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

Dallas Wilfong
Director of Sales Eastern US
Our focus for today

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

Unemployment Rate Reached a Record Low in 19 States Last Year
By Alejandro Treviño
January 23, 2019 8:18 AM PST

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

- 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 99,319 and 99,319 respectively.

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:

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

Source: “Freelancing in America” study conducted by Edelman Intelligence (commissioned by Upwork and Freelancers Union, September 2017.)

Did you know?

36% of the current workforce are freelancers today

Almost half (47%) of working millennials freelance
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.
Early Wage Accrual as a Solution for Retention and Engagement
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 one 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\(^1\)

**Interest in receiving wages as instant payments\(^2\)**

- **44%** not living paycheck to paycheck
- **48%** paycheck to paycheck and able to pay bills
- **65%** paycheck to paycheck and unable to pay bills

---

1 Federal Reserve Board, Economic Well-Being of U.S. Households report, May 2018, n=12,000
2 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\(^1\)

$50B

U.S. Households with Short-Term Credit\(^2\)

19MM

1 Community Financial Services Association of America
2 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.”
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 holdouts 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%
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.

Best practice: How it works
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
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
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
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?
Thank you