

**HR & Payroll Foundations Series**

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# How **flexible pay propositions** can help payroll professionals retain top talent



# The cost-of-living crisis means many face a struggle to make ends meet – but for businesses which have a reliable payroll set-up, offering flexible payment options can help

With the Bank of England forecasting inflation will peak in late-2022 at a staggering 11%,<sup>1</sup> the cost-of-living crisis is not likely to ease any time soon. For millions of people, this means the value of their earnings is eroded; even if they receive a pay rise it's likely to be well below the rate of inflation, meaning a cut in real earnings.

And the pressure is already beginning to tell. According to a study by flexible payment provider Wagestream,<sup>2</sup> nearly seven out of 10 employees (68%) are concerned about their finances and hiding this from employers, and as many as one-in-four (24%) worry about money every single day.

For employers, this poses a number of challenges, not least the potential damage that arises from having a stressed and underperforming workforce. But it also adds to the risk of staff moving on – something that's already being seen in the post-Covid 'Great Resignation' – with people more likely to seek a better-paid job.

<sup>1</sup> [www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising](https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising)  
<sup>2</sup> [www.peoplemanagement.co.uk/article/1751690/seven-ten-employees-hiding-money-concerns-work-poll-finds](https://www.peoplemanagement.co.uk/article/1751690/seven-ten-employees-hiding-money-concerns-work-poll-finds)





# The Great Resignation

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Fortunately, there are ways in which organisations can help to counter this, and payroll professionals have a key role to play in helping to deliver on this.

Data from Blackhawk Network<sup>3</sup> suggests 63% of UK employees would leave their current job to find an opportunity that provides better financial support, and only 5% feel their employer is doing enough to support them through the crisis.

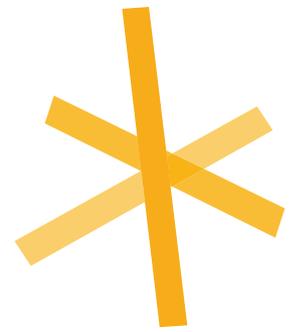
“Every business is worried about that because, together with the Great Resignation, there’s a new war for talent going on,” says Cathy Geerts, chief human resources officer at SD Worx. “If employees do resign, you know it will not be as easy to attract people as it may have been previously. This is compounded by the fact that many companies are now in a post-Covid growth scenario where they want to expand, which is making the problem even more intense.”

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This can also create issues with maintaining the quality of service being delivered to customers, suggests Peter Briffett, CEO and co-founder of Wagestream. “Outside of the cost-of-living crisis, which is probably the defining HR issue of the next decade, there is a real issue with just maintaining the quality of your business operations,” he says. “It’s a real challenge, not just recruiting but also retaining, particularly when you’re dealing with shift and frontline workers, where everyone has to be present in their job. There’s very low unemployment and a huge number of jobs available so people have choices.”

<sup>3</sup> [www.blackhawknetwork.com](http://www.blackhawknetwork.com)



# Pay advantage

One way in which payroll functions can impact both retention and recruitment is through the use of pay-on-demand, which can enable employees to access money they have already earned when they need it, rather than having to wait until a set pay-day. Research commissioned by Lloyds Bank and Wagestream<sup>4</sup> finds 90% of UK finance and people leaders receive regular requests from staff to access earnings ahead of pay day, but fewer than one-in-five companies currently offer this.

For those on lower incomes in particular, this can make a real difference, potentially avoiding the use of credit cards or, worse, payday lenders. It's something the Fair by Design campaign has also recognised, as part of its initiative to help the 14 million people each year who are forced to pay extra on

items such as loans, energy and insurance; something it terms the 'poverty premium'.

"It's been known for some time that longer, locked pay-cycles can lead to irregular spending patterns and liquidity problems for workers," says Emma Steele, investment director for the Fair by Design campaign. "This compounds other aspects of the poverty premium, including a lack of access to affordable credit and other core financial tools, all of which are experienced by much of the working population. The result is that they can act as a debt trap." ►



<sup>4</sup> [www.businesswire.com/news/home/20210607005364/en/9-in-10-Want-Flexible-Pay-Impact-of-Earned-Wage-Access-Revealed-in-New-Study-From-Wagestream-60-Decibels](http://www.businesswire.com/news/home/20210607005364/en/9-in-10-Want-Flexible-Pay-Impact-of-Earned-Wage-Access-Revealed-in-New-Study-From-Wagestream-60-Decibels)



► Nick Day is managing director of payroll recruitment firm JGA Recruitment Group. He's seen at close hand just how beneficial this can be. "For those sitting at the lower end of the earning scale, it can be a fantastically positive benefit. Certainly, if there's a company offering flexible pay-on-demand versus a company that isn't, then it's a benefit that may make a difference in terms of attracting that talent."

There are a number of different providers of pay-on-demand, but a provider will typically integrate with a company's payroll system to ensure that any deductions are taken into account when wages are paid on the usual cycle. "We don't interfere with that payroll process at all," says Briffett. "But it's important that we're able to get very good data out of the system so we know how much everyone is earning. If we can integrate with the more advanced payroll systems that are cloud-based through APIs, it's a lot easier for us to provide the service."

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Nick Day, managing director, JGA Recruitment Group



## Empowered payments

Once a business has put in place provision to allow people to access money earlier, it then becomes possible to help them in other ways. “Because we can access workplace management systems, we can do some really exciting things such as every time someone does a shift, we can round down the amount of that shift and put the difference into a savings account,” says Briffett. “So if someone earned £40 pounds and 80 pence they would save the 80p. We’ve now got hundreds of thousands of people saving for the first time.” Wagestream also offers employees the use of an app which provides access to a financial coach, helping them make better decisions around money.

There are teething problems, though, which need to be overcome. Day points out that the UK is lagging behind the US in terms of adoption of flexible pay; something he attributes to a lack of understanding about how it all works.

“People worry that it can be dangerous and that giving people access to money earlier means they will spend it earlier and run out of money before the end of the

cycle,” he says. “There’s also some concern about how pay-on-demand solutions work with current legislation. I don’t think they’ve been fully answered yet to give the industry as a whole confidence to widely adopt it.”

Briffett points out that most companies will cap the number of times employees that can use the service each month, and also how much they take out, with most choosing a maximum of 40% of total earnings. He also stresses that Wagestream effectively finances the transaction until the month-end, so there is no alteration to the relationship with the employer.

“We don’t want people taking their entire pay packet,” he says. “The whole premise of what we were trying to do at the beginning was to give liquidity back to workers and stop people going into debt. We’re effectively trying to stop payday loans as well as overdraft fees.”

The average usage is about twice a month and the typical drawdown is about £76, he adds.

# Business benefits

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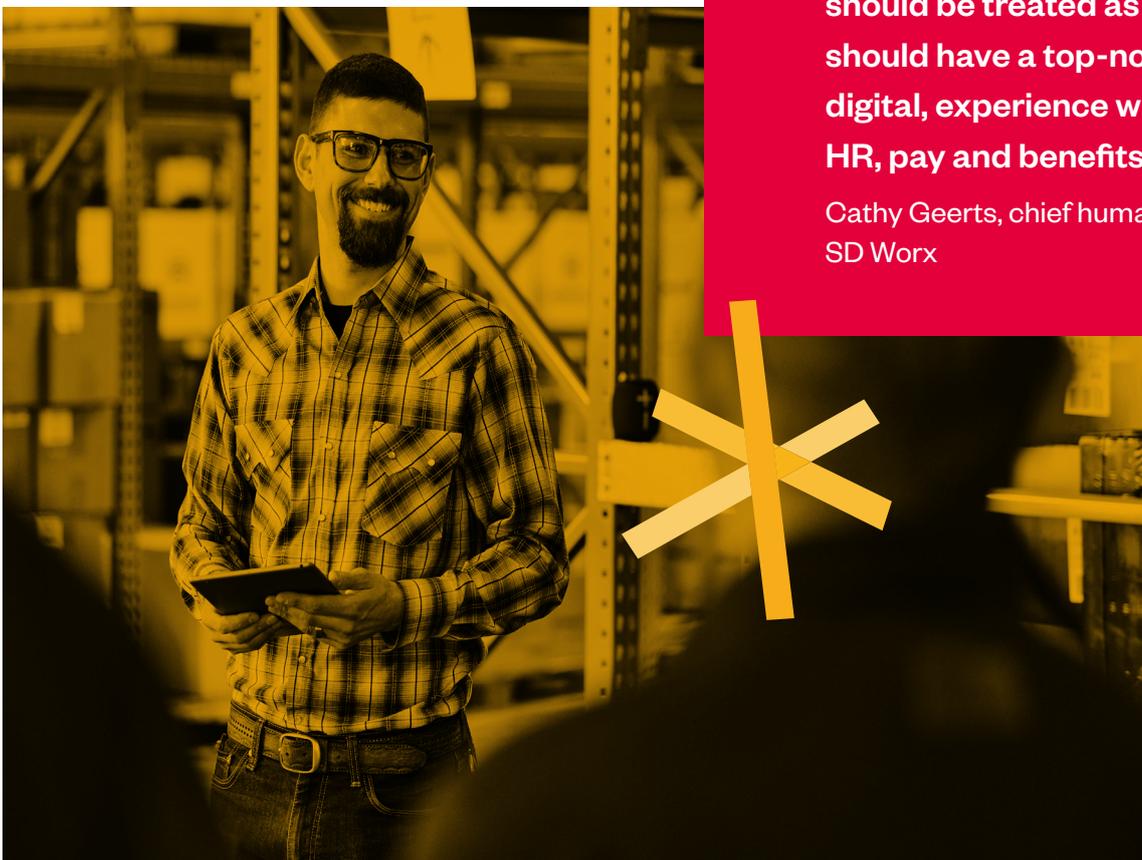
Briffett believes there are three main ways in which a business can benefit from implementing pay-on-demand and associated services, when aligned with an effective payroll and workforce management solution. “The first one is it’s easier to recruit people,” he says. “If I’m a barista and I could work at a coffee shop that pays monthly or one that lets me choose when I get paid I will go and work for the second one. Number two is retention. Hospitality or retail brands can lose up to 70% of staff every year but flexible pay is so compelling that you’re more likely to retain staff. Thirdly, people do more shifts because there’s a real-time link between work and financial reward.”

Pay-on-demand can also help payroll professionals and HR teams improve the overall experience employees have, which will be vital when it comes to attracting and retaining staff. “That entire employee experience is very much on the agenda,” says Geerts.

“The fact is that your employees should be treated as clients and they should have a top-notch, partially digital, experience when it comes to HR, pay and benefits. That’s one of the necessities if you want to offer that flexible reward package.” ▶

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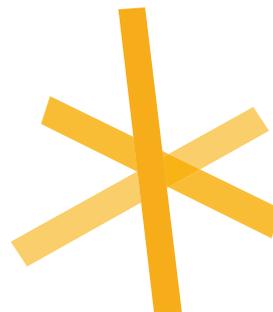
**“For the first time, board-level individuals are recognising payroll as a strategic department that can really have a huge impact on the way employees are remunerated and the wellbeing of employees, which also links to retention.”**

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Recruitment Group

► For payroll professionals, being able to influence such vital issues, particularly in the current climate, provides an opportunity to take on a more strategic role and demonstrate the broader benefits that the function can offer. “From a payroll professional’s perspective, that’s one of the most exciting things about pay-on-demand,” says Day.

“For the first time, board-level individuals are recognising payroll as a strategic department that can really have a huge impact on the way that employees are remunerated and the wellbeing of employees, which also links to retention. Things like pay-on-demand can only add to that.”

The information that can be gleaned from the use of pay-on-demand can also help identify other areas of concern. “It can allow you to really look at the lifecycle of an employee’s journey through that business, such as whether there are any pay gaps or regional pay discrepancies,” says Day. “Pay-on-demand could play a pivotal role from a payroll professional perspective in giving them the ability to be more strategic.”





## What are the next steps?

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The ability to offer pay-on-demand is another reason why businesses may decide that now is the right time to take the step of investing in a new or outsourced payroll system. Being able to demonstrate the impact on recruitment and retention can help those working in the function make the case for this, suggests Geerts.

“It’s another reason which has highlighted the need to ensure continuity in your payroll, and also compliance with GDPR, which underlined the benefits of a state-of-the-art payroll system reflecting all legal changes,” she says. “Our own studies suggest that moving payroll to a business process outsourcing setting is being looked at more this year than it was a couple of years ago.”

As for pay-on-demand itself, Day believes this trend is only likely to accelerate, even if it doesn’t happen quite as quickly as some predict. “Ultimately now we live in a world of instant-everything,” he says. “When you’re looking for a movie it’s digitally streamed; when you need a taxi you have an Uber app. The traditional pay cycle now seems outdated; why should people have to wait to get paid for something they have already done? It will happen because employees will start demanding it.”



To find out more about how SD Worx can help your business put in place a system that provides the fundamentals needed to allow you to offer pay-on-demand visit [sdworx.co.uk](https://sdworx.co.uk)

# The outsourcing advantage

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Having an effective payroll system is a must before organisations can consider implementing flexible pay propositions, with all the benefits that brings.

For some businesses, it will make sense to outsource payroll in its entirety to a specialist provider. Below are some of the advantages of taking that approach:

## Cost savings

On average, an outsourced payroll provision could result in 20% lower payroll costs.

## Compliance

An outsourced provider will keep up to date with all compliance regulations, meaning you don't have to.

## Reduced risk

Minimise your exposure to an experienced in-house person moving on or retiring.

## Tech investment

Take advantage of the latest technology, without the need for constant investment

## Data security

Outsourcing providers are data experts, and will have all the latest systems and security infrastructure, ensuring your data is as safe as it can be.

## Training

An outsourced provider will remove the need to train large numbers of in-house people, as organisations gain from their partner's knowledge, which is constantly being updated.

## Fixed costs

An outsourced provider will charge a fixed fee, helping you to avoid unplanned expenses.

## Peace of mind

Knowing payroll is being handled by the experts means you don't have to worry about it, and can focus on other projects and priorities.



To find out more about why outsourcing your payroll might make sense read SD Worx's [Complete Guide to Outsourcing your Payroll](#)

# Contributors



**Peter Briffett**  
CEO  
Co-Founder Wagestream

Peter is CEO and co-founder of Wagestream – the financial wellbeing app founded with charities, designed for frontline workers and built around their pay.

Guided by a social charter – every service Wagestream provides must measurably improve financial wellbeing – Peter and his co-founder, Portman Wills, recently announced the company had become a certified B Corporation. Now offered through hundreds of caring employers like Bupa, Hilton, Halfords, Pizza Hut, Greene King, Co-op and the NHS, Wagestream is making work more inclusive, fair and rewarding for over two million frontline workers around the world.

People are using Wagestream to choose their own pay cycle, manage their budgeting, save and access free money coaching or deals on financial products.



**Nick Day**  
Managing Director  
JGA Recruitment

Nick Day is the founder of JGA Recruitment Ltd, an award-winning Global HR & Payroll Recruitment Consultancy. Nick began his career in 2002 and has become one of the most successful experts in the industry. Nick is qualified to MA level in Professional Consulting and is both REC and AIRS Qualified in recruitment practice. He is also an active professional member of the CIPP.

Nick is also the host of two very successful business podcasts: The HR L&D Podcast and The Payroll Podcast. Nick also hosts the popular SD Worx webinar series, Payroll Question Time.

Nick is the only recruiter recognised in Reward Strategy's coveted Reward 300 'Hall of Fame' for his services to HR & Payroll. In 2019, he was honoured with the 'Leaders within Professional Services Award.' In 2020, Nick received the CEO Today Magazine's Recruitment Category 'CEO of the Year' award.



**Cathy Geerts**  
CHRO  
SD Worx

Cathy started her career 20 years ago as an Employee Benefits Consultant, first with the insurance broker Van Breda Risk & Benefits, then with AON Consulting.

Since then, she has covered various HR positions at Umicore, Nyrstar, and Alpro, before definitively joining SD Worx in 2014 as HR Manager in Talent, Reward, Operations & Analytics.

In 2017, Cathy became HR Director for SD Worx Belgium and in November 2019, she was appointed Chief HR Officer at SD Worx, before becoming then a member of the Executive Committee of SD Worx, reporting directly to CEO Kobe Verdonck.

Cathy took her degree in Romance Language and Literature, and she then followed an MBA in Business Management. She obtained a Master's degree in Compensation & Benefits and HR from the Vlerick Management School.

## About SD Worx

SD Worx provides a comprehensive suite of payroll and HR software and services. Their intelligent payroll, HR and workforce management solutions streamline processes to make day-to-day transactions easier, quicker and more efficient for HR and payroll leaders, managers and employees.

SD Worx invests continuously in consumer-grade user interfaces and extensive self-service to empower employees and enhance their experience. Dynamic mobile payslips, for example, allow employees to access their payslips at any time, on any device. Customers can rely on a flexible, comprehensive service, including SaaS and managed services as well as specialist, bespoke solutions.

Ready to get your HR & payroll foundations right, but not sure where to start?  
Book a payroll discovery session with SD Worx: [sdworx.co.uk/payroll-discovery-session](https://sdworx.co.uk/payroll-discovery-session)