

## FLEXIBLE PAY BEST PRACTICE

# An introduction to flexible pay (Earned Wage Access)

25 million people in the U.K. and U.S. are paid flexibly – meaning they are given choice over how frequently they get paid. It's preferred by 9 in 10 workers on shifts or volatile income, who need a more flexible way of getting paid than their salaried, higher-income colleagues.

If the employee chooses to be paid more frequently than e.g. monthly, it's automatically reconciled and they receive the rest of their pay at the end of that pay cycle.

 Berkeley  
UNIVERSITY OF CALIFORNIA cipp EY nest  
insight Money &  
Pensions  
Service

Research briefing  
contributors

## What the experts say

*“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.”*



**Sarah Porretta**  
**Director, UK Govt Money and Pensions Service**

*“[Flexible pay] in the UK continues to grow, providing consumers with an additional platform to manage and improve their financial wellbeing. I’m proud to have supported the development of the [flexible pay] Code of Practice in response to the need for a commitment to common standards across providers.”*



**Christopher Woolard CBE**  
**Partner, EY and former Chief Executive, Financial Conduct Authority**

*“Both solutions [flexible pay and employee loans] should be combined as part of a holistic financial wellbeing offer designed to meet the needs of the employee population in question.”*



**Sope Otulana**  
**Head of Research, Nest Insight - UK Govt body for pensions & savings**

## FLEXIBLE PAY BEST PRACTICE

# Should employers provide guardrails?

More than 20 million people now get paid flexibly, with some form of 'Earned Wage Access'. And thanks to a growing field of research, we know 9 in 10 shift workers prefer it. And we know employers see workforce benefits, like faster recruitment and higher shift uptake.

But there was an unknown: how flexible, should flexible pay be?

Find out more about how flexible pay works

[Read more](#)

## Are employers accidentally causing harm?

Many employers doing this initially offered flexible pay with heavy restrictions on frequency of usage, or proportion of pay that can be accessed. This was seen as best practice. Until now.

In a study spanning 1,960 workers, researchers at University of Berkeley, California tested the impact of different restrictions and found surprising results.

It turns out that despite good intentions, restrictions create unintended behaviours and potential harm - and asking individuals to set their own rules actually leads to more predictable behaviours. The recommendation is now being assessed by PhD researchers at University of California, Berkeley - in a longform study on the relationship between self-control and greater choice over pay.

At Wagestream, we're acting on this by more tightly defining best practice for Flexible Pay (default of 'individual controls', not 'universal controls'). The shift aligns with our mission of partnering with employers to give frontline workers greater choice in their financial lives - making work more rewarding for them, as a result.

The 1,000 employers we work with have joined us on this journey, and we expect to see wider industry follow suit in the coming years. We'll continue contributing to the field of flexible pay research with two follow-up research initiatives:

- Impact Assessment - what happens one month and three months after people get access to Flexible Pay
- Real-time and Flexible Pay - a validation study on the behavioural impact of flexible pay in comparison with unrestricted, real-time pay

## Restrictions: the key findings

### Frequency fallacy

When employers restricted frequency of pay, people actually accessed a higher proportion of their pay than those without restrictions.

### Percentage puzzle

Lowering percentage of pay available leads people to choose getting paid more often, for smaller amounts.

### Maxing out

Those with restrictions tend to follow a standard pattern - until they get close to their 'cap', when they begin maxing out how much pay they can take.

### Locking out

76% had used flexible pay to cover a forgotten or unexpected expense. With EPA, they were sometimes unable to solve for this because of reaching a limit - and then turned to riskier alternatives, like loan sharks and borrowing from friends.

## FLEXIBLE PAY BEST PRACTICE

# Is flexible pay regulated?

The CIPP has united with seven leading UK providers of EWA, including Wagestream, to create an 'EWA Code of Practice'.

This Code was written in response to a recommendation by the Financial Conduct Authority (FCA) and sets the common standard for firms providing EWA products to deliver good consumer outcomes. To be compliant with the Code, each provider must undergo a regular independent assurance assessment.

Get a fully copy of the  
EWA code of practice

[Read the full code](#)

The CIPP see the growth of EWA as one of the biggest current trends within payroll. More than 1 in 10 UK employers now offer EWA to their workforce, and the majority of workers say they'd see an employer as a better place to work, if EWA was offered. Providing an equivalent service is already a legal requirement in countries such as France, Spain, Italy and Portugal.

In line with the FCA Woolard Review recommendation, the CIPP encourage organisations considering the introduction of EWA to read the Code to better understand what providers can and should be doing to deliver good consumer outcomes.

## Who are Wagestream?

**Wagestream provides the UK's most popular financial benefits platform, used by more than 1,000 employers.**

Wagestream is a B Corporation and was built with the Fair By Design financial inclusion campaign - which means alongside improving recruitment, retention and productivity, it will help us outperform the market on DE&I and ESG.

3 million workers use Wagestream through their employer. They can manage their budgeting and shifts, choose when to get paid, build up a rainy day fund, get free money coaching, save on their bills and groceries, and get fairer deals on financial products - all in one app, with no change to payroll.

## FAQs

### Is flexible pay (EWA) like a loan?

No. The UK financial regulator (FCA) states that EWA is not a form of credit, as it provides access to already-earned pay<sup>3</sup>.

### So it couldn't be a 'benefit in kind' (BIK)?

No. Fees are paid by the employee, or by the employer as part of a software licence agreement. The recent HMRC update re-affirms that as part of RTI reporting, flexible pay transfers aren't relevant to BIK considerations.

### Is flexible pay compliant with National Min. Wage?

This is dependent upon the supplier. With Wagestream, flexible pay transaction fees are not 'deductions' for the purposes of NMW legislation, and don't create a risk of breaching it.

### Is there regulatory clarity on flexible pay?

Yes. The FCA stated this year<sup>4</sup>: "we have not seen any evidence of harm emerging and there are insufficient grounds to bring the product inside of the (regulation) perimeter"

## FLEXIBLE PAY BEST PRACTICE

# Checklist for employers

The below is based on guidance from UK Government body Nest Insight, and a long-term study on flexible pay run by Wagestream with advisory input from University of California, Berkeley, think tank Resolution Foundation and UK Government body Money & Pensions Service.

This is a checklist to ensure flexible pay is a powerful new option alongside the wider range of financial wellbeing benefits offered through Wagestream.

Think EWA could help support your colleagues?

Try it for your team

1. Ensure it's part of a broader set of financial wellbeing support and benefits
2. Provide flexibility throughout the month, not just the first three weeks of the month
3. Give employees a chance to personalise settings and get support if they're struggling
4. Communicate it as a benefit that offers choice, not a 'just in emergencies' lifeline
5. Use it to break down money stigma, and improve conversations about mental health

*...and keep in mind that flexible pay outcomes can be counter-intuitive.*

### Fiction

- Only used in financial distress
- Masks poor budgeting
- Creates or exacerbates poor control
- Creates a spiral
- Leaves shortfall for bills on payday
- Is costly to use
- Frequent use indicates a problem

### Fact

- Used in all circumstances
- Supports budgeting
- Reduces spend, improves impulse control
- Reduces existing debt
- Takes care of important bills as they arise
- Typically used when the cost is factored in
- Frequent use can be part of healthy habits

*"...but useful in an emergency situation"*

*...it's a core part of money management for many*