

Season 3 | Episode 14

# Improving Financial Wellness for Your Frontline Workers



## Rob Parsons

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### Rob Parsons:

Welcome to PULSE, a Paychex HR podcast, where HR professionals find insights on today's top issues and inspiration to build and lead effective teams in a healthier workplace. I'm your host, Rob Parsons.

### Rob Parsons:

Welcome to the PULSE podcast everyone, Rob Parsons here. Today, we're going to be talking about financial well-being. Our guest is Sabina Bahtia. As the Chief Customer Officer at PayActiv, Sabina's an ambassador for the voice of clients and their employees. Her tenure spans from the early days of PayActiv, with a company of less than a hundred clients to now reaching thousands. And she has been instrumental in the evolution of PayActiv as the industry leader in holistic financial wellness. Sabina, thank you for joining.

### Sabina Bahtia:

Rob, excited to be here, and thank you so much for having me.

### Rob Parsons:

It's great. I have to tell you, I am totally intrigued by this concept of holistic financial wellness. We've been talking a lot about holistic wellness, financial, emotional, social, mental, but this focus on financial having its own holistic space is really interesting. We're talking about a lot more than just a paycheck here, aren't we?

### Sabina Bahtia:

Yes, we are, Rob. And more importantly, when we are talking about financial wellness and improving it and initiating it in various industries and organizations, I think it's important to first talk about who this financial wellness is going to be for. So, we have to define that labor force. So, if you would allow me, I'd like to talk a little bit about that first, Rob. Does that make sense?

### Rob Parsons:

Of course. Yep. Great way to set the stage.

**Sabina Bahtia:**

So, Harvard Business Review recently came out with an extensive report on the labor force prior to the pandemic, during the pandemic, and post-pandemic. Today, this is what it looks like: about 44% of Americans are employed in low-wage jobs and at the frontline of industries. And let me just go into the details when I say frontline of industries. These are the people that you see when you check out at a grocery store, when you check into a hotel, and the porter that takes your luggage upstairs. The caregivers who take care of our parents and our grandparents. The hospital staff that has taken care of us all through the pandemic. The FedEx ground package handlers who've come and dropped our groceries, our prescriptions, our day-to-day necessities at our doorstep for two years and more when we were so afraid to get out of the house because we were concerned about getting sick.

**Sabina Bahtia:**

This entire workforce stood up and took care of us without worrying about what could happen during the pandemic. That is the workforce we are speaking about. That is the workforce that became the essential workforce. So when we talk about financial wellness and the improvement of financial wellness, we are talking for them.

**Rob Parsons:**

I love it. That's a purpose worth focusing on. And I suspect many of our listeners have a workforce that looks just like that, and relied on them heavily the last two years and are going to be relying on them going forward.

**Sabina Bahtia:**

Correct, Rob. But once again, when we talk about financial wellness, let's talk about what the state of financial wellness is for this essential workforce that has helped us build an economy. And now it is our responsibility, and when I say our, I say, PayActiv's responsibility, leaders in the HR space, clients that we work with. Every employer and the industry has a responsibility to make sure that they benefit from the economy that they have helped us build.

**Sabina Bahtia:**

When it comes to financial wellness and the state of their financial wellness during the pandemic and after the pandemic, I want to explain that just using a story. So, think about the hourly worker who comes into work, probably spends \$7, \$8 just getting to work. You know where the gas prices are today. I'm here in the Bay Area and a gallon of gas is \$5 plus. So now, think about the hourly worker that has a median income of approximately \$38,000 a year, making less than \$20 an hour, paying \$5, \$6 each way to get to work. They come in, they punch in, they work their six hours, eight hours, nine hours, whatever their employer allows them to have or accumulate as a shift on that day. Then they check out, they clock out. Do they get paid that day, Rob?

**Rob Parsons:**

No. Typically, they get paid every week, maybe every two weeks. The employer likes to hold onto that money as long as possible.

**Sabina Bahtia:**

The employer is also not under control, right? They rely on a payroll system. And that's really where better technology can help. But most importantly, let's go back to helping the hourly workforce meet their basic needs. So if you're clocking in and clocking out, you're filling a day's work, why should you have to wait for a week or two weeks and sometimes more than two weeks to get paid if you're a new employee? When they do wait, that is the liquidity crunch that hurts the hourly worker. They cannot take care of their day-to-day expenses. Forget savings, they just can't take care of their transportation costs, their needs for food, for basic necessities, for emergencies, things like that.

**Sabina Bahtia:**

So, what really happens is financial stress. We run many surveys across the board for 2 million plus users that we serve. And people love numbers, so let me share a few numbers with you. For just \$80, \$100 a payroll period just to get by, 45% rely on borrowing from friends and family. Rob, you know that is hard. It is a huge dignity issue for you and me to have to go to our friends and family to borrow money to get through the day, right? And now-

**Rob Parsons:**

Absolutely, yeah.

**Sabina Bahtia:**

And now we are thinking about the hourly workforce that is in the frontline, taking care of our customers. In addition to that, close to 30% rely on payday loans. Rob, a lot of these payday loan places don't even have a cap on their interest rate. So they'll borrow \$100, \$150, and they end up paying thousands of dollars back during a long period of time just to get by. They just can't catch up. In addition to that is the overdraft fees. About 30% have to dodge overdraft fees. The problem with that is it's not just overdraft. You get an overdraft when your bill doesn't go through a checking account. If it doesn't go through a checking account, you get an overdraft fee. Then your vendor charges you a late fee, a disconnect fee, a reconnect fee. All those fees put together have slowed down our hourly workforce. They cannot participate in the economy. They cannot catch up. They can't move forward. So that is really the state of the audience we are trying to serve today. And today, Rob, you and I are going to think about... Well, talk about a solution.

**Rob Parsons:**

It's really interesting. I liked what you touched on. These are the people on the front line. These are actually the people driving the value that we're providing as businesses. These are the people delivering the services that we're charging for. These are the people that are providing value to shareholders, to the executives. They're the ones who are making it happen, and they're the ones that are taking it on the chin. When we talked last, you were talking about the fact that there's three different areas we need to focus on to help people to live, grow, and connect. It was a great framework, I think, for anybody to use to think about this concept.

**Sabina Bahtia:**

Correct. And it goes back to your original question, that is of financial wellness. So, there are a few things we can do. Today, close to \$250 billion in fees is paid by the same hourly workforce trying to get by on a day-to-day basis. They are short of \$100, \$120. We talked about the fees that they are paying, and there are a lot of fees that I didn't talk about. But the total of all those fees put together is close to \$270 billion in 2021. So think about if they didn't have to pay those fees and instead took those fees and injected it into the economy. That would be great economic growth, right? So let's talk about the journey that we need to provide to the hourly workforce, to the hourly workers who are in the front line taking care of our clients.

**Sabina Bahtia:**

So those days are gone, Rob, when the employer could say that, "Listen, I have a transactional relationship with you. You come in with a specific skillset, you work 6, 7, 8 hours, you check out, and in two weeks I'll pay you." It's not going to work anymore. The hourly workforce is saying, "I am an essential worker. I'm helping your business survive. So, what I want is alignment in the benefits across your organization. So really the benefits your salaried workforce get, your full-time workforce gets, I need a piece of that and more." So there needs to be an alignment of benefits, and employers are all for it. I mean, today we are serving more than 2,000 employers. There's a reason for that. There's huge support there. So employers are saying the same thing, that, "Yes, we need to solve their short-term liquidity problem, but we really need to help them in a holistic way."

**Sabina Bahtia:**

So that is what is important. So when you talk about live, live is just give them access to what they've earned at least. Just what they've earned. It's their right to have at least that. And employers want to offer that. Unfortunately, they don't have the technology and the processes in place to offer that. And that's where we come in to offer them a benefit where they can give them access to on-demand pay of whatever they've earned and have been unpaid. It's not a loan. It's not credit. They're just saying, "I came in. I worked today. Can I just get a piece of that, so I can take care of my day-to-day expenses?" But that is just your live.

**Sabina Bahtia:**

Now, how do I grow with that? Let's go back to those fees that they can avoid by getting access to that liquidity. Give them that liquidity. They have that liquidity, they can pay their bills on time. They can avoid overdraft fees. They don't have to go to payday loan places. They can avoid disconnect fees. They don't have to ever put anything on a credit card. So you give them that liquidity and now they can start saving. Now comes the little dignity. Now comes the excitement, "Oh my God, my employer cares about me. I'm going in as a member, not as an employee. A team member, as an associate. Someone building the economy with my leadership team." So there comes your live and grow. Now I'm able to grow, live the life I've earned, right?

**Sabina Bahtia:**

But the connect is a big piece. The importance of connect escalated during the pandemic. It's really difficult for employers to stay in touch with their hourly workforce because they're all over the place, right? They're delivering goods, they're taking care of us. There's a lot of movement there. And they're not at a desk. They're not in front of a computer, so you can't have a Zoom call with them whenever you need them, right? We have Zoom fatigue, they have different kind of fatigue, right? So employers came to us and said, "I need to connect with hourly workforce. I need to tell them that they have this benefit. I need to learn more about them. I need them to build a community, so they know that they are not alone. You can support one another. You can educate one another. And I want a happy workforce."

**Sabina Bahtia:**

And that brought us to Connect. So we went ahead and built the Connect platform that connects the employers to their people that are helping them build their business. That is talking to you and me at the checkout line at a grocery store before we leave with our groceries to go have a great dinner. So, Connect connects the employer to their most important workforce. And so, it has to be a combination of a lot of things to make them holistically happy. Just giving them access to on-demand pay is a great short-term fix, but they need more and they deserve more. And that will bring alignment in the benefit across the organization. I hope that was helpful.

**Rob Parsons:**

That was helpful. And as you were talking, I just remember that old axiom, a fair day's work for a fair day's pay. Well, why not? Why not? It almost reminds me of the gig economy, which was like this big deal, all the talk before the pandemic. But that's something we're going to have to deal with now, and why not treat hourly employees with that same level of immediate reward, immediate feedback, immediate compensation?

**Sabina Bahtia:**

Correct. You have the Gen Z, you have the gig workforce, you have freelancers. We have employers, like one of the employers at a call center told me that, "My employee will leave the shift in the middle of the day to go ride for Uber." Why? Instant gratification. I finish my day's rides and I get paid, right? So, that is their competition.

**Sabina Bahtia:**

And once again, just looking at numbers, right Rob, roughly 1 billion people, nearly a third of the global workforce, are freelancers. 59 million people, or approximately 38% of the workforce, considers themselves as freelancers in the U.S. alone, right? And then last but not the least, in 2020, they generated more than a trillion

dollars in annual earnings. And it's expected to be more than 50% of the workforce will be involved in the gig economy in 2027. So you are going to deal with it. There is no escape, but there is a solution. And that is give them alignment with the rest of your workforce in your organization right now, because you will have to deal with it. There is no stepping back.

**Rob Parsons:**

Yeah. I don't want us to back slip. We've learned some hard lessons. My biggest fear personally is that we're going to back slip and not take these lessons to heart. I think one that comes to mind when you were talking about Connect and these gig workers, there's an opportunity to go out there and make money. There's an opportunity maybe at my company to take a shift or take more shifts if I'm able to do it. And I think a lot of times we focus on people are understaffed, people are getting burned out, people working too many shifts, but there's probably a whole slew of people that are ready to take those shifts on, ready to make that extra money, and the opportunity is not there. There's no communication, there's no connectedness.

**Sabina Bahtia:**

And there's another problem there. Clients tell us that, "Although we follow seasonal patterns, where we might be hiring in October, November for Thanksgiving, for the holiday season, and then we let go of people in January, we're not going to do that anymore. What we're going to do is we're going to keep some of that workforce and just give them an opportunity to work more shifts if they want, because it's impossible to hire. And it takes a long time to hire and train, and then they leave to earn \$1 more an hour. So instead, what I'm going to do is I'm going to keep them. I'm going to provide them the benefits that align with all people of the organization. I'm going to give them more opportunities to fill in shifts, get other jobs, get hours," and they can all do that on our platform. And Connect allows them to do that.

**Sabina Bahtia:**

Today, some of our clients offer shifts on the platform for the users of PayActiv to come in and grab a shift. That is economically a lot more beneficial for an employer versus going to an outside agency where they have to pay hundreds and thousands of dollars to get one person to fill a shift for one day. I always say the benefit first needs to start from your people. If you take care of them, it helps the employer. If the employer is happy, there are so many more opportunities that can be created, and more employees are happy, and the community is happy. So that trifecta impact is really important, which is really in the DNA of PayActiv.

**Sabina Bahtia:**

Rob, when you and I initially spoke, I talked about what you do is important, but how you do it is even more important. Hence, conscious capitalism, the B Corp status. We take those things really seriously because we want to make an impact on the communities.

**Rob Parsons:**

I love that. I love that quote, that what you do isn't important, it's how you do it. I take that to heart and Paychex itself values itself on being one of the world's most ethical companies, and certainly is in that same camp. And I also liked what you touched on. We're running up against time here, I apologize, but I loved what you touched on about traditionally we'd hire you for the season and then let you go. Talk about having no loyalty at all. You're just being treated so carelessly. I like the idea of rethinking this whole relationship we have with our hourly workforce and welcoming them as part of the organization, not just a tool to be used by the organization.

**Sabina Bahtia:**

Well said. Employers are not renting workforce. These are your people that are going to help you grow. You need to take care of them accordingly. The U.S. is the richest country in this world, and in this richest country there is a Third World country sitting in the belly. We cannot ignore it, because without them we cannot move forward. And the pandemic taught us that. Let's not ignore it. Let's treat that as an opportunity to be bigger and better. And how we are doing it is we were socially responsible even before we took the B Corp status, but we

are a B Corp. Social responsibility is important to us. We have a third party that comes and evaluates us, gives us the best practices. So we make it legit and formalized that we are going to follow specific rules and goals and mission to achieve what we are trying to do with the workforce.

**Rob Parsons:**

Love it, Sabina. That's a great message and a great conclusion. Thank you so much for joining the podcast today.

**Sabina Bahtia:**

Rob, thank you so much to you and Paychex for having me.

**Rob Parsons:**

I'm really happy that Paychex has teamed up with PayActiv to deliver these kinds of services, address some of these challenges. Thanks for joining, and thank you to our listeners for joining. You can find articles on pay on-demand, on financial wellness in general on [paychex.com/worx](https://paychex.com/worx). That's [paychex.com/W-O-R-X](https://paychex.com/W-O-R-X). And you can certainly learn more about PayActiv by going and seeking out their website. We should be able to put a link to them in the show notes as well. Those are both great resources if you haven't visited the sites yet. And as always, we'd love to hear from you what you want from this podcast. Please visit [payx.me/pulsetopics](https://payx.me/pulsetopics) to submit guest and topic ideas. Thanks, Sabina. That's how we got you on the show. That's P-A-Y-X.M-E/[pulsetopics](https://payx.me/pulsetopics). Thank you all, and please stay happy and healthy.

**Announcer:**

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