

How Technology Can Empower Employees Under New Tipping Legislation

Introduction

With the implementation of the **Employment (Allocation of Tips) Act 2023**, businesses across the UK's hospitality sector are set to experience major shifts in how tips are managed. The legislation is designed to ensure that workers receive **100%** of their tips without deductions for administrative fees, making transparency and fairness central to modern tipping practices.

For businesses, this new legal framework brings both challenges and opportunities. As employers are now legally obligated to ensure workers receive the full value of their tips, payroll systems and processes must be modernised to handle these changes efficiently. This shift is especially impactful for industries with high volumes of irregular earnings, such as hospitality, where the flow of tips varies greatly across different seasons and business cycles.

In fact, tips can represent as much as **60%** of an employee's overall income in peak periods, such as the holiday season, while dropping to as low as **20%** during off-peak times like January and February. Irregular earnings

create significant volatility in household incomes, making financial planning and saving more difficult for workers in the sector.

Research shows that employees in sectors with irregular earnings, like hospitality, are **3x more likely** to experience financial stress compared to those with steady, salaried income. This financial uncertainty not only impacts employees' ability to save but also affects their overall well-being, productivity, and long-term financial stability. Financial stress is a leading cause of absenteeism, with workers who experience high levels of financial stress 11 times more likely to report decreased productivity at work.

In the UK, nearly **30% of adults** report difficulty managing their finances, with a notable correlation between irregular earnings and lower savings rates. A lack of stable income often leaves workers without the financial buffer they need to handle emergencies.

Income volatility affects 34% of UK households, with many experiencing inconsistent pay due to factors like seasonality and tipping.

40% of employees in the hospitality industry report struggling to save for future expenses due to the unpredictability of their earnings

Legislation changes are expected to **benefit over 2 million UK workers**

This whitepaper explores how under the new legislation, there's an opportunity to leverage technology to enable **smarter** financial management for employees with irregular earnings.

By integrating tech-driven solutions, businesses in the hospitality sector can streamline tipping processes and empower employees to save directly from their tips. The use of automated payroll systems not only ensures compliance with the **Employment (Allocation of Tips) Act 2023** but also helps workers build a financial cushion, reducing the stress of fluctuating income and improving overall financial well-being.

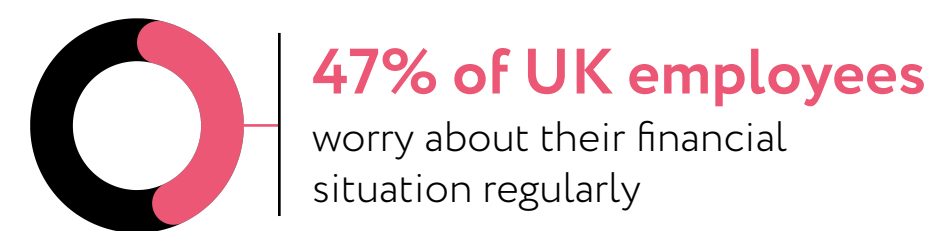
Problem Statement

The Challenges of Irregular Earnings

Employees in the hospitality sector are uniquely impacted by unpredictable cash flows, largely due to their reliance on variable tip income. Unlike salaried workers, whose paycheques remain consistent, hospitality staff often face dramatic fluctuations in their take-home earnings. These fluctuations make it difficult for employees to achieve financial resilience, plan for the future, and weather unexpected financial shocks.

A significant portion of hospitality workers' earnings comes from tips, which can represent **50%–60%** of their total income during peak seasons such as Christmas. During these busy periods, higher customer volumes lead to more opportunities for tipping, allowing workers to earn significantly more than their base wage. However, during slow seasons, like January and February, this contribution can drop to **20%–30%** of their income. These seasonal changes result in financial instability, making it difficult for employees to meet their day-to-day expenses and save regularly.

This earnings volatility is not just a minor inconvenience—it has tangible consequences on workers' financial health. A study by the Financial Health Network found that **34% of UK households experience income volatility**, with significant monthly fluctuations in earnings due to irregular work schedules and inconsistent tips. For employees living paycheck to paycheck, this makes saving difficult, leaving them vulnerable to financial crises. The same study highlighted that **46% of workers with volatile income struggle to meet monthly expenses**.



The stress caused by irregular earnings can have a significant impact on both employees' personal lives and their workplace performance. Financial stress is directly linked to lower productivity, absenteeism, and poor mental health. According to Neyber's report on financial well-being, **47% of UK employees** worry about their financial situation regularly, and this worry impacts their ability to concentrate at work. Employees facing financial stress are 11 times more likely to report productivity loss. For hospitality workers, who already endure the uncertainty of tip-based income, this financial pressure can be even more severe.

Moreover, income volatility affects workers' ability to plan and save for the future. A **Financial Conduct Authority (FCA) survey** found that **25% of UK adults** have less than £100 in savings. For hospitality staff with irregular incomes, this figure is likely higher, as they often face more barriers to saving regularly. This lack of financial security can leave workers unprepared for emergencies or larger expenses, such as medical bills or unexpected home repairs.

The **Employment (Allocation of Tips) Act 2023** offers an important opportunity to address these challenges by standardising and streamlining how tips are distributed. The legislation ensures that workers receive 100% of their tips, providing much-needed transparency and fairness in how tips are handled. However, while the legislation provides a framework for fair tip distribution, it is only part of the solution. Without the proper technology in place, many employees may still struggle to take full control of their earnings and develop long-term financial security.

By leveraging technology to automate tip management and payroll savings, hospitality employers can not only comply with the new tipping legislation but also empower their employees to achieve greater financial stability. With the right systems in place, employees can develop reliable savings habits, helping them

build resilience against income volatility and plan for the future.

However, without modernising payroll systems and introducing automated solutions, there's a significant risk that many workers will continue to face financial insecurity, with no reliable way to save from their irregular earnings. As the hospitality industry adapts to the new regulations, businesses that take proactive steps to support their employees' financial well-being will not only foster a happier, more productive workforce but also stand out as leaders in the industry.

The Importance of Payroll Savings for Financial Stability

Studies have shown that **employees who are automatically enrolled in savings programs are 15 times more likely to save regularly** compared to those who are not. This mirrors the success seen with auto-enrolment in pensions, where participation rates soared once saving became a seamless, automated process. Prior to the introduction of auto-enrolment in the UK, workplace pension participation rates were only **47%**, but after the initiative, this increased to **87%**. This demonstrates that making saving automatic and easy can have a transformative impact on financial behaviour.

One key solution to improving financial stability is integrating payroll savings directly into employee compensation. By allowing employees to automatically have some, or all, of their tips paid into a savings account with competitive interest rates, businesses can help their staff build

financial buffers that offer protection against unexpected expenses. Payroll savings technology empowers employees to save regularly and effortlessly, which can be especially beneficial for those with irregular earnings, like workers in the hospitality industry.

The benefits of payroll savings extend beyond just convenience. Research from the Chartered Institute of Payroll Professionals (CIPP) shows that employees with access to payroll savings schemes are significantly less likely to rely on high-cost credit products, such as payday loans or credit cards, to cover emergencies. In fact, workers without access to payroll savings are **50% more likely** to turn to high-cost borrowing in the event of unexpected financial needs. This highlights how integrating savings into payroll can play a crucial role in helping employees avoid debt traps.

12x

Those who use payroll savings are **12 times more likely** to achieve their long-term financial goals.

53%

53% of UK adults struggle to save because they don't have a structured system in place

50%

Workers without access to payroll savings are **50% more likely** to turn to high-cost borrowing.

Moreover, employees who participate in payroll savings programs report higher levels of financial well-being. A report from Salary Finance revealed that employees who regularly save through payroll deductions are **31% more likely** to feel financially secure, compared to those who do not save regularly. This increase in financial security has a ripple effect on other aspects of life, including stress reduction and improved

security has a ripple effect on other aspects of life, including stress reduction and improved mental health, which can translate to higher productivity at work.

Automated payroll savings solutions are especially powerful for employees with irregular incomes, such as those who rely on tips. The Financial Inclusion Centre has found that workers with fluctuating earnings are **four times more likely** to struggle with regular saving habits than those with stable incomes. Without a consistent paycheque, the ability to save can feel out of reach, leaving workers vulnerable to financial shocks. Payroll savings solutions that automate the process can address this challenge by making saving habitual and easy, even for employees whose income varies from month to month.

One innovative feature of payroll savings programs is the ability to smooth income throughout the year, helping workers manage the volatility of tips. During peak seasons when tipping is high, employees can save more into their payroll savings accounts. Then, during slower months with fewer tips, they can draw down on these savings to supplement their income, effectively creating a more consistent earnings flow throughout the year. This approach allows employees to smooth out the highs and lows of seasonal fluctuations, providing them with greater financial stability and reducing the stress of unpredictable cash flows. This flexibility is key in helping employees manage irregular earnings and plan for future financial needs without the fear of income gaps during off-peak periods.

A key factor in the success of payroll savings schemes is their ability to remove the cognitive and behavioural barriers that often prevent people from saving. Behavioural economists have long noted the power of automatic enrolment and "set-and-forget" features in driving positive financial behaviour. The concept of "pay yourself first" – where a portion of

income is automatically directed into savings before any other expenses are incurred – has proven to be highly effective in helping individuals build wealth over time. In fact, the Employee Benefit Research Institute (EBRI) found that workers who automatically divert a portion of their paycheque into savings are **12 times more likely** to achieve their long-term financial goals.

This is where automated payroll savings solutions come into play. By integrating systems that allow employees to automatically divert a portion of their tip income into a savings account, employers can help their workers build a financial buffer. These solutions enable workers to save effortlessly, regardless of the day-to-day fluctuations in their income. A study by The Money and Pensions Service (MaPS) found that **53% of UK adults** struggle to save because they don't have a structured system in place. Automated payroll savings systems solve this problem by making saving a default behaviour, removing the need for workers to make a conscious decision to save every payday.

Payroll savings programs offer a level of consistency and security that many workers with irregular earnings desperately need. A report from the Joseph Rowntree Foundation found that **over 70% of workers** with irregular incomes were unable to save more than £50 a month due to unpredictable cash flow, and many cited this as a primary source of financial stress. Automating savings at the point of payroll ensures that, even during months of fluctuating income, employees can still make progress toward building their savings.

The power of payroll savings mirrors the success of auto-enrolment in pensions, which revolutionised the way people save for retirement. Before the introduction of auto-enrolment in the UK, only **47% of employees** participated in workplace pensions. After auto-enrolment was implemented, this figure surged to **87%**, demonstrating the profound

impact that automatic savings mechanisms can have on participation rates and financial security.

Making savings automatic and easy has a transformative impact on financial behaviour. By removing barriers to saving and ensuring that employees with irregular earnings can still contribute regularly to a savings account, businesses can help their workers build the financial resilience needed to weather financial shocks and plan for the future. Payroll savings programs, when integrated into the compensation process, offer a reliable, frictionless way for employees to save, creating a win-win for both employers and workers alike.

Grateful's Role in Modernising Tipping

In response to the changing legislative landscape, **Grateful** offers modern tipping solutions that work seamlessly with payroll systems to manage the fair and transparent distribution of tips. As the **Employment (Allocation of Tips) Act 2023** reshapes how businesses handle tips, companies are increasingly turning to innovative, tech-driven platforms like **Grateful** to ensure compliance while streamlining operational processes. This legislation is expected to benefit over **2 million UK workers** across hospitality, leisure, and related sectors by ensuring that 100% of tips go directly to workers without deductions.

Grateful's solution simplifies compliance by integrating directly with payroll systems to manage both tip distribution and broader

payroll tasks. With an increasing focus on fairness and transparency, it's critical for businesses to adopt systems that not only automate tip allocation but also provide a clear record of how tips are handled. This is especially important as the new law requires businesses to keep detailed records of how tips are distributed for up to **three years** and mandates that workers can request a written statement detailing their tips at any time.

The **Grateful** platform offers employers the ability to automate and personalise tip distribution, ensuring that all tips are allocated fairly, based on pre-set rules such as pooling or individual allocation. This reduces administrative burdens, eliminates potential errors in manual calculations, and ensures that businesses avoid non-compliance penalties. By automating these processes, businesses can focus on their core operations, knowing that tips are being handled in line with the new legal requirements.

Moreover, **Grateful's platform integrates with payroll savings providers like Sync**, giving employees the option to direct a portion of their tips into high-interest savings accounts. This capability is especially important in industries where tips represent a significant portion of an employee's income, but that income can be volatile and unpredictable. By enabling automatic savings from tips, **Grateful** helps employees take control of their financial futures, creating a financial buffer for times when tips may be lower.

70%

70% of UK employees feel **financially unprepared** for unexpected expenses

40%

Companies offering financial well-being programs are 40% more likely to report **increased employee loyalty** and satisfaction

This integration between **Grateful** and Sync empowers workers to make smarter financial decisions by effortlessly saving a portion of their income without the need for additional steps. As part of this seamless workflow, employees can decide in advance how much of their tip income should be allocated to savings, helping them to effortlessly build financial resilience over time. According to a report from Neyber, 70% of UK employees admit to feeling financially unprepared for unexpected expenses, which further highlights the need for tools like payroll savings to help workers manage their finances more effectively.

The **Grateful** platform also provides employers with analytics and reporting capabilities that offer valuable insights into tip distribution patterns and employee engagement. This data allows businesses to better understand how tips are allocated across their workforce and can inform decisions about staff incentives and compensation. It also promotes transparency, ensuring that both employers and employees can track how tips are distributed in compliance with the new legislation.

As the demand for transparency and fairness in tipping grows, companies that adopt modern solutions like **Grateful** will be better positioned to attract and retain top talent. **A report from the Chartered Institute of Personnel and Development (CIPD)** found that companies offering financial well-being programs are **40% more likely** to report increased employee loyalty and satisfaction. By providing both fair tip distribution and access to payroll savings, **Grateful's** platform supports employee financial well-being, creating a more motivated and engaged workforce.

For businesses navigating the complexity of the new tipping regulations, platforms like **Grateful** offer a comprehensive, automated solution that not only ensures compliance but also enhances employee financial health. By integrating with

payroll savings systems like Sync, **Grateful** turns tip income into an opportunity for long-term financial growth, giving employees the tools they need to better manage their earnings and build a more secure financial future.

Sync's Payroll Savings Solution The Key to Financial Resilience

Sync's payroll savings solution integrates seamlessly with **Grateful**, providing a dual benefit for workers—regular savings into high-interest accounts, and the efficient, transparent distribution of tips. This integration offers a holistic solution that addresses both compliance with the Employment (Allocation of Tips) Act 2023 and the financial well-being of employees. With **Grateful** managing the allocation and distribution of tips in line with the legislation, Sync adds the ability for employees to automatically set aside a portion of their earnings into dedicated savings accounts, allowing them to plan for the future while receiving their full tips.

By leveraging Sync's platform, employees can receive their tips directly, as required by law, without administrative fees or deductions. Workers have the option to automatically and effortlessly allocate part, or all of their tips into savings accounts that offer competitive interest rates, ensuring that even small contributions grow over time. This setup allows employees to develop consistent saving habits, building a financial cushion for emergencies, holidays, or other future financial needs. This feature is particularly beneficial for workers with

irregular income patterns, like those in tip-reliant industries, who may face difficulties saving consistently due to fluctuating earnings.

Research shows that payroll savings not only improve employees' personal well-being but also positively impact their productivity at work. Sync's integration with **Grateful** enhances this financial security by making saving automatic, reducing the cognitive load on workers who might otherwise struggle to manually transfer money into savings accounts. In fact, automatic savings solutions have been shown to improve long-term saving rates by up to 40%, as they remove the barriers of inertia and the need for employees to take additional steps to save their earnings.

Automatic improve long-term saving rates by **up to 40%**

82% of UK adults report that having savings makes them feel more financially secure and less stressed

This combined approach - where **Grateful** handles tip distribution and **Sync** manages payroll savings - ensures that employees have greater control over their financial futures. The process is automatic, effortless, and compliant with the latest tipping regulations. Employees no longer need to worry about manually setting aside their tips for savings or how much to save each month. Instead, they can establish a savings plan that automatically diverts a portion of their income to savings, allowing them to focus on their daily work without financial stress.

In addition to creating financial security, this approach also fosters a sense of empowerment among workers. When employees see their savings grow with minimal effort, it boosts their confidence in managing their finances. According to The Money Charity, 82% of UK adults report that having savings makes them feel more financially secure and less stressed. By giving workers the tools to build a financial safety net, **Sync** and **Grateful** together contribute to a more resilient, engaged, and satisfied workforce.

Furthermore, this system helps workers smooth out their income throughout the year. During busy periods when tips are higher, employees can save more, and during quieter times, they can rely on their savings to supplement their income. This flexibility allows workers to build a reliable financial buffer without having to resort to high-cost credit or loans.

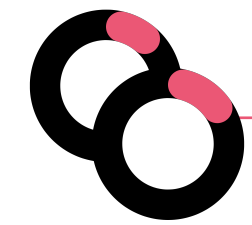
Overall, the integration of **Sync**'s payroll savings solution with **Grateful**'s tip distribution platform creates a streamlined, efficient process for both employers and employees. For businesses, it ensures compliance with new legal requirements while reducing administrative overhead. For employees, it offers an easy, effective way to save and build financial resilience, all while simplifying tip distribution. This partnership not only addresses the challenges of the **Employment (Allocation of Tips) Act 2023** but also provides a sustainable, forward-thinking solution to help workers achieve greater financial stability.



72% of employees say they would be more loyal to an employer who offers financial well-being benefits



46% of employees who are financially stressed are more likely to leave their jobs



Financial well-being programs can see as much as a **15% increase** in productivity and a **19% reduction** in absenteeism

The Benefits for Employers: Employee Retention and Productivity

For employers, offering payroll savings and transparent tip distribution systems leads to a wide range of benefits, particularly in industries where financial stress is a common issue among employees. Payroll savings solutions, combined with fair and transparent tip distribution, not only improve financial well-being but also contribute significantly to employee satisfaction, retention, and overall engagement. By providing these tools, employers can position themselves as leaders in supporting employee financial health, a factor that has become increasingly important in today's job market.

Employee satisfaction is directly linked to financial security. A report by Neyber shows that 55% of employees say financial concerns are their biggest source of stress, which negatively impacts their mental health, well-being, and productivity at work. By offering payroll savings programs, employers can help alleviate these concerns, giving workers peace of mind and

enabling them to focus more on their jobs rather than their financial struggles. Additionally, the transparent management of tip distribution ensures employees receive their full, fair share of tips, fostering trust between staff and management.

In terms of employee retention, financial stress is a key driver of high turnover rates, particularly in industries like hospitality where wages can be low, and income is often volatile. Research by PwC indicates that 46% of employees who are financially stressed are more likely to leave their jobs for a better-paying opportunity. Payroll savings programs can help mitigate this by enabling employees to build a financial buffer, which can reduce stress and increase loyalty to their employer. The Society for Human Resource Management (SHRM) reports that employers who offer financial well-being programs are 2.5 times more likely to retain their top talent, highlighting the direct link between financial well-being and employee retention.

Furthermore, productivity also improves when employees are less worried about their finances. A report by the CIPD found that workers dealing with financial problems are more likely to be distracted at work, with one in four employees reporting that financial concerns impact their ability to perform their jobs. By offering payroll savings tools and clear, automated tip distribution, employers can help reduce the financial pressures that employees face, leading to a more engaged and productive workforce. The Harvard Business Review suggests that businesses that invest in employee financial well-being programs can see as much as a 15% increase in productivity.

In a competitive labour market, where 72% of employees say they would be more loyal to an employer who offers financial well-being benefits, payroll savings solutions provide a clear advantage for businesses looking to stand out. This is especially true in the hospitality sector, where turnover rates are often high, and employers are constantly searching for ways to differentiate themselves to attract and retain skilled staff. By offering payroll

savings programs, employers can enhance their benefits package, making their company more attractive to potential hires and improving overall job satisfaction for current employees.

Financial well-being programs have also been shown to reduce absenteeism. When employees are financially secure, they are less likely to take days off due to stress or financial issues. A study by MetLife found that employers who offer financial wellness programs report a 19% reduction in absenteeism, as financially stable employees are more likely to come to work focused and ready to contribute. This reduction in absenteeism, combined with increased productivity, provides significant value to employers.

Moreover, the demand for employee benefits is rising as younger generations enter the workforce. A report by Willis Towers Watson found that 86% of Millennials consider financial wellness benefits a key factor when choosing an employer. As this demand grows, businesses that offer comprehensive financial well-being tools, including payroll savings, will be better positioned to attract top talent in an increasingly competitive marketplace. Employers who adopt payroll savings solutions not only support the financial resilience of their workforce but also create a stronger, more loyal, and more productive team.

In conclusion, payroll savings solutions provide a clear competitive advantage for businesses. They address key pain points for both employers and employees: improving financial security, increasing satisfaction, reducing turnover, and boosting productivity. As the demand for employee benefits continues to grow, payroll savings programs offer an effective way for businesses in the hospitality sector to differentiate themselves, attract top talent, and build a more resilient and engaged workforce.

Conclusion

Modern Payroll Solutions for a Modern Workforce

The **Employment (Allocation of Tips) Act 2023** marks a new era in the hospitality sector, where transparency, fairness, and employee well-being are at the forefront of operational priorities. This legislation, aimed at ensuring that workers receive 100% of their tips, has introduced a critical need for businesses to adopt modern, tech-driven solutions that can handle the intricacies of tip distribution while simultaneously fostering financial resilience among employees.

By leveraging innovative platforms and powerful partnerships like **Sync's Payroll Savings** and **Grateful's tipping solution**, businesses can do more than just comply with new regulations - they can transform the financial landscape for their employees. These tools are designed to go beyond the basic requirements of the law, empowering both employers and employees to take control of their financial futures. **Sync** and **Grateful** offer a seamless integration that not only ensures accurate and transparent tip distribution but also enables employees to automatically save a portion of their earnings, providing a powerful solution to the financial instability that has long plagued the hospitality industry.

With **Sync's Payroll Savings**, employees gain access to a feature that allows them to build long-term financial security, even in the face of unpredictable income. For workers whose wages rely heavily on tips, such as those in restaurants, hotels, and other service-based industries, the ability to automatically save part of their income - particularly during peak earning periods -

creates a financial buffer that can help them weather slower periods. **Sync's** platform ensures that these savings are effortless, with high interest rates on accounts helping workers grow their funds faster and with minimal involvement. **This automation of savings is key**, as research shows that employees are significantly more likely to build financial resilience when saving becomes a "set-it-and-forget-it" process.

Grateful, on the other hand, revolutionises tip distribution by offering a tech-driven solution that makes the process of managing tips fair, transparent, and compliant with the new legislation. Their platform integrates seamlessly with payroll systems, ensuring that tips are allocated promptly and accurately. The flexibility and efficiency of **Grateful** allow businesses to easily implement or adjust policies for distributing tips - whether through pooling or individual allocation - while maintaining full transparency with employees. This level of fairness promotes trust and job satisfaction, creating a more harmonious working environment where employees feel valued and fairly compensated for their work.

By adopting both **Sync's Payroll Savings** and **Grateful's tipping platform**, businesses can position themselves as industry leaders in both compliance and employee financial well-being. These solutions help companies go beyond the bare minimum requirements of the **Employment (Allocation of Tips) Act 2023** and show a genuine commitment to supporting their staff's long-term financial health. As the hospitality sector continues to evolve, forward-thinking businesses that prioritise employee well-being through innovative, tech-enabled solutions will not only meet legal obligations but will also enjoy higher employee retention, increased productivity, and stronger workplace morale.

Moreover, the combination of **Sync** and **Grateful** creates a comprehensive ecosystem that offers employees full control over their earnings and

the tools they need to plan for the future. With tips distributed fairly and savings automatically deducted, workers can focus less on financial stress and more on achieving their long-term financial goals, whether that's saving for a holiday, a home, or simply creating an emergency fund for peace of mind.

Ultimately, these platforms make employees happier, more resilient, and better equipped to manage their finances in an ever-changing world.

As **financial stress continues to be a top concern** for workers across the hospitality industry, solutions like **Sync** and **Grateful** offer a much-needed path toward financial empowerment and stability. By integrating cutting-edge technology with a commitment to fairness and transparency, these platforms are not just tools for compliance—they are catalysts for a more secure and equitable future for employees across the hospitality sector.

Call to Action

How Employers Can Get Started

As businesses prepare for the new tipping legislation and seek to enhance employee financial well-being, adopting cutting-edge payroll savings and tipping solutions is not just an option—it's a necessity. **Grateful**, powered by **Sync's** savings plugin, offers seamless, integrated systems that ensure compliance while giving employees the financial tools they need to build resilience and thrive.

Just as auto-enrolment revolutionised pensions, payroll savings have the power to reshape short-term financial security. While most people understand the importance of saving, it's **automated solutions** (like


Grateful's tip distribution and **Sync's** payroll savings) that truly make saving effortless and drive lasting financial change for employees.

Thank you!

Don't wait to make a real impact. Take the lead in improving your workforce's financial security and compliance.

Contact Grateful today to discover how these solutions can transform your business and empower your employees.

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