On-Demand Pay: The Real Cost of On-Demand Pay.

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

What "Free" or "Free to the Employer" Really Means

For some on-demand pay vendors, "free" often refers to the absence of fees charged to the employer and/or employee. However, soft costs also need to be taken into account as they can be more expensive than the fees themselves. Some include:

- additional workload
- implementation time
- payroll support

Depending on the model, the responsibility of the fees may fall onto the employer or the employee, each of which has its own pros and cons.

Many employers choose not to fund an additional benefit for their employees. On the other hand, solutions with excessive costs to employees may prevent them from enrolling or building their savings.

The Hard and Soft Costs of On Demand Pay Solutions

Questions regarding cost are often considered first and foremost in the decision-making process when implementing new benefits.

Potential hard 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
- Usage fees
- Employee service and support
- Employee education and communications

Some soft costs to be considered, all of which differ by solution:

FOR HR

- Support required to address employee questions and complaints
- Employee communications
- Enrollment management
- Onboarding
- Implementation time

FOR PAYROLL

- Support required for questions about paycheck anomalies
- Ongoing payroll management time requirements
- Regulatory and compliance cost implications and risk
- Implementation time

FOR IT

- Support costs for technical questions
- Implementation time

Make sure to ask potential providers about these costs in order to get a more accurate view of what it will actually cost to implement, offer and maintain this technology.

How Various On-Demand Pay Models Make Money

This table illustrates how various vendor models are funded and considerations for each:

Model	Source of Revenue	Vendor Example
Digital on-demand pay	• Transaction Fee • Subscription Fee	dailypay. EVEN
Proprietary HCM	• Bundled Subscription • Merchant fees	CERIDIAN paylocity
Card Solutions (Pay card and/or neobank)	• Merchant Fees • Sometimes also fee per transaction	branch payactiv instant
Direct-to-consumer	• Users required to "tip" for service or pay interest	Dave earnin

To learn more about on-demand pay, see The On-Demand Education Series (link to overview page), dailypay.com/on-demand-pay 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