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Evaluating the impact of Wagestream on reducing employee turnover: a company analysis

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Background

High employee turnover can be a significant cost to businesses. There are direct costs, such as hiring new team members, which might include advertising positions and running recruitment processes, arranging temporary cover, and the costs associated with onboarding and training new employees. There are also potentially greater indirect costs, such as a loss of productivity – the result of the time taken for new employees to attain the capability of the individuals they have replaced.

Consequently, reducing employee attrition is likely to reduce costs and increase productivity. This is particularly important in industries that typically suffer from high turnover.

Companies have traditionally tried to reduce employee attrition in a range of ways, ranging from extrinsic rewards (e.g. salary increases) to non-financial benefits (e.g. measures to improve wellbeing). A new generation of technologies is now offering new ways to improve staff retention. This report covers one such technology, called Wagestream.

What is Wagestream?

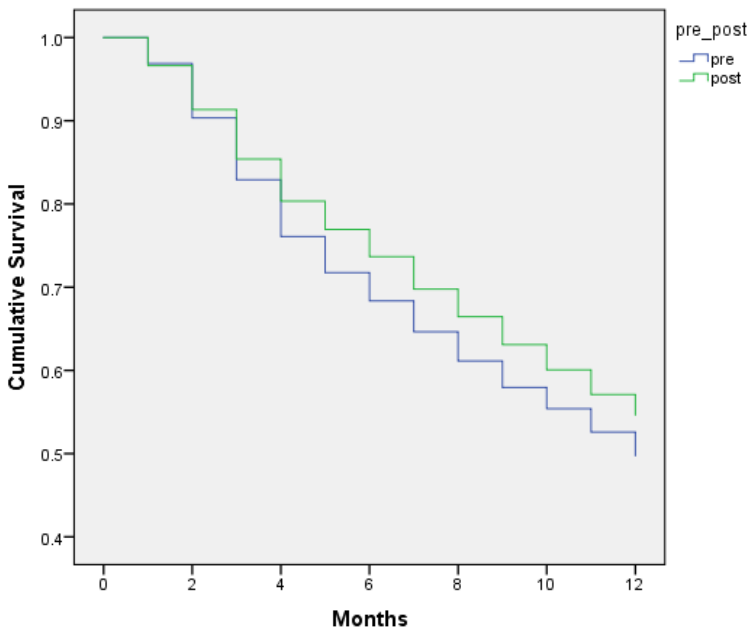
Wagestream is an app that plugs into companies' workforce management and payroll systems. It allows employees to draw down income that they have already earned, as agreed with their employer, but have not yet been paid. It also lets employees track their earnings in real time and set aside a small amount of money each month, to create a financial buffer to protect against future income shocks. The aim is to help employees build a more secure financial future and avoid having to use much more costly options, such as payday loans.

Wagestream can help to reduce employee turnover if employees feel supported by their employer to be more financially secure and in control of their income. There are likely to be other, wider benefits for employees as well as employers, in terms of better financial management. However, this report focuses on the impact on employee turnover specifically, using the data available on this.

Analysis and results summary

Ipsos MORI analysed the employee records of a UK company that uses Wagestream. We compared the trends in employee retention before and after Wagestream was adopted.

The analysis shows that, for this company, employee retention rates were, on average, five percentage points higher in the 12 months after adoption than they were in the previous 12 months. The impact is apparent from around the first couple of months of using Wagestream, as per the following chart.



5%

Absolute percentage point increase in employee retention rate, on average, in the 12 months after adopting Wagestream

At the beginning of the first month, 100 per cent of the employees are in employment. After the second and third months, cumulative retention rates are around two percentage points greater in the post adoption period. After five months, the cumulative retention rate is five percentage points greater in the post-adoption period. It remains five percentage points higher for the remaining seven months. There is also more indicative evidence to suggest that this gap might further widen after 12 months.

Conclusions

These results evidence the significant positive impact that Wagestream can have on employee retention. The mechanisms for this impact could be an increase in employee satisfaction with their employer after gaining more financial security or, more generally, employees seeing the Wagestream app as an employee perk in its own right. Wagestream's previous survey research with their user base suggests such reasons, with 82 per cent of new users feeling more positive about their employer and 53 per cent saying that their financial situation had improved as a result of using the app.[1]

While these particular findings reflect employees from a single company, they potentially show considerable promise for organisations that want to use innovative tools like Wagestream to reduce employee attrition. Further work may help to explore which types of organisations benefit the most from Wagestream. Further research could also explore the wider benefits of Wagestream, in helping employees to be more in control of their spending.

[1] These results are from Wagestream's internal user surveys, carried out around three months after they started using the app. The 82 per cent result is from a survey of 2,847 users from November 2019 to present, while the 53 per cent is from a survey of 1,238 users from December 2019 to present.

Detailed methodology and findings

Approach to impact evaluation

Decision to adopt a pre-post evaluation design

It is analytically challenging to establish that the introduction of a new technology, such as Wagestream, is responsible for improving an outcome such as employee retention. A randomised control trial (RCT) is the most robust method for establishing a causal link between the technology and the outcome. RCTs include a control group – a group that has the same set of characteristics as the treatment group but does not receive the intervention (in this case, using the Wagestream app). The difference in retention rates between the treatment and control groups measures the impact. However, RCT designs are often not possible in real-world circumstances, as was the case with Wagestream, and other evaluation approaches are required.

For this analysis, data were available on job start and exit dates for companies using Wagestream, going back over a number of years. The ease of access to these historical data, compared to the practical difficulty of running a full RCT, meant that a pre-post evaluation design was the best analytical approach. This is where the job exit rates prior to a company's adoption of Wagestream are compared to the job exit rates after adoption of the Wagestream app. The difference in exit rates is interpreted as the impact.

Identification and review of external factors beyond Wagestream affecting retention rates

There are various drawbacks to the pre-post design. One challenge is if some other factor, which also affects job exit rates, has coincidentally changed alongside the adoption of the app. In this case, it may be that this potentially unknown or unobserved other factor is responsible for the change in exit rates we observe, rather than the app. We can never rule out all the possible external factors affecting the results of the pre-post analysis, but we do attempt to identify trends, which would at least allow us to highlight and acknowledge any consistent, systematic external factors.

One example of a major external factor to acknowledge is the COVID-19 pandemic. The economic impact of the pandemic in depressing the jobs market, as well as the impact of things like government-funded furlough schemes, are likely to have inhibited natural staff turnover. However, COVID-19 has only had a limited impact on this analysis, because the company we analysed adopted the Wagestream app around 17 months before the UK went into lockdown in March 2020, giving as an undisturbed pre-post analysis period.

Other factors, such as changes in the labour market affecting the availability of alternative employment, are less easy to observe. In order to mitigate this potential issue, we analysed exit rates going back over a three-year period (36 months) before the introduction of Wagestream. Splitting the three-year period into three 12-month periods allowed us to see if exit rates were already trending upwards or downwards before Wagestream was adopted. As we discuss later in this chapter, no such evidence was found.

We, therefore proceeded with the straightforward pre-post comparison of exit rates. Whilst absence of evidence does not rule out unobserved factors confounding the results, it is consistent with the interpretation that the Wagestream app was responsible for any improvement in retention rates.

Defining our observation periods

The aim of the analysis is to explore exit rates and the proportions remaining in work at successive time points, within a fixed window of observation – the observation period.

- The company featured in this analysis adopted the Wagestream app in November 2018.
- The absolute end point, beyond which we would not carry out any further case analysis, was chosen to be 31 March 2020. The UK went into lockdown in response to the COVID-19 pandemic on 16 March, so observations beyond March are likely to be adversely affected by the pandemic.

Within these constraints, we carried out three different types of analysis based on different pre-app adoption and post-app adoption observation periods:

1. The simplest analysis defined the pre-adoption period as the 17 months prior to adoption of the app, i.e. June 2017 to the end of October 2018. This definition allowed us to compare the 17 months *preceding* the adoption of the app to the 17 months *after* adoption, i.e. November 2018 to the end of March 2020.
2. The second analysis replicated the first but was constricted to the first 12 months in each case. Therefore, the pre-adoption period was June 2017 to the end of May 2018 and the post-adoption period was November 2018 to the end of October 2019.

   This analysis was considered more robust for two reasons and is the main analysis reported in the summary. Firstly, it deals with seasonal differences. In the 17-month periods, the months are distributed differently (June to October vs. November to March), meaning that seasonal differences can affect the findings. E.g. if there are more job exits at the beginning of a calendar year, then the 17-month post-adoption period would have an inherent disadvantage.

   Secondly, a shorter observation period is more robust. This is because the further away we get from the start of the observation period, the less likely the employees who have remained in their jobs up to this point are to leave. As a worked example, over the first 12 months of the full 17-month post-adoption period (November 2018 to the end of March 2020), there were 1,358 job exits – an average of 113 per month. However, in the remaining five months, there were only 65 job exits – an average of 13 per month. The relatively small number means that we have less confidence in the results for later months.
3. The third and final analysis takes into account seasonal differences and also considers the existence of a long-term trend upwards or downwards in job exits (which might suggest that factors other than Wagestream are making a difference). This analysis defined the timeframes in four blocks of successive 12-month periods, i.e. 1-12 months after the adoption of the app, 1-12 months prior to adoption, 13-24 months prior and 25-36 months prior. This approach tested for the presence of a year-on-year systematic trend in job termination rates.

Analysis

Survival analysis was undertaken, using the life-table procedure in SPSS. The observation period was chunked into monthly intervals and any termination within the month was defined as a job exit for that month. Only employees whose employment period started within the post-app adoption period[2] were included in calculating the job exit rates and survival curves for the post-app period. The same logic was applied to the pre-adoption period. This was for both the main analysis and the secondary analysis. This ensures that the analysis focuses on the impact of the app on new starters to the job, rather than on the

[2] A person may have started employment at any stage of the observation period. Their employment start date determined how many months of data were available over which to observe their job exit. I.e. someone whose job start was at the beginning of the block would have more months over which to observe an exit than someone whose job started during the last month of the block.

existing stock of employees. Consequently, this enables us to know that at the start of a block of time, 100 per cent of people were in employment.

- After the first month, we can calculate the proportion who have left work within that month. We subtract this from the 100 per cent who started their employment at the beginning of that month. We can then calculate that x per cent (100 – percentage exiting within the first month) 'survive' in employment until the second month.
- After the second month, we calculate the proportion of job exits within those first two months and subtract these from the proportion that started within those first two months.
- We repeat the process of calculating cumulative exits for each subsequent month in the observation period, which gives us a survival curve showing the percentage who started work within that period and remain in work at the end of each month.

In practice, this means that someone who started their employment in the pre-adoption period but quit in the post-app period is not counted as a job exit in our analysis.

The main analysis (17-month periods and 12-month periods)

In the full 17-month pre-adoption period (June 2017 to October 2018), 4,575 employees started work. Of these, 2,299 were observed to exit within 12 months (up to the end of May 2018). A further 1,118 were observed to finish work in the remaining five months prior to the end of the pre-adoption period (the end of October 2018) and 1,158 were still employed.

These figures compare to 4,436 job starters in the full 17-month post-adoption period (November 2018 to March 2020), with 1,358 finishing work within the first 12 months (up to the end of October 2019). A further 65 finished their employment between November 2019 and March 2020, leaving 3,013 still in employment at the end of March 2020 (i.e. after the full 17 months).

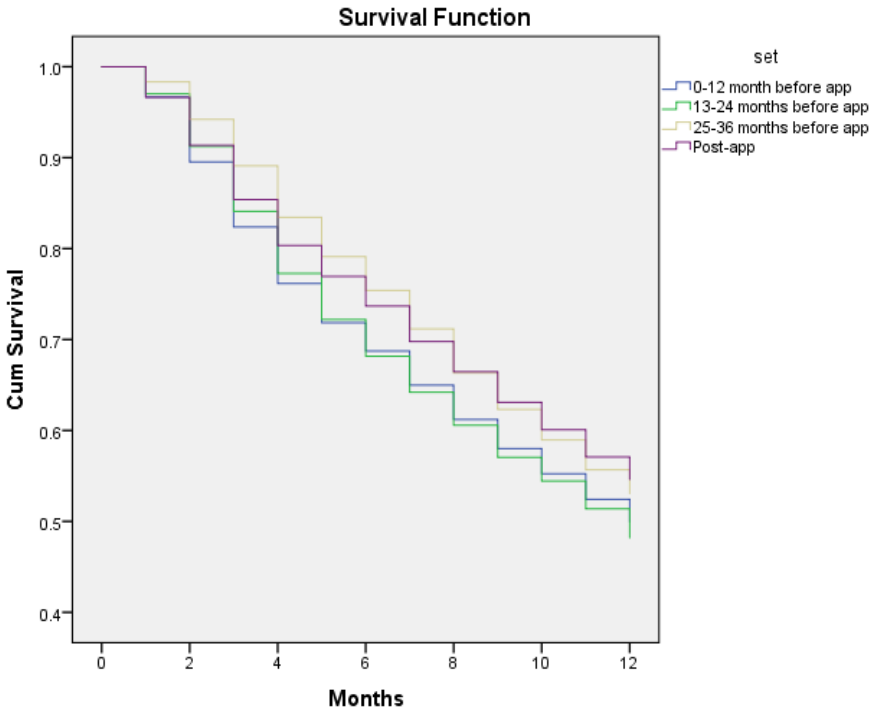
As discussed in the previous section, the exit rates after 12 months are less robust, because there are fewer cases in the latter months of the post-adoption period. Restricting the analysis to 12-month blocks showed a statistically significant difference between the exit rates of the pre and post-app cohorts (Wilcoxon-Gehan = 40.6, df = 1, P = 0.000).

Additional analysis (four 12-month blocks)

The additional analysis split the employees into four cohorts with a job starting at some point within each of the 12-month blocks. There were 3,190 observations in the post-app period[3], with 2,585 in the preceding 12 months, 2,917 in the preceding 13-24 months and 2,962 in the preceding 25-36 months.

The survival curves in the following chart show that, in the three-year period prior to app adoption, the job exit rates increased from block 1 (25-36 months before adoption) to block 2 (13-24 months before adoption) and then levelled off between block 2 and block 3 (up to 12 months before adoption). The introduction of the Wagestream app (block 4) coincided with an improvement in employee retention, with a survival rate close to that seen in block 1.

The block 1 to 3 survival curves shown here indicate that there is no consistent, systematic trend over time in job exit rates, providing another layer of validation for the pre-post evaluation design. They also show that the impact seen in the main analysis was not down to seasonal differences in staff turnover, given that the same 12 months are used across all four blocks of this secondary analysis.



[3] This number is less than that used in the main analysis because job starts were tallied over a 12-month period, compared to the 17-month period in the main analysis.

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