



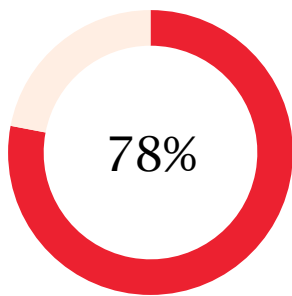
Earned Wage Access

The Complete Guide

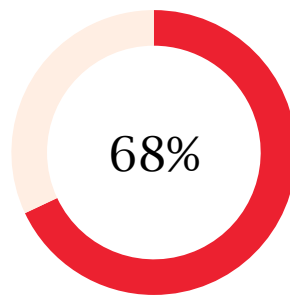
Unlocking the benefits of on-demand pay and earned wage access for your organization

State of the Industry

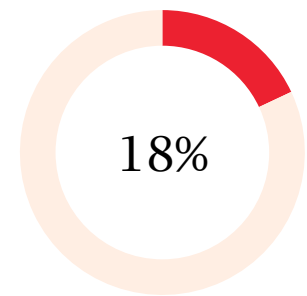
Staffing shortages and **labor management** are among today's top challenges for restaurant and foodservice operators, given that employers simply cannot find enough qualified workers to satisfy their current demands for service. The aftereffects of the global pandemic are still being felt, with widespread economic anxiety and rising inflation leading to a major shift in the restaurant and hospitality landscape. As such, it has never been more challenging to maintain **employee engagement**, **empower staff**, and **retain top talent**.



Restaurant operators don't have enough employees to support customer demand¹



Operators say tech and automation will be used to battle the labor shortage²



Average loss gross revenue per store from improper staffing versus demand³

Meanwhile, **69%** of hourly employees admit to living **paycheck to paycheck** and **70%** of hourly employees say they have **less than \$500** saved in case of a rainy day.^{4,5}

To make matters worse, almost **70%** of hourly employees say that financial stress has a **direct impact on their physical health**, and **79%** of employees **worry about personal finances** while at work.^{6,7}

This presents a major obstacle for the hospitality industry, given that most of the workforce is on their feet for the entirety of their shift and are expected to deliver an exceptional guest experience every time.

^{1,2} National Restaurant Association, State of the Restaurant Industry 2022

³ Information based on Fourth Enterprises, Inc company data, 2022 Impact on the Restaurant

⁴ American Banker + APA 2020

^{5,6} Visa Insights 2019 (EWA survey)

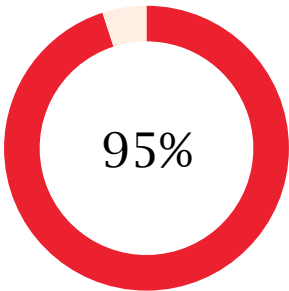
⁷ PWC's Employee Financial Wellness Survey, 2021

Earned Wage Access Explained

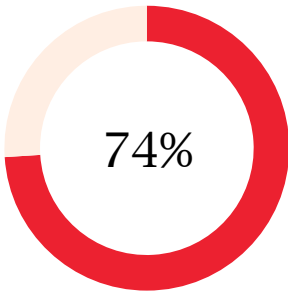
In order to better **develop leaders** to support **future profitability** and **reduce turnover**, businesses must address the challenges faced by their employees head-on. The only near-term solution to the crisis is to find ways to leverage technologies to stay ahead of the curve to better battle this labor shortage. That's where the benefit of **earned wage access** comes in.

Earned wage access (a component of **on-demand pay**) is a financial service that allows employees to access a portion of their earned wages on-demand, rather than waiting for traditional payday. On-demand pay ultimately provides employees with the flexibility to access their wages whenever they need them, offering a convenient alternative to the standard bi-weekly or monthly pay cycles.

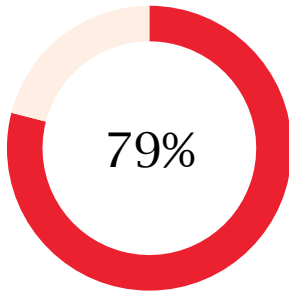
On-demand pay can be particularly beneficial for employees who face **unexpected expenses, financial emergencies**, or who simply need better **control over their cash flow**. It offers greater flexibility and financial stability by allowing employees to access their earnings as needed, reducing their reliance on credit cards, payday loans, or other forms of high-interest borrowing. And it's more than a trend, as demonstrated below.



Workers prefer employers that offer on-demand pay⁸



Workers reported fewer unplanned absences because of on-demand pay⁹



Workers would be willing to switch employers for on-demand pay¹⁰

^{8,9,10} Visa Insights 2019 (EWA survey)

Benefits of Earned Wage Access

The availability and frequency of on-demand pay may vary depending on the employer's policies or the selected service provider. But a few key benefits for both employees and employers can be found below.

For employees



Make any day a payday



Reach financial freedom



Eliminate bank/loan fees

For employers



Attract top talent



Fill open shifts



Encourage financial wellness



Streamline payroll process and associated costs



Improve retention and engagement

In summary: Getting early access to their pay after they earn it without having to wait until payday can help your employees meet their financial goals, which in turn can help you develop a more optimistic, more engaged, and more productive workforce.

How the Process Works

Earned wage access works through a combination of technology, payroll integration, and financial partnerships. Here's a general overview of how the process typically works from beginning to end:

Step 1: Employer integration

An on-demand pay solution requires access to the employer's data to allow a feed of time and attendance information. The integration allows for real-time access to employee hour and wage data and facilitates the secure transfer of funds.

Step 2: Employee enrollment

The employee creates an account through an app or online platform where they will need to provide information like employment details and bank account information for fund transfers.

The on-demand pay system then continuously tracks the employee's earned wages based on the hours worked and other payroll data.

Step 3: On-demand request

When an employee needs access to their available earned wages, they initiate the request through the app or platform. The system then process the request. Once approved, the funds are transferred to the employee's bank account or digital wallet, which can range from minutes to hours.

Step 4: Deductions and Reconciliation

When the regular payday arrives, the on-demand pay system deducts the amount of wages that were accessed early from the employee's upcoming paycheck, ensuring that the employee receives the remaining balance of their net pay. The system then generates reports and records to track and reconcile the early wage access transactions.

The exact workings of earned wage access can vary depending on the specific service provider and employer policies. Some providers may offer additional features such as financial wellness tools, budgeting assistance, pay cards, or educational resources to support employees in managing their finances.

Associated Costs

The costs associated with earned wage access can vary depending on the specific service provider and the arrangements made by the employer. Here are some common cost factors to consider:



Transaction fees: Usually charged for each early wage withdrawal made by the employee. The fee can be a flat rate, or a percentage of the amount withdrawn.



Employer subsidy: An employer may subsidize the cost of on-demand pay as an employee benefit, which means covering some or all the transaction fees on behalf of their employees.



Integration & setup costs: Implementing an on-demand pay service may involve setting up data feeds with payroll and time clocks, or the adoption of new software, leading to potential setup fees.



Service provider fees: Providers may charge fees based on the number of employees enrolled or other factors, including verifying employee eligibility or reconciling financial records.

It's important for both employers and employees to carefully review the terms and conditions of on-demand pay services, including any associated costs.

Employers should consider the overall impact on their budget and weigh the benefits against the expenses.

Employees should be aware of any transaction fees or charges that may apply when accessing their earned wages early.

It's worth noting that the costs of earned wage access are not universal, and some providers may have different pricing structures or fee arrangements.

Conclusion

When it comes to managing labor, it's imperative that operators can answer key business-critical questions, including:

- Are we implementing the right tools to create a more optimistic, more engaged, and more productive employee?
- Are we staying competitive in a shifting landscape by retaining top talent and reducing employee turnover costs?
- Are we attracting the best talent by offering the necessary benefits and flexibility that the modern worker requires?
- Are we doing right by our employees and empowering them to reach financial wellness?

Overall, **earned wage access provides a win-win situation** for both employees and employers, promoting financial flexibility and well-being while positively impacting workplace dynamics.

Thank you for reading, we hope you learned a few things!

Interested in learning more? Don't hesitate to contact us to learn how Fourth's on-demand pay solution, Fuego, can benefit you and your employees.

[Get a personalized demo today](#)

