

# On-Demand Pay 101.

Key Considerations to Jump Start Your  
On-Demand Pay Evaluation Process



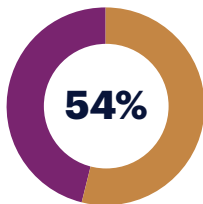
September 2021

**daily**pay.

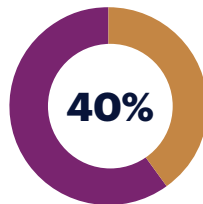
# Introduction

Several years ago, if you heard the term, “on-demand pay,” you might not have a clue about what it was. Today, on-demand pay has gone from a relatively obscure benefit to one of the hottest benefits available, and with good reason — when you identify the right provider, its benefits can be life-altering for employees and game-changers for employers.

It’s no wonder that on-demand pay has moved to the forefront of employers’ benefits checklists given this data on American workers’ well-being:



**54% of employees live paycheck to paycheck**, including 40% of high earners who make over \$100k



**46%** of people with debt also report being diagnosed with a mental health condition

**86%** of people with mental health diagnoses say their debt exacerbates those issues

**34%** of workers run out of money before their next paycheck

**63%** of employees experienced financial stress during the pandemic

**32%** of American workers have medical debt — and over half have defaulted on it

## Benefits for Employees

A study from ADP showed 60% of employees would take a job if they had more flexibility to select pay frequency, same-day pay, or early access to pay—all benefits of on-demand pay.

The benefits of having access to their earned wages when they need it, before payday, is essential for many hard-working Americans striving for greater financial well-being.

With access to their earned pay, employees can:

- ✓ Avoid high-interest payday loans
- ✓ Avoid overdraft fees
- ✓ Improve credit scores by reducing missed or late bill payments
- ✓ Meet unexpected expenses, like emergency medical care and car repairs
- ✓ Save more money

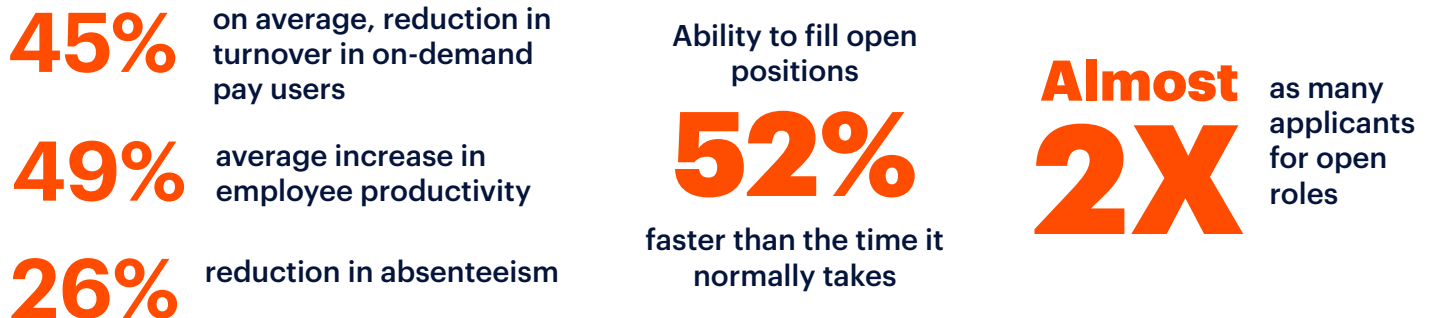
Overall, employees will likely be able to reduce their financial stress to help them become a more productive team member for your company.

## Benefits to Employers

According to a [PwC employee financial wellness survey](#), one in four employees has been distracted at work by personal finance issues within the past year. Of those who responded that they were distracted, nearly half spent three or more working hours thinking about or trying to handle or resolve the problem.

Financial stress doesn't just cause a decrease in productivity — it could lead to lower levels of pay satisfaction from employees, increased absenteeism and increased turnover rates.

These are just some of the benefits employers have experienced as a result of offering a daily pay benefit:



If you're at the point where you realize that these benefits are a win-win for you and your employees, you're probably ready to begin to look at different on-demand pay providers to evaluate what they offer.

This education series is designed to help you evaluate various aspects of selecting and working with on-demand pay providers, through a series of modules.

Modules include:

### **Module 1: Understanding On-Demand Pay**

### **Module 2: The Real Costs of On-Demand Pay Solutions (Nothing is Really Free)**

### **Module 3: Implementing and Managing On-Demand Pay Solutions**

### **Module 4: The Employee Experience: Solution, Rollout and Support**

### **Module 5: The On-Demand Pay Scorecard**

### **Module 6: The On-Demand Pay RFP**

### **Module 7: Fostering Diversity, Equity and Inclusion With On-Demand Pay**

What follows is a summary of what you can expect to see covered in each of these seven modules.

## Module 1

# Understanding On-Demand Pay

On-demand pay is a voluntary benefit that allows employees to access their earnings before their traditional payday. Payroll is becoming a part of the on-demand economy. Employees can now receive their pay as they need it, just like they can order groceries for their family, their favorite morning coffee or a much-needed rideshare.

Various on-demand pay models exist to meet the different needs of companies and their employees. A simple breakdown of the four main on-demand pay models are as follows:

### 1. Digital on-demand pay

- Dedicated on-demand pay company, can integrate with any HCM
- Available to employees through a mobile app or desktop

### 2. Proprietary HCM

- Only available through a specific HCM provider
- Available to employees through a digital wallet or pay card

### 3. Card-only

- May integrate with some HCM providers
- Available to employees only via pay card

### 4. Direct-to-consumer

- Digital only, does not integrate with HCM solutions
- Available to employees through a mobile app

## Security and Compliance

When choosing a provider, it's also extremely important to take security and compliance into consideration. The following issues should be researched thoroughly before committing to a vendor:



Data Encryption



Network Security



Access Control



Personnel management



Compliance with constructive receipt



Adherence to state wage and hour laws

## Module 2

# The Real Costs of On-Demand Pay Solutions (Nothing is Really Free)

Many on-demand pay vendors may advertise their technology as free or free to the employer; however, there may still be hidden costs that need to be taken into consideration.

We all know that few things in business are truly free, and on-demand pay solutions are no different. Each model has both hard and soft costs that need to be understood, as the details differ from one vendor to another. The best thing you can do is to dig in and educate yourself so that you can make the most informed decision about which cost structure will likely work best for you and your employees.

Here are some potential hard/soft costs to take into account, which will vary by vendor:

### For employees:



Transaction fees



Subscription fees



"Tips" for transactions

### For employers:



Implementation fees



Upgrade and maintenance support



Employee service and support



Payroll support



Usage fees



Employee education and communications

## Module 3

# Implementing and Managing On-Demand Pay Solutions

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Planning for an on-demand pay implementation involves key considerations in terms of internal staffing requirements, working with both the vendor and your payroll/time and attendance systems vendors, and testing strategy to determine if all is working as it should.

Here are five things you should evaluate about an on-demand pay vendor's implementation process and capabilities to mitigate roadblocks and ensure a smooth process.

### 1. Industry experience

Each industry has its own set of unique considerations that must be evaluated and planned for, prior to beginning your integration. For example, if you are a QSR/Restaurant, you need to know how tips are handled.

### 2. Vendor partnerships

Payroll/HCM vendor partnerships will help to reduce your time to launch and the level of effort required during your on-demand pay implementation. If you're able to work with an on-demand pay provider that has an established relationship with your payroll/HCM provider, you can trust that the heavy lifting will be handled by them, not your team.

### 3. Testing strategy

It is essential to understand the testing and validation process your on-demand pay vendor will deliver in partnership with your team. Some examples include Unit Testing, User Acceptance Testing (UAT) and Data Validation.

### 4. Security

In order to power your on-demand pay benefit, your vendor may be required to collect basic information about your employees. Confirm that your vendor is only collecting information that is essential to the integration and operation of the solution and nothing beyond (e.g. SSN, birthdate).

You will want to make sure that your employees' information is being exchanged securely via sFTP and/or API. Proof of the highest levels of employee data privacy and protection should be a critical consideration in selecting an on-demand pay vendor.

### 5. Training and support

On-demand pay may start with the implementation, but it's essential to see if the on-demand pay provider will be available to provide training and support to your administrators and employees throughout your partnership

## Module 4

# The Employee Experience: Solution, Rollout and Support

Ensuring that your employees benefit from the best on-demand pay experience increases the likelihood of employee adoption, engagement and improved financial well-being, which translates to reduced turnover and its associated costs for your company.

Three key areas contribute to the on-demand pay employee experience:

### The Solution Experience

There are five components to the experience that an employee has with your on-demand pay solution:

#### 1. The User Experience includes:



**Usability** - the ease with which users can complete tasks using the solution



**Value** - the alignment between the solution's capabilities and the users' needs



**Adoption** - the ease with which the solution can be downloaded, installed and used



**Desirability** - Innovative visual designs that engage and delight users

**2. Financial well-being** - Can the vendor help with employees' financial well-being, providing both the ability to save money and by offering financial tools/education?

**3. Flexible destination accounts for on-demand pay transfers** - Will your employees have a choice in deciding where they want to receive their transfers (e.g., checking account, pay card, debit card)?

**4. Limitations on on-demand pay access** - Some vendors have limits on the amount of pay that users have access to, or they may require your payroll department's approval of each transfer.

## The Rollout Experience

The goals of any new benefit rollout are to build awareness, excitement and continuous engagement with the solution.

- 1. Building employee awareness** involves building a communication and education campaign for employees. Determine who will develop the necessary materials and what the additional costs may be.
- 2. Enrollment & onboarding** that are simple and seamless will maximize participation to help your company achieve many of your on-demand pay benefit goals.

## The Support Experience

Your employees will likely have questions, just like they do with any other benefit you offer. Do you have the resources to handle this or will support be handled by your vendor? Ultimately, it's your decision whether you want to outsource your entire program to the on-demand pay vendor, or take on some or all of the post-implementation tasks yourself, which could increase your costs.





## Module 5

# The On-Demand Pay Scorecard

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You'll want to measure the success of the program, starting with setting goals you hope to achieve. This should include measuring adoption rates, calculating ROI across operations, HR, recruitment and payroll, eliciting employee feedback and making adjustments where needed.

These six steps give you a foundation for measuring success.

### »» **Step 1: Decide on your goals**

Define what you're implementing the solution to solve for and what you want to accomplish. Most employers who offer on-demand pay want to see a boost in employee recruiting, retention and employee financial well-being that leads to increases in productivity and engagement.

### »» **Step 2: Measure your adoption and enrollment rate**

For an on-demand pay benefit to have the best chance of success, it's important to achieve high adoption rates. Many organizations improve adoption rates by sending frequent reminders, arranging training sessions and tracking individuals who have been reluctant to hop on board.

### »» **Step 3: Compare benefit data with other internal metrics**

Determine how frequently employees log in to their on-demand pay account or withdraw funds. How does the frequency compare to other voluntary, company-sponsored benefits? Which are used most often?

### »» **Step 4: Determine if the benefit had a noticeable return**

It's time to see if your on-demand pay benefit helped to achieve your goals. ROI may be quantitative or qualitative. You'll want to evaluate ROI across Operations, Human Resources, Recruitment, Payroll and Program Maintenance to measure the quantitative ROI in each of these areas.

### »» **Step 5: Get first-hand feedback**

Consider [eNPS and Pulse surveys](#) to gather anonymous feedback that will help you gauge employee satisfaction. Deploying a survey is an excellent way to see if employees are happier because of access to their pay on-demand.

### »» **Step 6: Learn from your findings**

Analyze your findings monthly in the first year. Determine opportunities to improve the solution and your employee experience to maximize the results for you and your employees.

## Module 6

# The On-Demand Pay RFP

The process of selecting an on-demand pay provider begins with value alignment between your company and a vendor. You will want to ensure that the provider is equally dedicated to providing the best experience to your employees, while partnering with your organization to achieve its goals.

This evaluation process is one that requires a tight collaboration across different departments in your organization, including HR, Operations, Payroll, Finance and Legal teams. Bringing the teams together early to get buy-in and alignment on the evaluation criteria will help expedite and simplify the process later on.

While the full evaluation questionnaire can vary depending on your company's objectives, the key areas of focus in evaluating a daily pay benefit generally fall into the following four categories:

### 1. Relevant Experience

The vendor of choice should be able to demonstrate:

- ✓ Experience in your industry and regulatory environment
- ✓ Experience working with companies of your size
- ✓ Extensive expertise implementing at scale to set you up for long-term success

### 2. Employee Experience

The product offerings should be thoughtfully designed to maximize the utility of the on-demand pay benefit, giving your employees full flexibility to make the most of your program. Key areas to question to ensure a positive employee experience include continuous coverage, immediate access, instant transfers, flexibility and employee support.

### 3. Employer Experience

Implementation, employee communications and on-going support will determine the potential burdens placed on your team in order to support your on-demand pay solution. Key questions to ask to ensure a positive employer experience would center around compliance, any changes to payroll processes, partner success and integration with your company's existing benefits.

### 4. Security & Privacy

You'll want to understand what security features and protocols each vendor uses to secure employees' personal and confidential information.

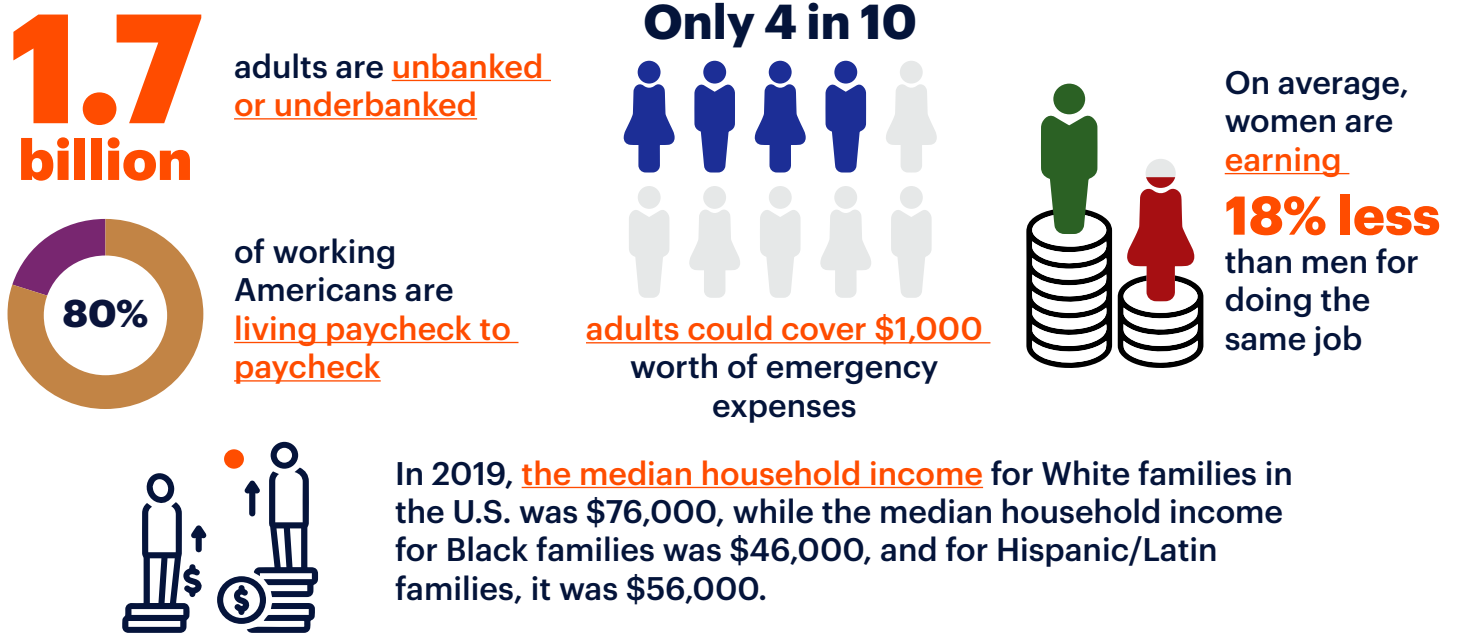
## Module 7

# Fostering Diversity, Equity and Inclusion With On-Demand Pay

Diversity, equity and inclusion are at the forefront of many leaders' minds as they strive to create work environments where everyone feels welcome. However, financial equity and inclusion is not always discussed as frequently, although it is an equally important piece of this puzzle.

At its most basic level, financial equity and inclusion means ensuring that individuals have equal access to professional opportunities, financial systems, products and services that can potentially lead to wealth generation. Wealth gaps between people of different races, genders and abilities create financial inequity.

It can be sobering to realize that:



## How Employers Can Help

Organizations now have the opportunity to offer additional benefit options and enable greater access to financial resources so that employees can have more control over their financial well-being. On-demand pay is a useful tool to help employers promote financial equity and inclusion in their organizations.

Access to on-demand pay has been proven to help users:





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company and your employees.

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