

# On-Demand Pay and Navigating Early Wage Access Laws and Regulations



# Speaker

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**Dallas Wilfong**

Director of Sales Eastern US

# Our focus for today

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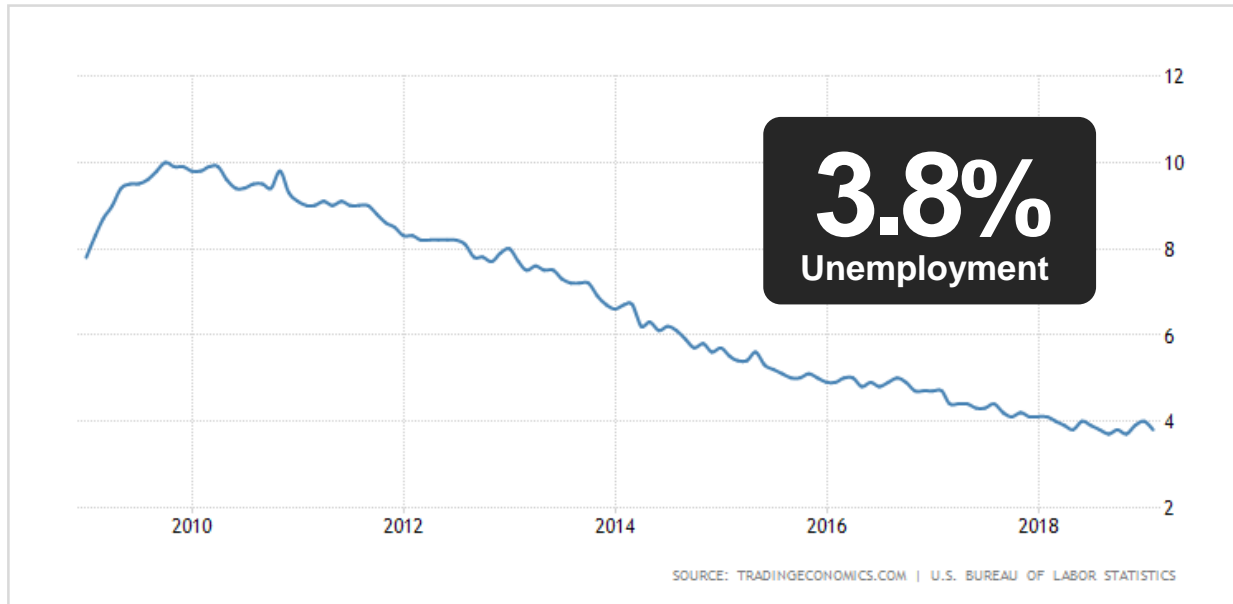
- Today's Job Market
- Early Wage Accrual
- Next Generation Disbursements
- Through Simple Plug-n-Play Integrations(s)

# Today's Job Market

A man and a woman, both wearing dark aprons over grey shirts, are in a kitchen-like setting. The man is holding a black tablet, and the woman is pointing at the screen. They appear to be collaborating on a task. In the background, there are stacks of white plates, a silver teapot, and a loaf of bread on a wooden surface. The overall atmosphere is professional and focused.



# The job market has tightened to records not seen in nearly half a century



## Unemployment rate falls to 49-year low

– CNN Business, Oct 2018

## America is running low on blue-collar workers

– Yahoo Finance, Dec 2018

Bloomberg

Economics

### Unemployment Rate Reached a Record Low in 19 States Last Year

By Alexandre Tanzi  
January 23, 2019 8:18 AM PST

- ▶ Seven states reach record low unemployment rate in December
- ▶ Headcount of the unemployed grew fastest in Colorado

LISTEN TO ARTICLE  
▶ 1:49

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Texas, California and Florida created more than 200,000 jobs in 2018, according to employment data released by the Bureau of Labor Statistics.

Massachusetts and New York created more than 100,000 jobs and Arizona and Georgia were just shy at 99,343 and 99,340 respectively.



Los Angeles Times

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In this booming job market, workers are quitting by 'ghosting'

**And the workforce continues  
to evolve, creating new  
challenges for employers**





# Living Paycheck to Paycheck is a way of life for majority of U.S. workers

## CareerBuilder Survey Highlights:

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### **78% of U.S. workers**

live paycheck to paycheck to  
make ends meet

### **Nearly 3 in 4 workers**

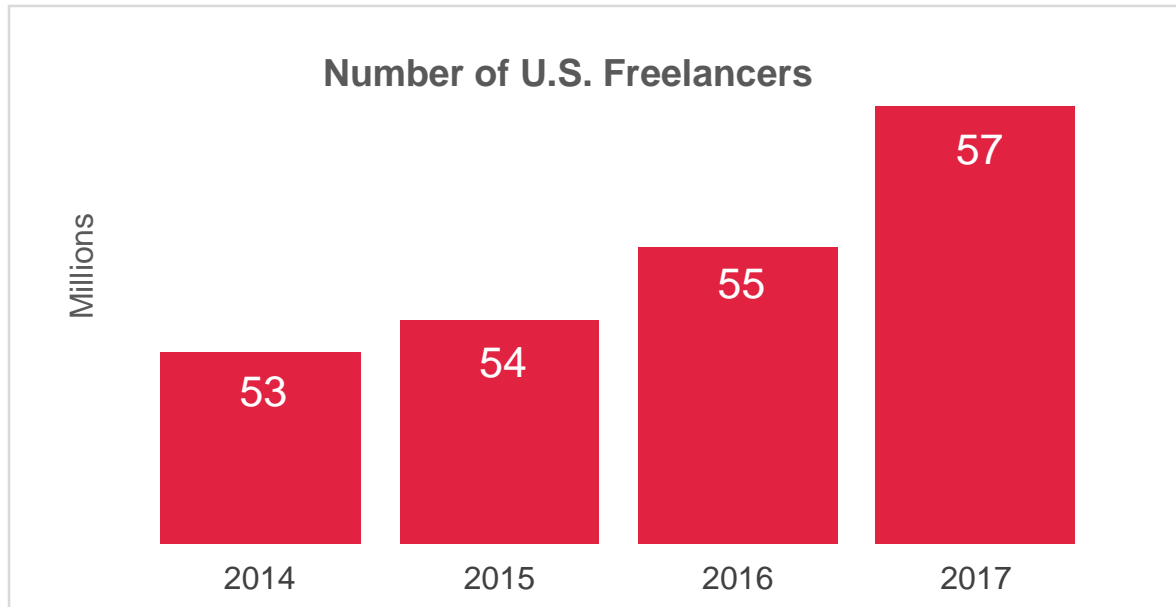
say they are in debt today - more  
than half think they will always be

### **More than half of minimum wage workers**

say they have to work more than one job  
to make ends meet



# The number of freelancers is rapidly growing in the U.S.



## Key factors for growth

Allow workers to decide when and for how long to work along with income diversification

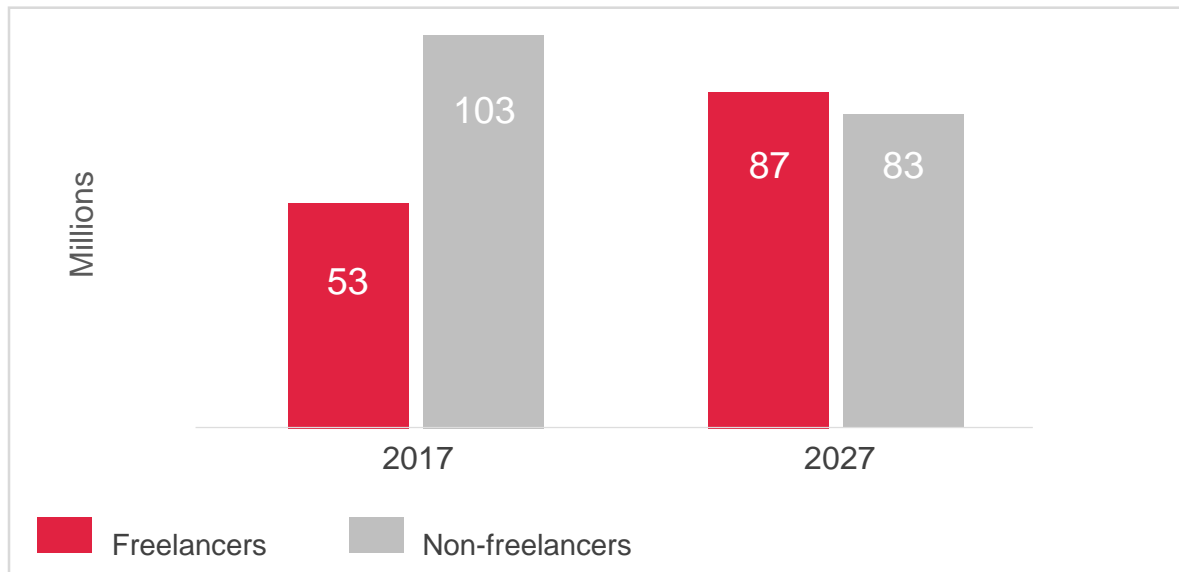
Technology reducing barriers to entry and enabling access to pay at the end of a shift

More people choosing to or wanting to freelance full-time (rather than on a part-time basis)

Source: "Freelancing in America" study conducted by Edelman Intelligence (commissioned by Upwork and Freelancers Union, October 2018).



# Freelancers on track to outpace non-freelancers by 2027



Did you know?

**36% of the  
current workforce  
are freelancers today**

**Almost half (47%)  
of working millennials freelance**



# Millennials and Gen Z are becoming the workforce

Millennials were born from the early 1980s to early 2000s, and Generation Z works, born in the mid-1990s to the mid-2000s



By 2022, Millennials and Gen Z will represent 75% of the U.S. workforce



Half of them expect to leave their current job within a year

Now there's a way for you to  
**Reduce Payroll Costs** while  
offering innovative **Payment  
Benefits** to a changing workforce



A photograph of three young adults sitting together on a wooden bench. On the left, a man in a green and black plaid shirt is looking towards the center. In the middle, a woman with long brown hair, wearing a dark grey button-down shirt, is smiling and looking at a smartphone held by the man on the right. The man on the right is wearing a dark blue sweater and is holding the smartphone with both hands, looking at the screen. The background is a plain, light-colored wall. The overall lighting is soft and natural.

# Early Wage Accrual as a Solution for Retention and Engagement

# UBER Integrated Early Access to Accrued Wages in 2016



**Here's what Uber drivers are saying:**

"Instant Pay cannot get any easier. This feature allows the driver to have more control of their finances."

*-Eric, Uber Driver*

"The Uber Debit Card is probably on of the best things that the company has done for drivers."

*-Tony, Uber Driver*

# SimplyPaid Uber Case Study

Uber drivers stay more engaged by cashing out their earnings on-demand to their existing bank debit card or GoBank account.



## RESULTS

- 100% electronic pay solution, even for the unbanked
- Majority of eligible drivers use Instant Pay
- Millions of instant payments paid out monthly
- Billions of dollars delivered

# There is a powerful inequality in workforce pay timing



## 2 weeks

Workers who wait for regular pay cycles in a 9 to 5 job

VS



## Instant

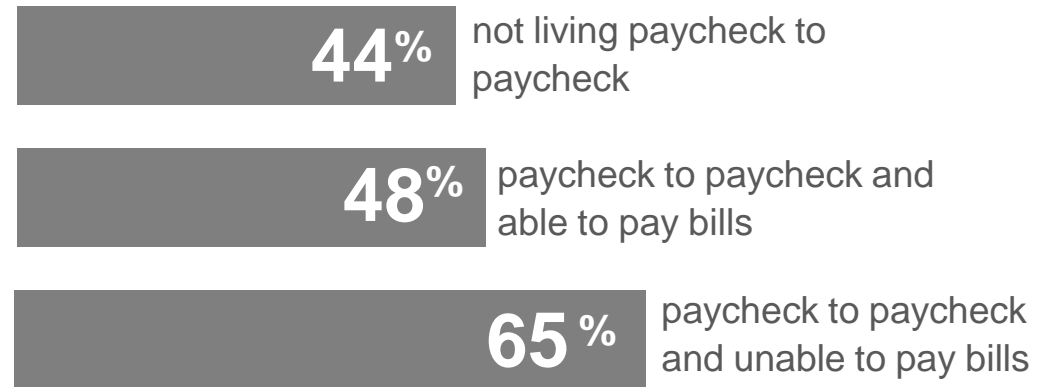
Those who freelance and are paid as they earn it

## Did you know?

# 40%

of Americans are not prepared to handle a \$400 out-of-pocket emergency<sup>1</sup>

### Interest in receiving wages as instant payments<sup>2</sup>



<sup>1</sup> Federal Reserve Board, Economic Well-Being of U.S. Households report, May 2918, n=12,000

<sup>2</sup> PYMNTS.com Disbursements Satisfaction Index June 2018, n=2300

## Joe has an unplanned \$300 expense

He doesn't have access to credit and won't be paid for five days

Joe borrows **\$300** from a payday lender. He pays back **\$300** plus **\$60** in fees in two weeks, or rolls it over for an additional fee.

If he is a typical payday loan user, he accesses **ten loans per year** paying **\$600 in fees**! His financial stress impacts job productivity and satisfaction.



Joe unlocks responsible access to accrued wages when needed, because **life doesn't wait for payday**

Joe accesses his accrued wages through early wage accrual access. He has instant funds with a nominal transaction fee of **\$5**.

Joe does not miss a day of work, nor stress over the high cost debt trap. He enjoys saving **\$550** in fees.

# Early Wage Accrual Access Disrupts an Existing Market and is a Highly Desired Employee Benefit

**Current short-term  
credit products are  
costly and widely used**

**Fees & Interest Paid<sup>1</sup>**

**\$50<sub>B</sub>**

**U.S. Households with  
Short-Term Credit<sup>2</sup>**

**19<sub>MM</sub>**

<sup>1</sup> Community Financial Services Association of America

<sup>2</sup> 2016 Financially Underserved Market Size Study, Center for Financial Services Innovation

# Wage Advance – Key Decisions

“Key decision points when selecting a wage advance company are to determine who will fund the advance of wages and who will pay the fee to access funds early.”



	Employer Funded	Provider Funded
Employer Paid	<ul style="list-style-type: none"><li>• Employer Funded</li><li>• Employer Pays Fees</li></ul>	<ul style="list-style-type: none"><li>• Provider Funded</li><li>• Employer Pays Fees</li></ul>
Employee Paid	<ul style="list-style-type: none"><li>• Employer Funded</li><li>• Employee Pays Fees</li></ul>	<ul style="list-style-type: none"><li>• Provider Funded</li><li>• Employee Pays Fees</li></ul>

Key Decision Points

# Early Wage Accrual

- Empower employees to choose how they want to get paid without additional work for the corporate payroll office
- Implement a financial management tool that replaces expensive alternatives such as payday loans, credit card advances, overdraft, or paying late fees
- Sway paper check hold outs to electronic payment to take advantage of the new benefit
- Deliver a benefit with no interest and no penalties

## Did you know?

~ **25%**

of employees would access on-demand wage payments during any given payroll

~ **100%**

Opt-in rate for payroll wage advance for persons under 30

# On-demand payment is an elected benefit

Employers are providing part of the wages for a period of days, so the process does not change employers' compliance responsibility or the wage cycle





**Unlock early wage  
accrual to drive  
recruiting and retention,**  
especially in a tight labor market

## Employer benefits

Increase job applicants

**+30%**

Improve employee retention

**+20%**

Lower workforce absenteeism

**-40%**



## Best practice: How it works

Corporate payroll office requirement is only a daily file interface

Interfaces with payroll and time/labor systems to track and value accrued labor, **eliminating risk**

**Policies** govern access amount and frequency

**Employees access accrued wages instantly**; via mobile app, web or telephone

Funds are deducted from subsequent payroll deposit

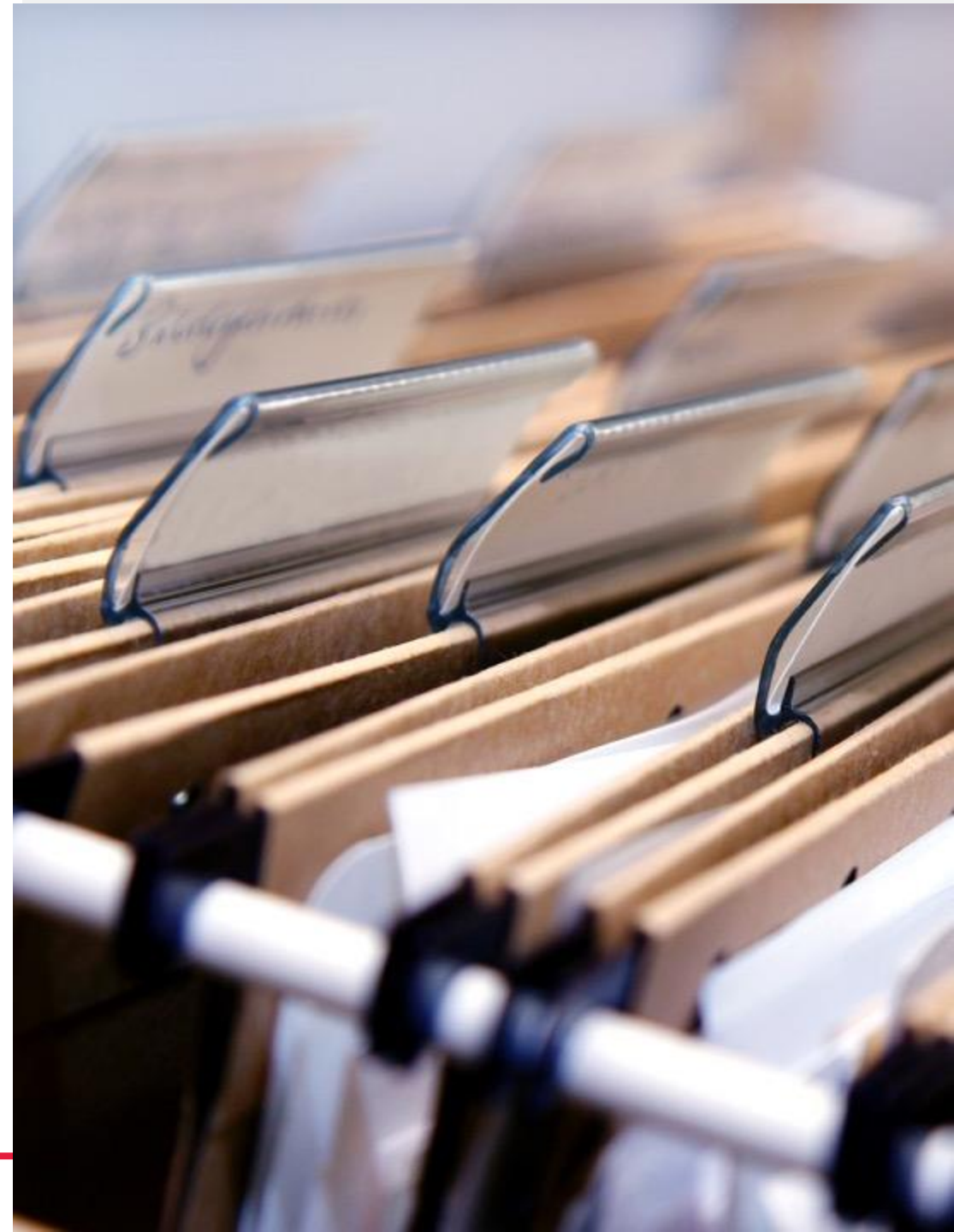


# Early wage accrual additional considerations

- Responsibility falls to the employer because the employer is contracting with a third party who is providing the service on the employer's behalf.
- Is there a contract with the employer or a third party independent of the employer?
- If a third party is floating funds to employees, is it stress tested?
- Are you offering pay choice with multiple ways for employees to access their money?
- Are advances in the paystub or are they submitted and netted out and reported to the employee

# Known unknowns

- Products and demand are ahead of the regulations, so no defined case law or guidance from the Labor Department or Internal Revenue Service are available
- Federal and state regulatory guidance is sparse with regard to what on-demand pay is and to what extent such pay makes up wages, and how taxes, wage and hour requirements, and child support are handled



# Known unknowns

- No industry norms appear to exist regarding the extent to which on-demand pay should be recorded on a wage payment stub
- On-demand providers are actively engaged with the IRS and states through the Labor Department, and the agencies are willing to accept questions and opinions





# Next Generation Disbursements & Payments



Today's workers, particularly younger generations, expect to find modern payment options that mirror how they move money in our digital world as part of the benefits package of prospective employers

# What are Next Generation Payments?

- **Fintech** that enables payments to any debit account, along with tracking, reporting, and security
- Work with current **payroll cards** or **other disbursement vehicles**
- Easy to send daily files, no complicated **integration** is required



**fin·tech**  
/'fin,tek/

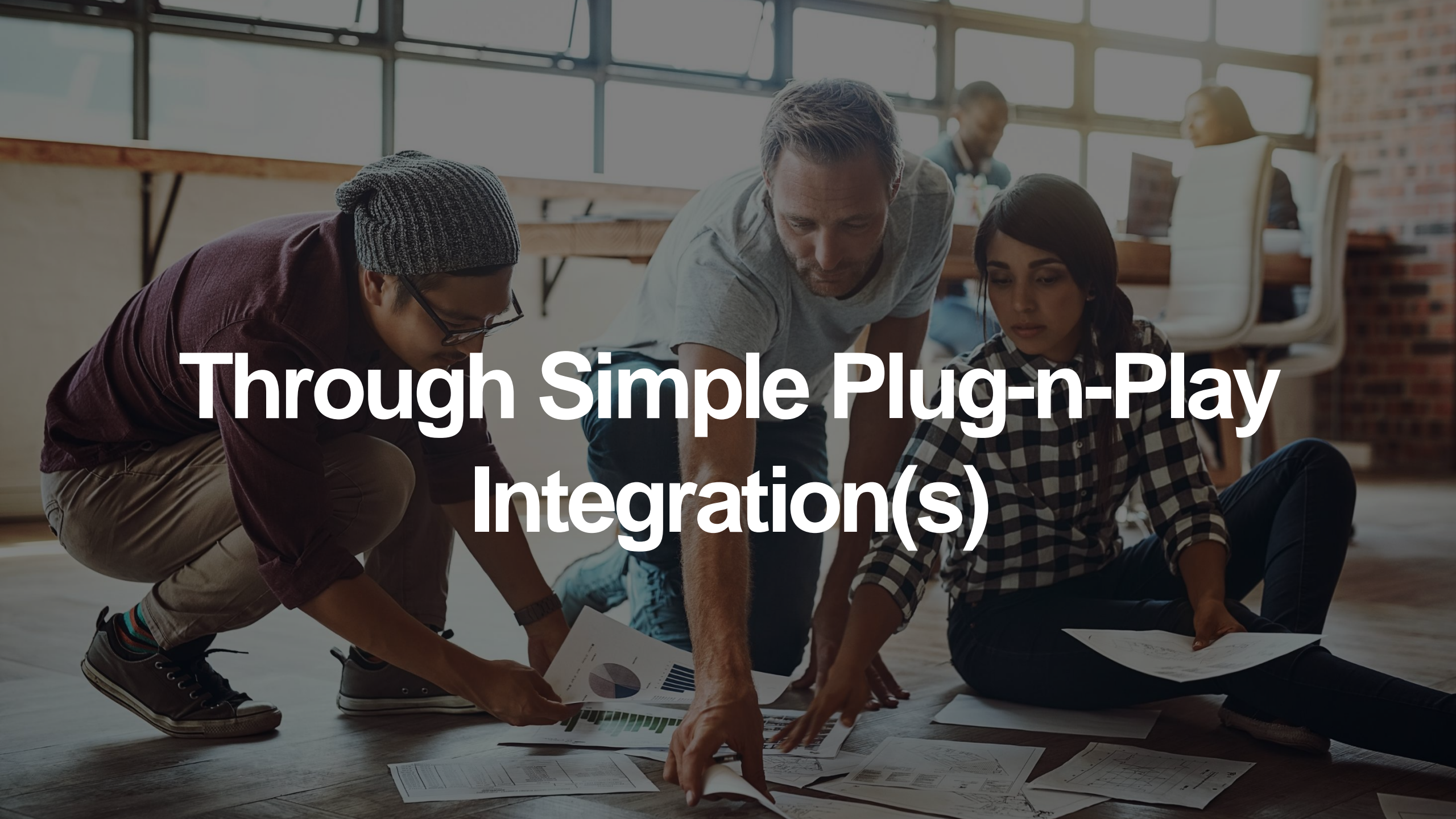
Financial Technology, nowadays better known under the term 'fintech', describes a business that aims at providing financial services by making use of software and modern technology.



# A disbursements platform made for today's workforce

- Empowers employees to get paid **HOW** and **WHEN** they like
- Enables **100% electronic payments** with **full disbursement compliance and consent tracking** for employers
- Drives employee engagement with **early access to accrued wages**



A photograph of three people in a modern office setting, leaning over a wooden floor covered with various documents and charts. The person on the left is a man wearing a grey beanie, glasses, and a maroon long-sleeved shirt. The person in the center is a man with grey hair wearing a light grey t-shirt. The person on the right is a woman with dark hair wearing a black and white checkered shirt. They are all looking down at the documents, which include a pie chart and a bar chart. In the background, there are large windows and other people working at tables. The text "Through Simple Plug-n-Play Integration(s)" is overlaid in white, bold font across the center of the image.

# Through Simple Plug-n-Play Integration(s)

# Through Simple Plug-n-Play Integration(s)



Next generation payments work seamlessly with existing payroll systems



Employers can electronically pay 100% of workers



Workers can decide HOW and WHEN they want to receive their pay

# A Disbursement Platform, Not a Payroll System

- Next generation payments are disbursement platforms for payroll delivery and complement payroll systems and do not replace them
- The platform integrates with electronic payroll systems to enable electronic disbursement of funds



# A single platform for employer payout needs



Education



W2



Travel  
Expenses



On-Demand  
Pay of Accrued  
Wages



1099



Missed Pay,  
Corrections



Bonuses



Tip Pay



Incentives

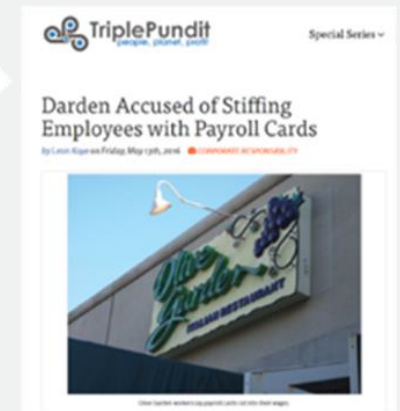
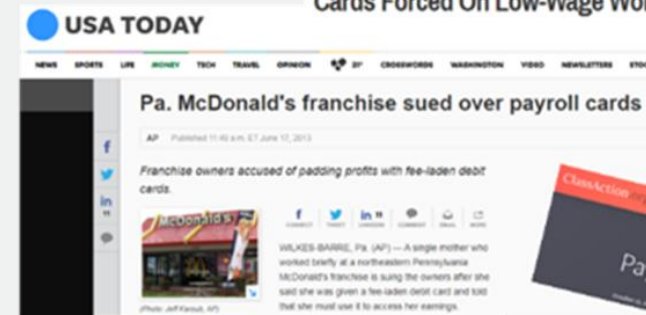


Termination

# Compliance and Consumer Protection is Critical

Protecting employees ultimately protects and elevates the business

Proper payouts protect the business

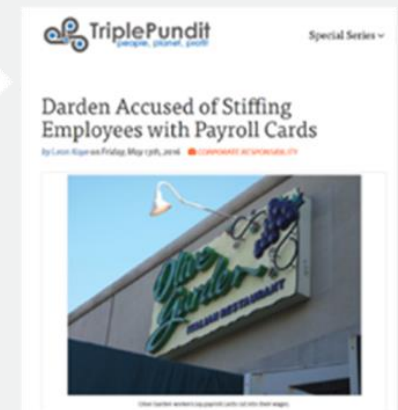
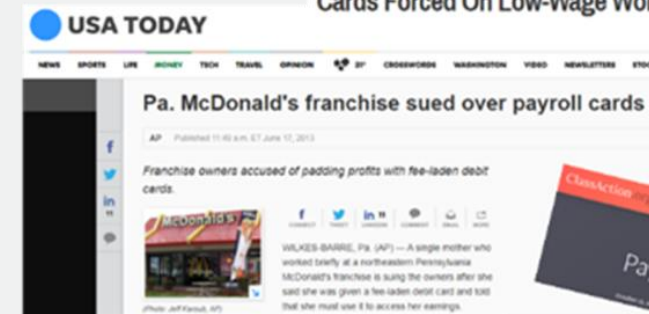


# Compliance and Consumer Protection is Critical

Protecting employees ultimately protects and elevates the business

Consumer and employee transparency is a regulatory requirement

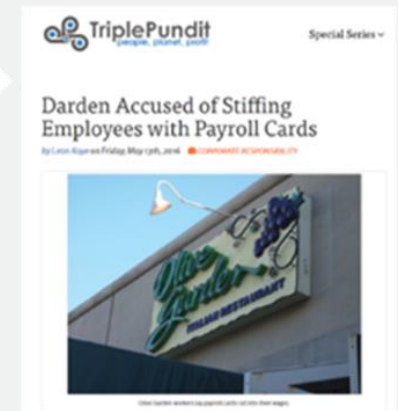
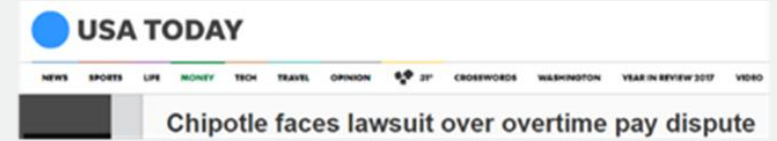
- Tracking consumer, employee selection, and consent protects the business and the bank
- Providing a banked option to the unbanked delivers value to the community and is a goal of bank regulators



# Compliance and Consumer Protection is Critical

Protecting employees ultimately protects and elevates the business

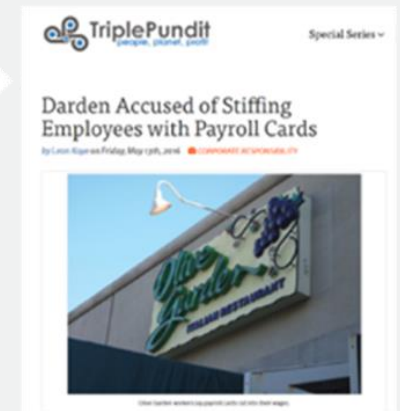
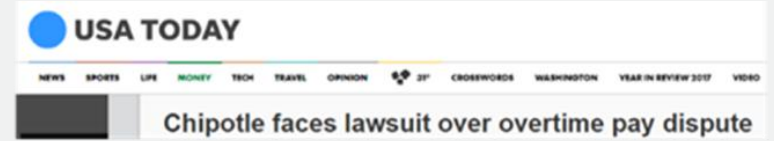
Employee satisfaction is derived by delivering easy signup, choice, and a great user experience



# Compliance and Consumer Protection is Critical

Protecting employees ultimately protects and elevates the business

Extensions to offer wage advance and daily tip payout are important value-added opportunities





# Value to Employers

## Save Time

Faster Payment Deliveries –  
**Instant Cashless Tip Payout  
at end of shift.**

Easy integration

Efficiencies with single platform  
for all payouts

## Save Money

Paperless cost savings  
for W-2 & 1099 workers.

Avoid fees to execute pay  
corrections

Potential for later funding  
of payroll, upon approval

## Save Labor

Efficient, instant handling of tips,  
term pay, and corrections

Reduce risk with cashless, 100%  
digital instant payment of tips

Single pay file for all payouts

## Delight Staff

Fully paid tips at end of  
shift to same account as  
direct deposit

Flexibility and choice in  
how to be paid

# Questions?

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**Thank you**

