

8 things to consider when evaluating on-demand pay 🌅



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dailypay.

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Introduction

While employers are still dealing with the ramifications of the worldwide pandemic, [a recent article in Employee Benefit News \(EBN\)](#) stated that 25% of employees are planning to quit their current jobs post-COVID. Millennials and working parents are the most likely populations to abandon ship and the reason? Burnout.

According to the same EBN article, burnout can cost employers \$125-\$190 billion in lost productivity and health care costs. Add employee exodus and the resulting turnover costs to the equation and you're looking at a potentially hefty hit to your bottom line. In fact, it can cost your company [16%-46% of an entry-level to mid-level salary](#) to recruit and onboard a new employee.

Many companies have already discovered one solution to combat high turnover — on-demand pay. Those companies that are fortunate enough to already have a daily pay benefit are discovering that it promotes worker productivity, helps to retain employees and boosts recruitment of job applicants. In fact, a [recent DailyPay user survey](#) demonstrated that 1 in 6 people looking for work indicated they are seeking jobs working for companies that offer a daily pay benefit.

If you're considering an on-demand pay benefit offering, it's essential to realize that not all on-demand pay providers are created equal, and choosing the wrong vendor can actually create more work and increase costs for your organization. Additionally, some on-demand pay providers can introduce compliance or reputational risk that could potentially undo any benefit or put your employees at risk with high-interest loans.

This eBook will walk you through how to choose the right on-demand pay vendor for your organization — one that will help save you time and money, empower your workforce and ultimately strengthen the bond between you and your employees — so they'll want to stay.

What is On-Demand Pay and Why is it Important?

On-demand pay, also called earned wage access, is a voluntary benefit that allows employees to access their earned pay prior to payday. By allowing employees to tap into their earned pay, they can pay their bills on time and meet unexpected expenses, without having to pay late fees, overdraft fees or resort to predatory payday loans that can charge a borrower up to 400% interest.

According to [Neighborhood Trust Financial Partners](#), personal finance is ranked as a leading cause of employee stress in the country and nearly 50% of U.S. employees suffer from financial stress. Financially stressed employees lose about a month of productive work days each year, and they are twice as likely to seek a new job opportunity.

An on-demand pay benefit helps to relieve financial stress. Without the burden of having to wait for their next paycheck, employees feel empowered. With the ability to transfer earnings before payday, employees feel more financially secure and in control of their pay. With access to their earned pay, employees stress less while on the job, increasing their productivity and engagement with their company. When employers offer this benefit, it's easier to recruit employees. Employers also find that employees who use this benefit are more loyal and want to stay with them longer, reducing turnover and its associated costs.

Offering the right on-demand pay benefit can help your company because it can:

The benefits of offering the right on-demand pay benefit to your employees include:

- | | |
|--|---|
| ✓ Reduce employee turnover | ✓ A happier, more engaged workforce |
| ✓ Increase productivity, with less absenteeism | ✓ Willingness to pick up extra shifts |
| ✓ Accelerate hiring | ✓ Reduction in late fees, overdraft fees and payday loan interest |
| ✓ Result in higher employee engagement | ✓ Ability to pay bills on time and meet emergency expenses |

To achieve these types of benefits, however, you need to carefully consider the merits of working with a particular on-demand pay provider.

How to Evaluate On-Demand Pay Providers

When assessing possible on-demand pay vendors, there are several key elements that you should evaluate. Careful scrutiny during the selection process will ensure that the program you choose helps your organization save time and money and meets modern employees' expectations when it comes to access to their pay.

Evaluating on-demand pay providers: Employer Experience

Does the Vendor Provide Funding for Early Pay Transfers?

When an on-demand pay program requires the employer to provide funding for early pay transfers, this essentially equates to running payroll operations on a daily basis, which requires withholding taxes, necessary deductions, etc. To reduce your payroll team's workload and ensure compliance, choose a program where the on-demand pay vendor provides the funding.

DailyPay funds all early transfers for our clients' employees and then is paid back through your company's normal payroll process.

Will the Vendor Handle Employee Support Issues?

Designing and implementing a comprehensive Total Rewards Program can result in happier, more engaged and more productive employees — employees who want to stay with you because you're providing them with the meaningful benefits they want.

DailyPay currently partners with hundreds of employers and their millions of employees, and the stories they tell about how this benefit has changed their companies and the lives of their employees is what motivates us as a company to keep doing what we do — every single day.

Is the Program Compliant?

Given that on-demand pay is a nascent industry, players in the market have been introducing new features and program structures faster than regulators can keep up with them. But that is starting to change as regulators are starting to take notice of the industry.

DailyPay is the on-demand pay industry leader in compliance. DailyPay is not a loan, does not debit employee bank accounts or deduct from employee wages for early pay transfers.

Can my Employees continue using the On-Demand Pay Service even if my Organization Switches Payroll Providers?

Choosing an on-demand pay vendor, implementing the technology and rolling out the program takes time and effort for your payroll, IT and HR teams. While the benefits far outweigh any effort, you don't

want to have to go through the evaluation and implementation process again if you decide to switch payroll providers. However, on-demand pay programs that are tied to a vendor's payroll system will need to be undone if you do choose to change payroll systems. To avoid additional work (or taking this benefit away from your workforce), choose a vendor that can work with any payroll system.

DailyPay is able to work with any payroll and time reporting system, which makes it easy to change payroll providers and yet retain our on-demand pay benefit for your employees.

Evaluating on-demand pay providers: Employee Experience

Can Employees access up to 100% of their Earned/Unpaid Pay whenever they need it?

The best on-demand pay programs help employees to make ends meet while avoiding predatory payday loans. To ensure that your employees can handle any emergency, it's important to select a vendor that gives employees up to 100% access to their earned and unpaid pay at the time when they need it most. Limiting users to arbitrary amounts puts them at risk for not being able to meet their financial obligations, creating stress and negatively impacting their job performance.

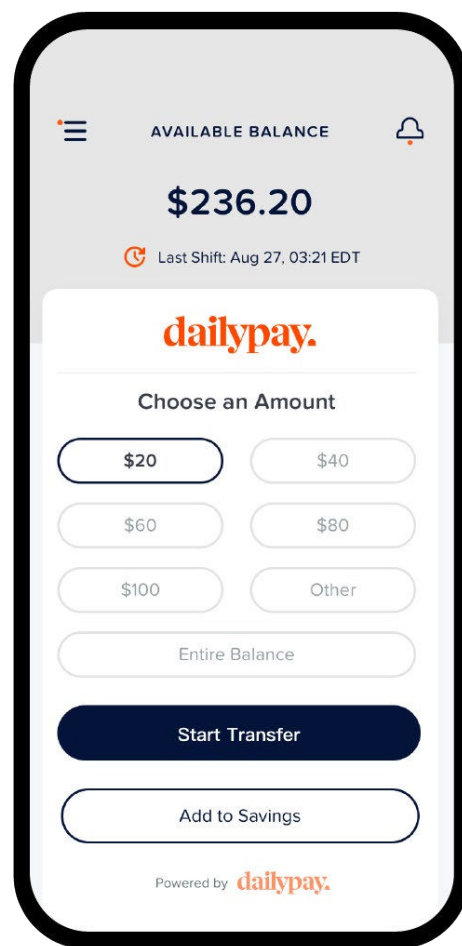
DailyPay allows employees to access up to 100% of their net earned pay instantly. Our proprietary algorithm takes taxes, deductions and even garnishments into consideration to avoid overstating an employee's net available pay.

Can Employees Send Funds to any Destination Account of their Choosing?

The modern employee expects choice and flexibility. Financial apps like PayPal or Venmo allow users to send and receive funds from any destination account. This has become the standard. When evaluating on-demand pay providers, it's important to ensure that users are able to send their pay transfers to any destination account so they have their money where they need it.

Programs that require a particular pay card or prepaid card often subject users to surprise fees when moving funds off the card and to a different account. This creates frustration and confusion among users, ultimately hindering program adoption and minimizing your ROI.

With DailyPay, employees can send funds to any bank account, debit card or pay card, with no hidden fees. Employees only pay an ATM-like transparent fee when they request a transfer.



Can Employees Access Funds Instantly?

Speedy and reliable access to funds can be critical, especially in emergencies, so the ability to access earned pay instantly is essential. Knowing that they can access pay immediately, for any reason, helps to reduce employees' financial stress, thereby maximizing worker productivity.

DailyPay offers instant or next-day access to earned pay, and employees have access from Day 1 on the job!

Does the On-Demand Pay Provider Offer Free Savings and Budgeting Tools?

An on-demand pay program should have the goal of helping employees to achieve financial stability. In addition to offering early access to pay, many vendors offer financial wellness tools, like savings or budgeting features, as well. But not all financial wellness features are created equal. Some come at a cost, or require the user to share sensitive personally identifying information (PII) (e.g., bank login details).

DailyPay is proud to offer users free visibility into their DailyPay Pay Balance™ Balance and earnings to date, and we promote employee savings by offering employees three ways to save a portion of their earned pay to a savings account of their own choosing.



The Benefits of DailyPay

At DailyPay, we view our role as supporting our clients in their efforts to provide a stronger financial support system for their own workers — one that, in turn, will help them to reduce turnover, increase productivity and accelerate hiring to save them time and money.

When your employees' experience with their pay improves, you'll reap these rewards as well:



Improved Retention

Offering a daily pay benefit helps increase retention. Most DailyPay clients can expect to see a 45% reduction (or higher) in turnover for DailyPay users compared to the non-DailyPay-user population.



Increased Productivity

With our DailyPay clients, we have seen that employees who use DailyPay work 11% more than their non-DailyPay user colleagues, measured by the number of shifts they work. Why? It's simple — when employees can access their pay to meet financial obligations, their financial stress decreases, allowing them to focus on their job and perform to the best of their abilities.



Faster Hiring

For companies looking to accelerate hiring, offering a daily pay benefit can help. Many DailyPay clients mention that they offer a daily pay benefit in job postings for open positions, and we have seen that promoting this benefit helps boost applications for open positions by about 2x. In fact, a recent survey demonstrated that 1 in 6 people looking for work during the health crisis indicated they are seeking jobs working for companies that offer a daily pay benefit.



How Do On-Demand Pay Providers Stack up on the 8 Critical Considerations?

The following table provides a fact-based evaluation of on-demand pay vendors for your consideration.

	DAILYPAY	PAYACTIV	EVEN	CERIDIAN	BRANCH
Vendor-Funded?	✓	✓	✓	✓	✓
Multi-Channel Vendor Support?	✓	Chat/Email Only	Chat/Email Only	✓	Chat/Email Only
Wage & Hour Compliant in a Consistent Manner in all 50 states?	✓	X	X	✓	X
Able to Switch Payroll Providers?	✓	✓	✓	X	X
100% Earnings Access?	✓	X	X	✓	X
Fully Flexible Destination Account?	✓	Card Preferred	ACH Only	Card Preferred	Card Preferred
Instant Access?	✓	Visa Cards Only	X	✓	✓
Savings Tools?	✓	✓	✓	X	X

Conclusion

Offering an on-demand pay benefit can help both you and your employees in important and dramatic ways. Your employees will have more control over the timing of their pay and save, on average, \$1,205 each year in payday loan interest payments, late fees and overdraft fees, which gives them more financial freedom. You and your company will benefit from employees who are more engaged, stay longer and work harder. DailyPay is truly a win-win.

But to achieve these benefits, you'll need to carefully evaluate the various providers you're considering and select a vendor that won't increase your team's workload or introduce unnecessary compliance risks.

Get in touch with DailyPay to see why we check off all the right boxes and learn how we can help you bring DailyPay to your people.



Please contact us to learn
what DailyPay can do for your
company and your employees.

Thank you for reading. 🌅

[Get a no-obligation demo](#)

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