NEXT-GEN DEBIT TRACKER®

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NEXT-GEN DEBIT

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ACKNOWLEDGMENT

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WHAT'S INSIDE

It is easy to upset the balance between quick transactions and customer satisfaction. Retailers want to offer faster purchasing and short checkout lines but must still serve cash-dependent customers, for example, and governments want to be able to issue timely payments to vulnerable citizens who cannot receive benefits directly into their bank accounts. This creates challenges for innovative entities working to improve efficiency without alienating the customers who keep them in business.

Companies and governments are looking to debit cards to accelerate transactions without leaving unbanked consumers behind. The payment instrument's ability to cater to both needs may be one reason behind its long-term staying power. Vivint Smart Home Arena recently turned to a debit card solution to trim checkout lines when it went cash-free in October 2019. The sports stadium wanted to retain customers who lack mobile apps or payment cards, and so it installed kiosks that load inserted cash onto prepaid debit cards to empower purchasing.

Debit cards are helping organizations send funds in addition to accepting them. The United States federal government turns to them to securely and conveniently disburse payments like Social Security benefits. Officials believe sending funds to reloadable debit cards is more reliable than issuing paper checks, and the cards provide easy digital transfers to unbanked or underbanked consumers.

Payment cards' use has risen, increasing 8.9 percent in the U.S. between 2015 and 2018, and security and convenience updates — such as via EMV chips and contactless capabilities — may help them keep up with consumers' needs.

AROUND THE NEXT-GEN DEBIT WORLD

Small to mid-sized businesses (SMBs) are also eyeing debit to ease their business-to-business (B2B) transactions. Painfully slow paper checks frequently dominate these payment flows, and software supports are not always tailored to smaller companies' needs, making upgrading difficult. SMB-focused third-party platforms might be able to help, however, providing corporate buyers smoother card payments while giving sellers fund reception options.

SMBs in the United Kingdom are also looking at ways to more easily accept payments and cater to customers' preferences. Taking recurring payments via direct debit can be particularly valuable for these SMBs as the method is popular among local consumers. A 2019 report found only a small portion of U.K. businesses actually accept such payments, however. Banks can rectify this by joining direct deposit payment rails so they can extend tailored services to their SMB clients.

Accepting debit card payments can also be taxing on small retailers' often limited resources for software development and implementation. Accounts receivable (AR) automation company Invoiced believes the fix is simply not to ask SMBs to create the infrastructure and instead ask third-party payment processing platforms to work for them. The firm's offering will let SMBs quickly begin accepting debit cards.

For more on these stories and other recent next-gen debit headlines, check out the Tracker's News and Trends section (p. 12).

REDESIGNING PAYROLL FOR GEN Z'S INSTANT, ON-THE-GO LIVES

Employers are discovering that younger workers do not share their older counterparts' payroll preferences, and a sizable portion of Generation Z is willing to walk away from job offers that do not compensate them with the frequency or flexibility they prefer. Speed, choice, access and financial wellness engagement should thus guide any payroll department seeking to recruit younger employees, according to Belinda Reany, division vice president and general manager of human resources and payroll services provider ADP. In this month's feature story (p. 7), Belinda discusses workers' shifting expectations and why payroll cards and digital wallets could become increasingly popular ways to receive earnings.

DEEP DIVE:
THE STAFFING AGENCY CASE FOR PAYROLL CARDS

The tight U.S. labor market has made staffing agencies' worker recruitment and retention more competitive. These firms employ talent for temporary and ad hoc jobs but must find compelling ways to stand out — including wages paid via workers' preferred methods. Most Americans are now paid via direct deposit, but payroll cards' prominence appears to be climbing. This month's Deep Dive (p. 19) examines payroll cards' current role in the U.S., including the demographics that use them, their advantages, their limitations and their potential impact on staffing agencies' competitive prospects.

EXECUTIVE INSIGHT

How do you see debit's role evolving as consumers increasingly expect and demand faster payments experiences?

"From their inception, debit networks were the original faster payments networks, built to deliver faster approvals at checkouts, and faster posting to consumer accounts. Early adopters were grocery merchants, where speed at checkout was paramount. Single message debit transactions were reflected in consumer accounts the same day, often in seconds, instead of the 2 to 3 days when 'off-line debit' was used.

Today, at the point of sale, you insert or tap your card and enter your PIN, or in some cases, not even that. It's approved. You're done. As merchants shift to pay and pickup — or delivery and cashierless — checkout methods, debit has the remote payments capabilities in place.

Credit push transactions make debit ideal for business-to-consumer transactions, including early access to wages. The risk and anti-money laundering checks are in place. Speed, reliability and security are already baked in."

JENNIFER SCHROEDER,
executive vice president of
product management at PULSE

5 FIVE FAST FACTS

76%

Portion of recurring payments made by **direct debit in the U.K.** in 2019

29.2%

Share of convenience stores that have **not updated to EMV** due to costs

2%

Year-over-year increase in total spending made with **U.K.-issued debit cards**

8.9%

Per-year increase in **Americans' payment card use** between 2015 and 2018

8.4M

Projected number of **activated payroll cards** in the U.S. by 2022

FEATURE STORY

ADP **ON PREPAID CARDS, DIGITAL WALLETS' ROLES** IN THE FUTURE OF PAYROLL

EMPLOYEES CHOOSE EMPLOYERS BASED ON SEVERAL "GOOD FIT" METRICS,

including how they pay — and how much. Younger, more tech-savvy generations are rising into the workforce, and companies that only offer biweekly paychecks or direct deposits will not stand out when trying to recruit.

A global study of 7,000 employers and employees conducted by human resources and payroll services provider ADP found that nearly half of Gen Z job seekers would reject offers that did not include options regarding how they receive their earnings. Businesses must thus refine their payroll approaches to encourage America's younger workers to join their ranks, Belinda Reany, division vice president and general manager at ADP, explained in a recent interview with PYMNTS.

"[Younger generations] want more choices," she said. "Speed, access and engagement are the three pillars [that matter to them]."

Employers looking to grow must update their strategies and solutions to meet their workers' new payroll expectations, including the growing demand for speed.

SPEED OF DISBURSEMENTS

Younger workers are well-accustomed to the on-demand ecosystem, Reany explained, and many of them want to be paid daily or immediately. This could mean receiving funds onto payroll cards or mobile apps as both technologies free them from having to cash checks or wait for money to appear in their bank accounts.

Doing away with employers' and payroll providers' traditional biweekly pay structures is easier said than done, however. Employers must consider their disbursements' speed, determining whether to make earnings available 24/7 through real-time rails or to keep a regular schedule but shrink the time between disbursements. Meeting the demands for quicker, more frequent payments or on-demand fund access requires employer-adopted capabilities that rapidly assess and deduct taxes and other contributions to calculate take-home pay in real time.

Faster disbursements also mean businesses can no longer rely on holding the same amount of working capital as when running payroll once every two weeks, Reany noted. Larger employers likely have the budgets to more easily handle such financial changes as well as the administrative processes for workers' on-the-go earnings requests. Smaller companies may struggle to make such updates but can play it safe by providing on-demand access to earned wages through the right partnerships.

> **“[Younger generations] want more choices.** Speed, access and engagement are the three pillars [that matter to them].”

“Cash flow and working capital is much harder for small businesses,” she said. “Solutions for employers that could help them stay competitive [for] employees [could include] early access to earned but unpaid wages, where the employer doesn’t necessarily have to front that money and use working capital to make it available. There are now partners and players in the space that are testing solutions around that.”

Payroll and human resources companies are actively exploring ways to help SMBs keep up with employees’ evolving payments needs, including access to quick disbursements speeds as well as alternative payment options.

ACCESS AND CHOICES

Employees may not request immediate payment every day, but many still want to know it is a possibility. Nearly 40 million Americans — one-eighth of the national population — reportedly struggle to pay off monthly bills and would be incapable of covering unexpected expenses out of pocket, Reany said. ADP research from 2019 found that 36 percent of its respondents worldwide take into account whether they can choose how often they are paid when considering a job offer, and 26 percent said accessing same-day pay is important. This makes sense, especially for those living paycheck to paycheck who likely want reassurance that they could quickly access earnings in emergencies.

“More than half the people we spoke to [said], ‘I need to save me from myself.’ ... [There’s a] shift toward supplementing traditional banking accounts with alternative payment mechanisms.”

Workers want to select how their money arrives, too, in addition to when. That means deciding whether to have some or all of their funds delivered by direct deposit, paper check or payroll card. ADP surveyed 500 of its and its clients’ U.S. employees paid in late 2016 and early 2017 and found that nearly 35 percent were paid via direct deposit. The survey, which was not released to the pubic, found that members of that 35 percent each held two or three prepaid cards on average and used them to budget, designating different cards for different spending buckets.

“More than half the people we spoke to [said], ‘I need to save me from myself,’” Reany explained. “[They said], ‘I know I need to be more disciplined about my spending, but I need structure. I need to be able to segregate the money into my entertainment envelope or rainy-day fund or whatever, so I can get into that rhythm.’ [There’s a] shift toward supplementing traditional banking accounts with alternative payment mechanisms.”

Employers need to realize that workers may not simply want to choose between two options but instead select several different ones. They might wish to send some earnings to bank accounts and other portions to prepaid cards, for example.

ENGAGEMENT IN FINANCIAL WELLNESS

The desire to improve financial health may be why many modern employees want their employers to provide additional payroll services. Struggles to make ends meet can harm employees' physical health, hindering their ability to engage at work, making some ill and forcing others to take time off to handle financial problems. Employees thus often value digital tools that track or manage spending, advise them and foster more stable financial footings.

Direct deposit ousted paper checks from their primary place in payroll, Reany said, and payroll cards and mobile apps could displace direct deposits. Employers should not expect one single disbursement method to win all workers over, however, as employees have unique life concerns and increasingly want to choose options that best suit them. Younger workers are even willing to walk away from job offers that do not cater to such preferences, which pressures competitive employers to offer speedy disbursements, multiple payment options and engaging financial wellness supports. These elements might just be the difference between recruiting new hires and watching them work for competitors.

UNDER THE HOOD

How much weight do security concerns hold as employees consider how they want to be paid?

"We did a survey through ADP Research Institute around how people get paid and the evolution of pay. [The study was] with about 7,000 people across the globe — employees and employers — and asked questions about [payment] method, pay cycle and financial wellness. Security topped the list of pay priorities.

As digital wallets and digital payments in general become more mainstream, … more alternative methods to get your pay will also become the norm. Digital wallets like Apple Pay, Google Pay [and] Samsung Pay, in the beginning, people were like, 'Oh, I don't know about this,' but then [they] became available in stores more and more. But that change takes a long time. It's the same with [payroll]. People are starting to adopt non-traditional payment methods. Their willingness to accept them is high, and that came out in the research. It helps [encourage adoption] if [the] alternative payment option comes from a trusted source."

BELINDA REANY
division vice president
and general manager at ADP

NEWS & TRENDS

SMBs' B2B DEBIT ACCEPTANCE

THIRD PARTIES TARGET B2B PAYMENT PREFERENCE MISMATCHES

Existing accounts payable supports often underserve SMBs, which struggle to find appealing alternatives to slow, check-based payments or basic bill payment tools on their banks' websites. Many AP tools are designed around payments processes common in larger enterprises and many do not reflect SMBs' workflows, Matan Bar, co-founder and CEO of SMB-focused digital B2B payment solution provider Melio Payments, told PYMNTS in a recent interview. They may require departments to submit payment approvals, for example, irrelevant for SMBs that might not be large enough to even have departments. Such solutions are overly complex, but person-to-person (P2P) tools present the opposite problem and fail to provide enough features.

Serving SMBs requires third parties to mediate between small buyers' and sellers' payment preferences. Buyers typically want to increase the time their money accrues interest in bank accounts or simply have it for as long as possible. This means they want to delay sending payments until the last minute, Bar explained, and wish to pay with debit and credit cards that earn them rewards points. Sellers prefer payments to come in quickly so they can invest their revenues, however, and want to avoid the fees associated with accepting cards as well as the costs of designing the systems to do so. Bar said B2B payment service providers (PSPs) can help the parties meet in the middle. These third-party players accept buyers' favored payments — typically bank transfers and cards — and send funds to sellers via their desired methods, often paper checks or direct deposits.

INVOICED ANNOUNCES INVOICE PAYMENTS PORTAL FOR SMBs

SMBs seeking to get paid without investing in infrastructure are finding many third parties eager to provide the necessary framework for them. AR automation company Invoiced is offering an online payment portal that SMB clients can integrate into their operations. The tool, Invoiced Payments, enables SMBs to accept invoice payments via debit and credit cards as well as automated clearing house (ACH) without having to develop or handle the payments entry and processing.

Invoiced partnered with Chase Bank's payments company, WePay, for the portal's payments processing. The partnership enables SMBs banking with Chase to receive deposits that same day, while non-Chase clients receive funds within three days. Use is currently restricted to Canada and the U.S., and customers must access the tool via Invoiced's AR automation platform.

C2B AND B2C PAYMENTS

METRO BANK UNVEILS NEW DIRECT DEBIT SECURITY CAPABILITIES FOR SMBs

Smaller companies may discover that receiving recurring consumer-to-business (C2B) payments in ways all parties find convenient is challenging, but it might be critical for U.K.-based gyms and subscription content suppliers to do so. A 2019 report asserts that 76 percent of regularly recurring payments in the

country are made via direct debit, a method in which authorized businesses automatically pull money from consumers' bank accounts each billing cycle. Challenger financial institution (FI) Metro Bank noted that direct debit can be difficult for some SMBs to implement, however, and a second 2019 study found that just 15 percent of U.K. small businesses and 30 percent of mid-sized ones accepted it.

Metro Bank aims to bridge this access gap by providing a direct debit service tailored to smaller business clients, according to chief commercial officer Paul Riseborough, and the solution will include payment management and automatic collections features. The FI has linked into the U.K.'s Bacs direct debit and credit system to extend access to the payment rail.

THE FISCAL SERVICE TAPS COMERICA AS DIRECT EXPRESS PARTNER

The U.S. government also sees debit as a valuable way to reach consumers. The Bureau of the Fiscal Service at the U.S. Department of the Treasury is using it to send money to individuals, turning to a banking partner for business-to-consumer (B2C) Social Security and veterans benefits disbursements under its Direct Express program. Approximately 4.5 million benefits payments are sent to prepaid cards, which are considered safer and more dependable than paper checks, and recipients can use the cards online and at retail locations that accept Mastercard.

The Fiscal Service chose Texas-headquartered FI Comerica Bank to support Direct Express from January 2020 to January 2025. This agreement differs from the pair's previous pact in that it specifies Comerica must provide more intensive customer service, a greater level of reporting and lower fees to cardholders on some transactions. The Fiscal Service examined potential FI partners' costs, customer service and dependability, among other factors, before selecting Comerica.

SECURITY AND MISBEHAVIOR

VISA, MASTERCARD REJECT BID TO EXTEND EMV LIABILITY DEADLINE

Retailers frequently find debit card acceptance to be critical to their competitiveness as those that fail to appease consumers' demands for debit and credit card payments may see shoppers turn to their rivals. Handling card payments at the point of sale (POS) comes with risks, however. Fraudsters can plant skimmers at unattended POS devices and then steal customers' payment credentials from magstripe cards. The card industry has tried to improve defenses, though: Visa and Mastercard are demanding that retailers enable their payment terminals to read EMV chip cards — which are more secure because the data cannot be stolen to create counterfeit cards — by October.

Not all merchants believe they can meet the EMV conversion deadline, however. The Merchant Advisory Group — a trade association and business advocacy organization of 150 major U.S. payments industry merchants — has requested an extension, and approximately 70 percent of convenience store owners have not made the necessary upgrades, according to a survey. Many gas station merchants noted that getting the software they need so users can choose EMV payments was a challenge. Approximately 30 percent said the software needed to be certified before they could implement it, 29.2 percent struggled to afford the required technology and 52.1 percent complained that software was unavailable. Joshua Smith, an executive at POS provider Gas Pos, said a shortage of specialists capable of installing EMV-accepting pumps — and limited manufacturers creating the products — compound the issue. Visa and Mastercard have refused to extend the deadline, though, and will make retailers liable for fraud perpetrated with magstripes following the October date.

PAYMENTS CANADA RELAXES REGULATIONS THAT COULD IMPEDE DEBIT USE

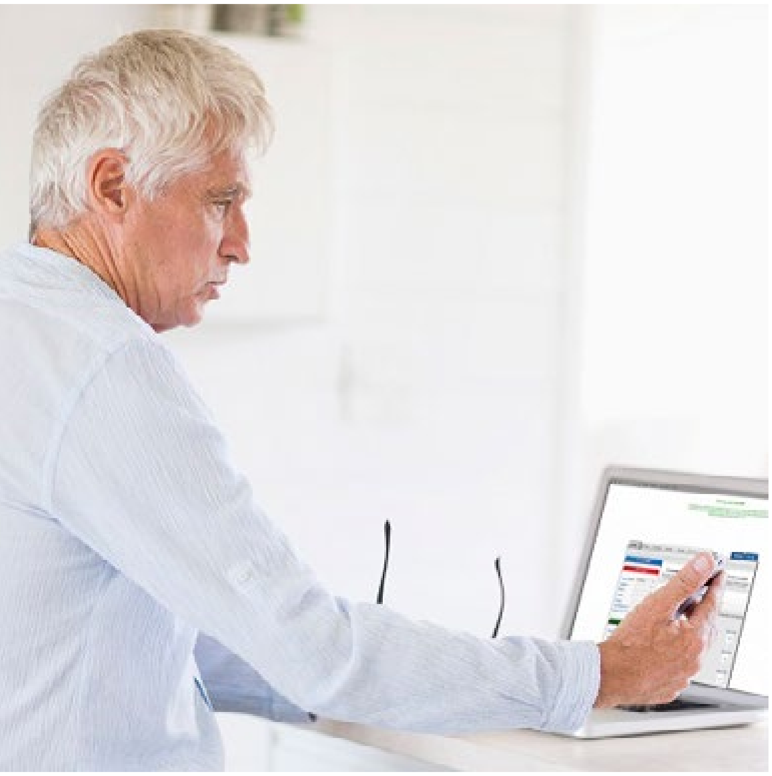
Gas stations in the U.S are concerned about forthcoming card regulations, but transit companies in Canada are appreciating relaxed card acceptance policies. Payments Canada, the organization that manages and regulates the country's clearing and settling infrastructure, recently issued legislation — Rule E5 — to help consumers use debit cards more often, ushering in wider usage by easing regulations guiding merchants' acceptance. Canadian consumers already reach for debit cards more often than cash, using the former in approximately 35 percent more 2018 transactions than the latter. The new rule could encourage this trend.

Transit operators have not always accepted debit cards because complying with security regulations often conflicts with their business models. Payments Canada required sellers to maintain online connectivity while accepting debit so the payments could immediately be authorized. Bus drivers and other merchants that quickly process many payments — as when numerous commuters board — found it difficult to maintain this continual connectivity, but Rule E5 permits them to provide services and accept payments without immediately authorizing the transactions. The shift is expected to encourage consumer debit payments at parking meters and vending machines and on ferries, public buses and trains.

RBA PUSHES FIs TO GIVE MERCHANTS CONTACTLESS DEBIT ROUTING CHOICES

Australia-based retailers may soon be experiencing frictions of their own when accepting some card payments. The Reserve Bank of Australia (RBA) recently expressed concerns that retailers' banking partners may not be giving merchants the option to process contactless debit over electronic funds transfer at point of sale (EFTPOS) networks, and that FIs are instead requiring them to be routed over Visa and Mastercard networks. RBA governor Philip Lowe claimed merchants would save money if the payments were processed over EFTPOS and that the entity had pushed banks to design capabilities enabling merchants to choose their payment processing networks. RBA will investigate and step in with new regulations if the banks do not make sufficient progress on this instruction, Lowe added.

This is not the only time federal entities have investigated whether merchants are being



given choices in how their customers' debit card payments are processed. The United States' Federal Trade Commission (FTC) launched an investigation in late 2019 to learn whether Visa and Mastercard had prevented American retailers from directing payments to other networks for processing.

NATIONAL DEBIT TRENDS

UK MARKS INCREASE IN USE OF LOCALLY ISSUED DEBIT CARDS

Debit card and contactless debit payments are each growing more prevalent in the U.K., with one recent report finding a 9.3 percent year-over-year increase in the quantity of purchases made with these cards between October 2018 and October 2019. U.K. debit cards paid £51 billion ($65.9 billion USD) for a total of 1.6 billion transactions in October 2019, representing a 2 percent year-over-year increase in debit spending value. Debit use also outpaced credit, as the report noted the latter's cards drove just 291 million transactions worth £16.6 billion ($21.5 billion USD) in the same month. It found an uptick in contactless purchasing, too: The quantity of tap-and-go debit card transactions grew 9.7 percent year-over-year, compared to 14.1 percent for contactless credit.

FED STUDY NOTES ACH, CARD USAGE ON THE RISE

The U.K. is not the only region of expansion for these payment methods, though. Cards and other traditional payment types also appear to taking hold in the U.S., even against mobile alternatives. A recent Federal Reserve study found "core noncash payments" — those made by ACH, checks and credit and debit cards — registered a 6.7 percent per year increase between 2015 and 2018. Most of these saw impressive gains on their own as well. Payment cards rose 8.9 percent per year and ACH increased 6 percent per year. Checks were the exception, declining by 7.2 percent, and the number of check payments also decreased to 14.8 billion, resulting in ACH payments outpacing checks for the first time.

These payment staples are just a few of those seeing increased usage, though. More than half of all general-purpose card payments were authenticated by chip in 2018, according to the research, up from the 2 percent noted in 2015. eCommerce cards and recurring bill payments were largely responsible for growth in remote payments' values in 2018, too, as such transactions are almost equal to the number of in-person purchases.

AMERICANS' AVERAGE CREDIT CARD DEBT HITS $5,700

Payment methods may be seeing drastic usage changes, but the shifts have not had entirely positive results. U.S. residents' average household debt also appears to be increasing, reaching $5,700, according to data compiled by the Fed and the U.S. Census Bureau. The joint project found that 41.2 percent of American households currently hold credit card debt, that balance-carrying households owe $9,333 on average and that the country's consumers' combined outstanding debt has hit $3.9 trillion.

Age, gender, income, race and state of residence all appear to influence citizens' credit card debt levels, too. Household income is directly related, according to the study, with U.S. residents in the highest bracket carrying nearly four times as much debt as those in the lowest. Location also makes a difference — Alaska carries the highest levels at $13,048, compared to Ohio's low mark of $5,446 — as does age. Debt is highest among the 45-to-54 age group, while millennials and seniors tend to have the lowest levels. Gender plays a part as well, with females carrying less debt than their male counterparts, the report noted. This may be because of the former's preference for debit transactions over credit-based ones.

PAYING AT THE STADIUM

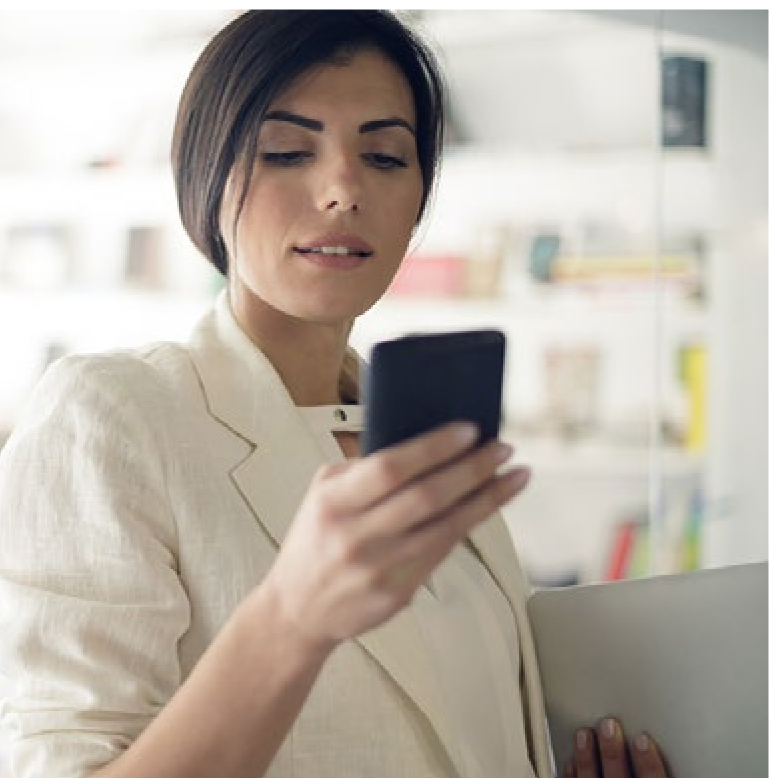
SOFI, THE BANCORP PARTNER ON DEBIT ACCOUNTS

Debt-conscious American consumers are a potential audience for consumer financial management software provider SoFi, which recently teamed up with The Bancorp, an FI and prepaid card issuer that caters to financial services providers. The pair will offer customers virtual and plastic debit cards linked to budgeting tools and financial accounts. The Bancorp will act as the card issuer and provide back-end infrastructure for SoFi's new accounts, which provide ATM fee reimbursements and are offered without fees.

The partnership follows a deal between SoFi and Mastercard to offer the former's customers debit cards over Mastercard's network. This and other products are designed to help consumers better manage their personal finances and reduce debt, SoFi CEO Anthony Noto claimed in a statement. The company intends to open a football stadium for the Los Angeles Chargers and Rams teams in July and will reportedly provide special offerings to visitors who use certain Mastercard and SoFi products in house.

Vivint Smart Home Arena vendors go card- and mobile-only

A Salt Lake City-based sports stadium is also revamping its payments approach, pushing for card and mobile purchasing to speed fans' on-site purchasing. The Utah Jazz's home stadium, Vivint Smart Home Arena, prohibited cash payments last month. Its concessions, ticketing and merchandise operations now only accept prepaid, debit and credit cards and mobile payments — a move stadium president John Kimball said will accelerate checkout lines, helping fans miss less of their events.



Food and beverage vendors began experimenting with mobile- and card-only acceptance in October 2019, but the policy was extended stadium-wide on Jan. 18. Vendors that switched from cash in October trimmed customer wait times by up to 30 percent, according to Jazz representatives. The move does not appear to be creating significant barriers to customer purchasing, and the stadium serves its cash-dependent customers by providing five kiosks that add cash onto preloaded debit cards.

Vivint Smart Home Arena is not the only stadium turning to prepaid debit cards to go cash-free without disrupting cardless customers' experiences. Atlanta's Mercedes-Benz Stadium, home of the Falcons, installed 10 prepaid card-dispensing kiosks as part of its shift to card- and mobile-only payments in March 2019. The cards appear to play a key role in helping retailers modernize transactions and increase speeds without excluding customers.

DEEP DIVE

WHY STAFFING AGENCIES MUST CONSIDER PAYROLL CARDS

Employers that cannot quickly adjust their staffing levels to meet customer demand fluctuations and workers' life shifts may find themselves in a bind. Retailers often need additional coverage during peak holiday shopping periods, hospitals may need substitutes for nurses on paternity leave and construction companies might need to increase staff for sizable projects.

These businesses do not always have the time or resources to find and hire temporary workers, add them to payroll and remove them a few weeks later. Companies thus often turn to staffing agencies — which keep temporary workers on payroll and send them out as needed to short-term jobs — to help them connect with ad hoc workers.

The United States' tight labor market exacerbates competitive tensions for such agencies, though. The national unemployment rate fell to its lowest level since 1969 in April 2019 — 3.6 percent. Such rates do not indicate the underemployed or those that have given up after struggling to find opportunities, but they do signal unattached workers' relative availability for eager-to-hire companies.

High employment rates pit staffing agencies against each other to recruit temps. That appears to concern many businesses as 74 percent of recruiters stated in 2018 that they expected to more intensely vie against other firms to attract new hires in 2020. Staffing agencies in the U.S. employ more than 3 million temporary and contract workers each

Some unbanked employees prefer payroll card disbursements because the method is **fast, convenient and more easily replaced** than paper checks if lost.

week, and retaining and growing their shares of the temporary workforce requires catering to employees' work and payment preferences.

This month's Deep Dive digs into the data that guides staffing agencies' payroll disbursement decisions, including payroll cards' pros and cons.

EMPLOYEES' PAYROLL CARD OPINIONS

A 2019 report found that 93 percent of American employee respondents received their earnings through direct deposit, 5 percent were paid through paper checks and 2 percent relied on alternatives like payroll cards. Checks have been common in temporary staffing, but disbursements to reloadable debit cards are drawing new interest. The number of activated payroll cards in the U.S. rose from 3.1 million in 2010 to 5.9 million in 2017 and is expected to hit 8.4 million by 2022. Employers disburse all or some of employees' wages onto the cards, and the funds can immediately be withdrawn at ATMs or used to make payments.

The Center for Financial Services Innovation (CFSI) found in 2018 that American adults who used payroll cards represented a range of income brackets: 16 percent made $100,000 annually and 35 percent took in $30,000 to $59,000 annually. The demographic using payroll cards skewed more strongly toward households in sub-$100,000 annual salary brackets, but users commonly had college and postgraduate degrees, identified either as nonwhite or as white Hispanic and were between 30 and 49 years of age. Forty-six percent reported themselves as non-Hispanic white, 26 percent selected Hispanic, 18 percent identified as black and 10 percent chose another category.

Some unbanked employees prefer payroll card disbursements because the method is fast, convenient and more easily replaced than paper checks if lost. Bank account holders may select this method because it makes funds immediately available and dodges the one-to-two day wait typical of direct deposit.

Workers may find benefits beyond simply receiving their funds, too, as many use payment cards to manage budgeting and spending. They can have portions of their wages disbursed to cards designated for purposes such as entertainment or groceries while keeping the remainder in bank accounts. The 2018 CFSI study found most workers took their full earnings on payroll cards when paid through them — 16 percent received only a portion of their pay via the cards and the rest via cash, check or direct deposit. Most who used payroll cards also had other banking solutions, the report found.

These cards are not without their downsides, of course. Users might be charged fees for transactions like checking balances at ATMs, making withdrawals from out-of-network ATMs or receiving paper statements.

PAYROLL CARDS' IMPACT ON STAFFING AGENCIES

Paying employees through payroll cards presents staffing agencies with new administrative and budgeting questions, though. Employers may be accustomed to payroll money sitting in corporate bank accounts and accruing interest during the days it took employees to cash checks. The immediate money movement of faster payroll disbursements eliminates that corporate revenue boost.

Direct-to-card disbursements can also save staffing agencies money, enabling employers to evade the time loss and expense of printing and issuing paper checks to pay unbanked employees. Such transfers also mean employers are no longer responsible for accepting and safeguarding sensitive bank account details, as is the case when making direct deposits. That information is not used when sending payments to cards.

The greatest benefit staffing agencies stand to reap may not be the escape from administrative or security headaches and check-cutting costs, however. Speedy, direct-to-card wage disbursements may win more new hires over and help agencies retain their temporary work forces — despite the United States' tight labor market .

about

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