NETSPEND

POWER OF THE PIVOT:

Embracing Three Major Pandemic-Driven Trends

Embracing new workforce dynamics to rebuild workforce stability and drive profitable growth.

The COVID-19 pandemic has accelerated several key workforce trends, plunging staffing firms and employers into uncharted waters and forcing the industry to quickly pivot.

Financial insecurity is more pervasive than ever, and the cost to employers is significant.

57% of hourly workers are financially insecure[1]

150 hours of productivity are lost *per employee* each year due to financial stress[2]

33% of earnings[3] lost *per employee* each year due to financial stress which leads to costly turnover[4]

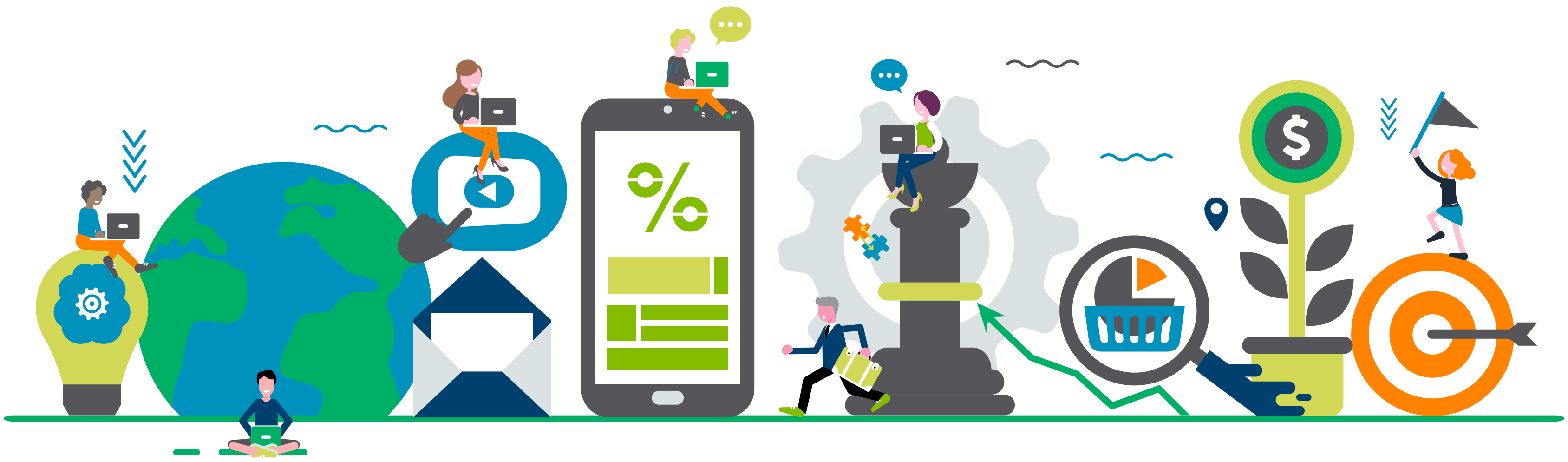
As many industries were thrust into new, remote — or even nonexistent — work environments, members of the workforce became increasingly financially stressed. At the same time, use of digital and contactless payments skyrocketed while the use — and even availability — of cash declined sharply. Very few industries or sectors were left untouched.

At the height of the pandemic's second wave in December 2020, Netspend surveyed more than 1,000 full-time, part-time and gig workers across a variety of industries. The following month, we spoke to more than 500 employers. Through this research, we uncovered the impact of COVID-19 on today's workforce, how businesses are responding to changing workforce dynamics and how they can help workers pave a path to financial security.

As the duration of our "new normal" has extended from weeks to now more than a year, staffing firms can embrace three trends to rebuild workforce stability, maximize operational efficiency and drive profitable growth.

Three Workforce Opportunities

1. The unprecedented adoption of digital and contactless payments can drive major time and resource efficiencies for workers and employers.
2. The shift to remote work has presented exceptional opportunities to eliminate costs — and close the digital access gap for workers.
3. Financial insecurity is at all-time highs among many segments of the workforce[5]. Evolving the way you pay your workforce can lessen its impact on hiring, retention and performance.



TREND

The unprecedented adoption of digital and contactless payments can drive major time and resource efficiencies for workers and employers.

The COVID-19 pandemic has led restaurants, grocery stores, retailers and others to prioritize contactless and digital payments for their customers. In fact, the use of contactless payments increased 150%[6] between March 2019 and March 2020.

At the same time, 7.1 million[7] U.S. adults are still unbanked, and more than one-third of those surveyed[8] report receiving some portion of their income via cash or paper check. For these individuals, bridging the gap from cash or checks to digital, contactless transactions has been challenging, time consuming and costly — or simply not possible.

These workers spend time and resources manually "digitizing" their funds in order to make payments. In fact, since the pandemic began, about one-third of those who are paid by cash or check have had to start paying for products and expenses online and through other contactless methods to maintain social distancing.[9]

This time spent "digitizing" funds often takes the place of budgeting or other activities that could improve their financial situation.[10]

Of the workers being paid by cash or check:

65% report being more likely to run out of funds prior to their next paycheck[11]

54% of employees being paid by cash or check find it difficult to keep track of their spending (versus only 27% of digitally paid workers)[12]

50% report that their financial situation disrupts their work[13]

At the same time, digital payments are making it easier for employers to pay their workers more consistently and reliably, according to 61% of the employers we surveyed, and going digital has streamlined the payroll process for 58% of employer respondents.[14]

THE LESSON:

Staffing firms (and all employers) can reap measurable, bottom line benefits by digitizing wages and making it possible for all workers to transact more efficiently in today's digital economy, regardless of banking status.

TREND

The shift to remote work has presented exceptional opportunities to eliminate costs — and close the digital access gap for workers.

Staffing firms — many of whom have historically been reliant on face-to-face interactions — had to adjust in a matter of days to maintain client service levels, support the need for flexibility and ensure staff productivity in a new remote environment.

This initially added complexity (and cost) to every element of the business, from recruiting to onboarding to compensation. But, by adapting quickly, many firms were able to adopt new approaches that maintained critical deliverables and reduced costs.

One of the most significant challenges many firms had to overcome pertained to payroll, as they worked (often remotely) to ensure consistent, reliable wage payments for workers and their clients through the shift to remote work, furloughs, layoffs and other transitions. Pivoting to digital wage payments or offering early access to earned wages helped firms to adapt payments as-needed, reduce or eliminate the costly logistical challenges of paper payments and close the digital access gap for workers.

For the workforce, particularly those who traditionally received wages via cash or check, the risk of delayed or lost payments suddenly increased, as did the difficulties associated with cashing or depositing checks. Basic access to wages became a major concern, at a time when many could least afford additional financial stress. But, digital wage payments can eliminate the disruption of inconsistent or late payments.

At the same time, early access to earned wages is shown to decrease financial stress and help users pay their bills on time, while reducing employee turnover and increasing job applicants.[15]

77%

of surveyed workers are interested in early access to earned wages[16]

37%

of workers would switch jobs for this option[17]

The cost savings add up quickly, too, as research shows it costs businesses up to $2 to cut and process a check, versus 35 cents or less for direct deposits.[18] Based on these metrics, a business with 100 employees could save at least $7,000 per year by simply opting for direct deposit over paper checks.[19]

TREND

Financial insecurity is at an all-time high among many segments of the workforce.[20] Evolving the way you pay your workforce can lessen its impact on hiring, retention and performance.

Early in the COVID-19 pandemic, more than 70% of Americans reported their personal financial situation had been negatively impacted.[24] At the same time, employment rates plunged to a near 50-year low in April 2020, as did temporary and contract employment.[25] And, the employers we surveyed reported an average of one in five (22%) of their workers have had negative employment impacts from the pandemic.[26]

These and other impacts of COVID-19 have led employers and staffing firms to work with the most financially stressed talent pool in decades, with 57% of hourly workers feeling financially insecure.[27]

Moreover, nearly 44% of employees report their ability to save money has been impacted, and 42% report their ability to purchase things they need such as groceries has been adversely impacted.[28]

As if that weren't enough, the financial divide is widening between those with and without digital access, too. In fact, about one third of those paid by cash or checks have left or lost a job because of financial instability.[29]

But small, relatively simple changes can make a big difference — employers and staffing firms can offer digital payments to give workers more stability and control. They can also provide a whole range of robust payment and financial management benefits to help reverse the downward spiral toward financial instability. These solutions can help your firm stand out amongst competitors, and potentially draw in higher quality candidates that care about maintaining or improving their financial security.

More than 70%
of Americans personal financial situation was negatively impacted by COVID[21]

57% of hourly workers
feel financially insecure[22]

44% of employees
aren't able to save money as a result of the pandemic[23]

Many businesses look to their staffing partner to help them navigate uncertainty and change, and minimizing financial stress or instability has big benefits for everyone:

> The impacts of financial instability are real. It's caused nearly one-third (31%) of individuals to quit a job, whereas 17% have lost a job for this reason.[30]

> Employee turnover is expensive, at about one-third of each employees' annual earnings.[31] But employees that are financially stable are much more likely to remain with their current employer for the next year compared to those who are financially unstable.[32]

> We've already established that digital access helps to decrease financial stress. It also leads to higher performers — 52% of those paid digitally strongly agreed that their last performance review was positive, whereas only 38% of those paid by cash or check could say the same.[33]

We're a year into the COVID-19 pandemic, and the employment landscape is still evolving rapidly. This will require staffing firms to be more nimble and innovative than ever, to maintain and even grow client and employee satisfaction.

There are even some payment perks employees will actually *switch* jobs for.[17]

	WOULD NOT SWITCH JOBS	WOULD SWITCH JOBS
Reliable same-day digital access to tips	56%	44%
Early access to your earned wage	63%	37%
Access to deposit wages in a savings account that earns interest without needing to have a bank account	64%	36%
Free financial education	65%	35%
Access to free financial planning tools	71%	29%
Access to a digital payment account that lets you buy products and services on mobile apps and websites without needing to have a bank account	71%	29%
Option to get paid digitally without needing to have a bank account	73%	27%

Remember

As staffing firms nationwide focus on rebuilding following the COVID-19 pandemic, it's imperative to enable financial health, and participation in the digital economy to bolster your business and deliver better outcomes for employers and candidates.

- Employee turnover is expensive, at about one-third of each employees' annual earnings.[34] *Employees that are financially stable are much more likely to remain with their current employer for the next year compared to those who are financially unstable.[35]*
- And even among workers who stay, the cost of financial stress adds up. *Under normal circumstances, employers lose 150 hours of productivity per employee each year due to financial stress.[36] That's nearly one month of lost productivity for a full-time employee.*
- Recruiting the best and the brightest isn't easy, *but you can up your game by closing the digital gap and enabling a brighter financial future for your candidates.*

To learn more about the tools and strategies that can help the workforce to build financial wellness, visit **netspend.com/business/**

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