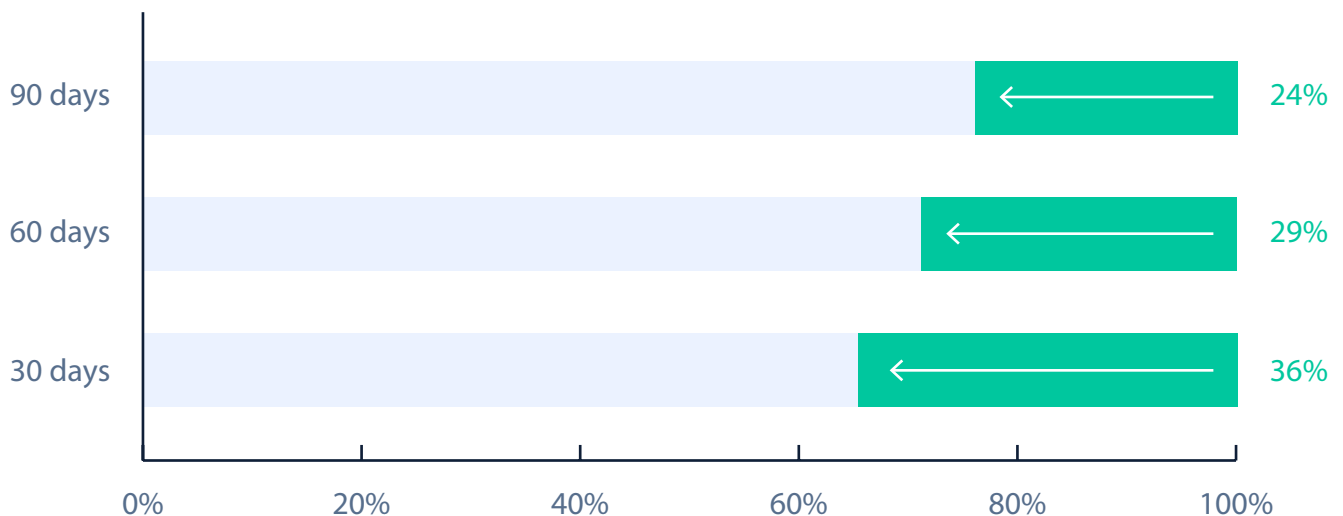
Of course, there are a number of different reasons why an employee might leave a company, such as the level of compensation and length of tenure, among others. In order to determine that the Payactiv program was the determining factor in the reduction of attrition, the analysis created a propensity score calculation technique. It involved creating a logistic regression model based on other available attributes that could have caused variations in levels of attrition and measured the degree of similarity between non-participants and participants according to their participation probability. With all these measures in place, the results confirmed the retention benefits of the Payactiv financial wellness program.

Significant Reduction in Attrition Among Millenials

Millennials (born between 1981 and 1996) have become the largest part of our workforce. Currently comprising 35% of the workforce, this growing group is the one that every employer is keeping an eye on and trying to figure out how to attract and retain longer than the competition. Millennials have been known to job hop more frequently than previous generations.

They (millennials) are frequently jumping ship because they feel their company doesn't offer a competitive salary and want a better work-life balance.

The results of the study show a significant reduction in attrition among the Millennial generation, specifically for ages 29 to 39. Offering Payactiv as a financial wellness benefit to this generation has decreased attrition within 30, 60, 90 days by 36%, 29%, and 24% respectively.



Significant Reduction In Attrition Among Low Wage Earners

The most significant reduction in attrition was observed with the lowest wage earners; which in this analysis included workers earning between \$7 and \$11 dollars per hour. The other two compensation groups were workers earning more than \$11 to \$12 and those earning more than \$12 per hour.

Not surprisingly, the lowest wage earners were the ones that needed on-demand access to pay the most, and saw a decrease in attrition rates within 30, and 60 days of 35% and 29% respectively.

The study also looked at survival rates, which is the flip side of attrition. Survival patterns of employees participating and not participating in the Payactiv program are graphically presented using the plots of survival curves (See Figure 3). The blue line represents the group that participated in the Payactiv program and the red line represents the group that did not participate. The larger separation between the two lines, the stronger the difference in survival (and correspondingly attrition) between the groups. The shaded areas around each line indicate the statistical error range. If there is white space between the shaded areas, then the difference between participants and non-participants is highly significant.

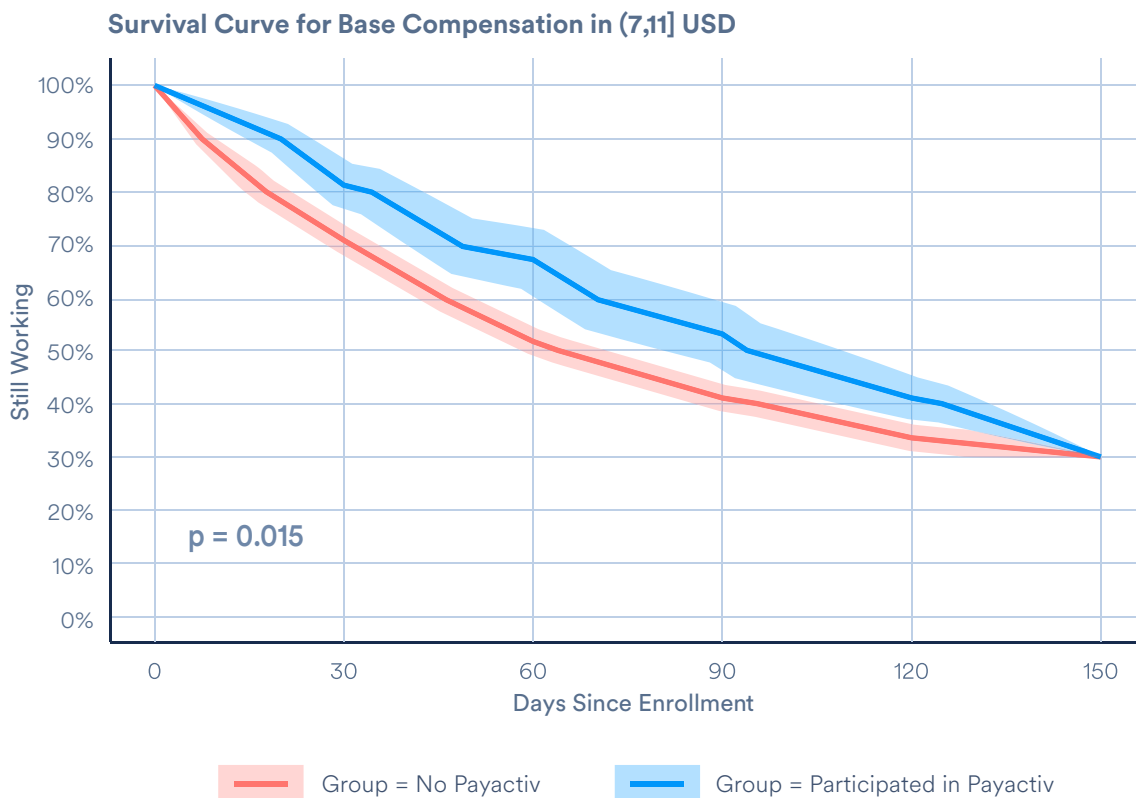


Figure 3: Survival curve for employees earning between \$7 and \$11

Other Significant Reductions In Attrition—Female and Tenured Employees

Another finding was that female employees showed a significant decrease in attrition due to using the Payactiv program benefit. On-demand pay is often accessed in emergency situations when employees are stuck waiting for their next paycheck and yet life throws them a curveball before payday.

These financial curveballs often include things such as car breakdowns, unexpected childcare or medical expenses, or broken appliances.

Offering on-demand pay to employees helps them to deal with these unexpected stressful situations and not fall prey to predatory loans. Female employees who were Payactiv users showed a decrease in attrition within 30, 60, 90 days by 33%, 24%, and 19% respectively.

Retaining well-trained employees is one of the most important things an employer must do. Replacing an employee is very costly. Replacing just one employee can cost as much as twice the worker’s annual salary. The study revealed that there was a significant decrease in attrition of employees with a tenure between 6 and 18 months. If they used Payactiv, they saw a decrease in attrition within 30, 60 days by 53%, 49% respectively.

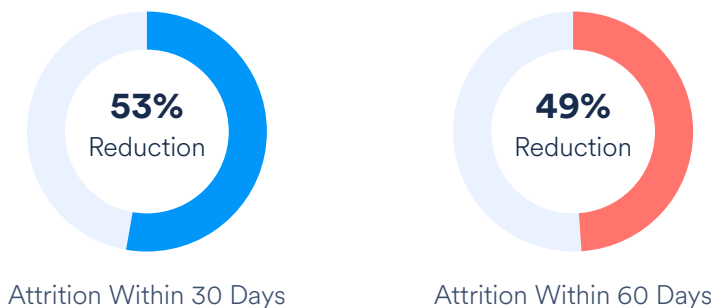


Figure 4: Reduction in attrition for employees with Tenure (6 to 18 mos), within 30 and 60 days

Conclusion

As the famous old British proverb says, “The proof is in the pudding.” The effectiveness of something can only be determined by putting it to the test by trying or using it, appearances and promises aside. The effectiveness of the Payactiv financial wellness program was put to the test by data scientists and the results demonstrated significant reduction in attrition across all employee subgroups.

¹ Shane McFeely and Ben Wigert, “This Fixable Problem Costs U.S. Businesses \$1 Trillion,” Gallup, March 13, 2019, <https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx>