

Can faster payments solve high employee turnover?

A new wave of fintech mobile apps are enabling employers to offer faster payments to their employees while giving workers new flexibility with their earnings. Companies spanning from gig economy disrupters to corporate stalwarts are all testing mobile



instant pay options offered by financial technology start-ups. These apps allow hourly employees to quickly access income that has already been earned whenever they need it and without having to wait for their employer's standard pay cycle. It's all done from the convenience of their smartphone.

Employees take financial burdens to work

The average American worker is struggling to get a hold of their finances. With 78% of full-time American workers reporting that they live paycheck to paycheck, many Americans are taking out payday loans and spending \$9 billion in loan fees and interest

each year.¹ In addition, Americans have shelled out an estimated \$15 billion in avoidable overdraft fees to banks.²



That financial stress can carry over into the workplace. When employees experience financial difficulties it can affect the quality of their work, productivity and their morale as they contemplate solutions to the stresses they face at home.

The pros of faster payments

Companies are finding that same-day earning payouts are a low-cost employee perk that helps retain employees, particularly employees with variable hours and non-traditional employment structures.



According to the Society for Human Resource Management® (SHRM®), instant pay options can also help employees with their overall financial health. Some employers have found the average pre-payday withdrawal to be

\$27, which counters the argument that the funds are used for large impulse purchases. Accessing funds outside of standard pay schedules can help employees avoid predatory loans and prevent searches for alternative employment that offers more immediate paydays.³

The cons of faster payments

Even as same-day payment apps take off, there is a downside if employees don't carefully manage their spending and their withdrawals. Frequent access to payroll funds can easily result in an employee spending their wages as soon as they are received. This can lead to an increase in financial difficulties as impulse spending takes priority over budgeting for expenses.⁴



Employers – particularly small businesses – may need to bump up their payroll management to keep up with daily reporting. There can also be additional costs for using the apps in the form of per-employee fees or integration with existing payroll systems and technologies.

Should your business sign up?

As the pace and complexity of society continue to increase, frequent access to payday funds becomes more important. Gone are the days when employees budgeted only for a mortgage, car and day-to-day living expenses. As financial responsibilities increase, people will continue to seek faster, easier ways to make ends meet and employers need to factor these needs into their policies.⁵



Companies interested in tapping into one of these immediate payday options should consult a trusted financial expert who can work closely with a business to design a benefit and payment strategy that best suits the company's and employees' needs.

Let's talk about your business

For more information on KeyBank's capabilities, contact your **KeyBank Relationship Manager**.



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¹Living Paycheck to Paycheck is a Way of Life for Most American Workers According to New CareerBuilder Survey," August 24, 2017, <http://press.careerbuilder.com/2017-08-24-Living-Paycheck-to-Paycheck-is-a-Way-of-Life-for-Majority-of-U-S-Workers-According-to-New-CareerBuilder-Survey>
²Megan Leonhardt, "This Unnecessary Bank 'Service' Could Be Costing You \$450 A Year," August 4, 2017, Time.com, <http://time.com/money/4886380/overdraft-protection-fees-450-dollars/>
³Dave Zielinski, "New Instant Pay Mobile Apps Remake Payday," January 8, 2019, SHRM, <https://www.shrm.org/resourcesandtools/hr-topics/technology/pages/new-apps-remake-payday.aspx>
⁴Amrita Jayakumar, "Earnin App 2018 Review: Get an Advance on Your Paycheck," November 2, 2018, NerdWallet, <https://www.nerdwallet.com/blog/loans/earnin-personal-loan-review/>
⁵Stacy Cowley, "New Payday Options for Making Ends Meet," July 4, 2016, *The New York Times*, https://www.nytimes.com/2016/07/05/business/dealbook/new-payday-options-for-making-ends-meet.html?_r=0

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