



On-Demand Pay: The 4 Models and How They Work.

There are four on-demand pay models that companies might consider when determining the best solution to meet their needs. Importantly, all of the four models make significant strides away from the predatory payday loan vendors of the past, which burdened workers with excessive interest rates that put people further into debt.

On-Demand Pay Models

- More employer control
- More employer impact
- More employee impact
- Less employer control
- Less employer impact
- Less employee impact

	Digital On-Demand Pay	Proprietary HCM	Card-Only	Direct to consumer
Provider Type	Dedicated ODP company (completely digital app experience, can integrate with any HCM provider)	HCM/Payroll Provider (only available through HCM provider, digital or pay card)	Pay card provider or neobank, a digital challenger bank (pay card only, potential HCM integrations)	Digital payday advance company (digital only, does not integrate with HCM systems)
Who Determines Preferred Account for Pay Transfer?	Employee	• HCM provider (card/wallet) • Employee	• Provider (card only) • Employee	Employee
Mode of User Access	Mobile app or desktop	Digital wallet or paycard	Paycard	Mobile app
Payroll/TMS supported	All	Proprietary to HCM provider	All	None
On-Demand Pay Vendor Revenue Models	• Transaction fee • Subscription fee	• Bundled subscription • Merchant fees	• Merchant fees • Sometimes also fee per transaction	• Users required to "tip" for service or pay interest
Employee Wellness Education?	Yes	Yes	Rarely	No
Savings Capabilities	Yes	Yes	Sometimes	No
Provider Auto-Validates Employee Data for Accuracy?	Yes	No (manual only)	No	No
Employer Responsible for Reconciling Reported Hours?	No	Yes	No	No
Employee Communications Support	Varies by vendor	Varies by vendor	Varies by vendor	Consumer marketing
Employer Support	Yes	Yes	Yes	No
Employee Help Desk Support	Yes	Yes	No	No
Potential Pitfalls	• Integration required • Access fees	• Employer payroll risk • Tax obligation created • Compliance concerns	• Integration required • Lower adoption • Compliance concerns	Regulatory
Examples	• DailyPay • Even	• Ceridian • Paylocity	• Instant Financial • PayActiv • Branch	• Dave • Earnin

Security and Compliance: Critical Evaluation Criteria

Evaluating an on-demand pay provider's security and compliance capabilities deserves more attention here as both can put your company at risk if not done with exceptional diligence. Your IT and legal teams should be sure to dig into the following areas before agreeing to partner with any particular on-demand pay vendor:



DATA ENCRYPTION

The on-demand pay technology should include mandatory data encryption in transport (ex: SSL, SFTP) and strong encryption methodologies such as AES 256-bit to secure partner data while at rest.



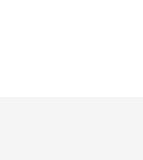
NETWORK SECURITY

The provider should use firewalls and network access controls and monitor privileged access to applications that process partner data.



ACCESS CONTROL

The on-demand pay technology should limit employee access to partner data, limit partner data available to the provider, and require secure log-ins and passwords from each employee. The technology should also include multi-factor authentication for cloud-hosting administrator access and individually assigned Secure Socket Shell (SSH) keys for a small group of engineers.



PERSONNEL MANAGEMENT

Providers should perform employment verification and user training, and conduct routine and random monitoring of employee system activity, including immediately disabling access to all systems upon termination.



CONSTRUCTIVE RECEIPT

To remain compliant, providers should take the federal laws of constructive receipt seriously when designing their technology and processes. This can include showing an employee's full earnings in a pay period on their pay stub.



STATE WAGE AND HOUR LAWS

On-demand pay providers should make it a point to follow state wage and hour laws, which can be vastly different across the country. Since rules regarding everything from wage discounting to timing of receipt for final paychecks vary from state to state, it's important to ensure the provider you choose is compliant in states where your company is located.

To learn more about on-demand pay, see [The On-Demand Pay Education Series](#), which includes the following:



Understanding On-Demand Pay



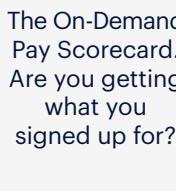
The Real Costs of On-Demand Pay Solutions



Implementing and Managing On-Demand Pay Solutions



The Employee Experience: Solution, Rollout, and Support



The On-Demand Pay Scorecard: Are you getting what you signed up for?



The On-Demand Pay RFP



Fostering Diversity, Equity, and Inclusion with On-Demand Pay