

# How COVID-19 Accelerated the Critical Need for a Daily Pay Benefit

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REALIZING THE POSITIVE IMPACTS OF A GLOBAL CRISIS TO DEFINE THE NEW FUTURE OF PAY



daily pay

# Introduction

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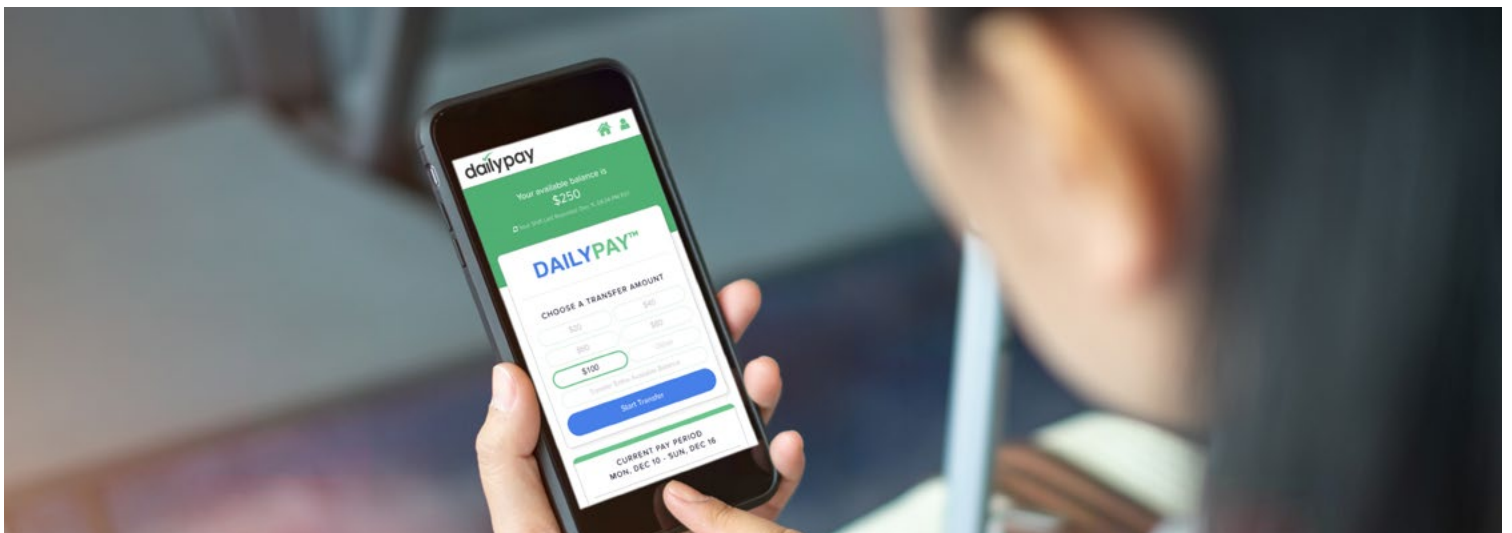
The past few months have rocked the world of every living person on the planet. The crisis we are living in now has made us question and revisit everything we thought to be true, from the way the economy works, to how businesses thrive, to the way in which employees are both supported and empowered by their place of employment.

As we look toward a recovering economy, we know the way we work will have a “new normal” with some elements changing for the good, and others still up in the air. One of the elements that has seen notable change over the past few months is pay, which could very well be the core of the relationship between an employer and an employee.

Think about it — the act of pay establishes a critical relationship between the employee and employer. It creates a sense of trust and validation, a powerful agreement between two parties to provide value in return for value. Over the years, the act of pay has remained a powerful bond between an employer and an employee, but it has also become somewhat stale, cold and even transactional. Isn't it time we visit the next evolution of pay, to understand how the COVID-19 pandemic contributed to it?

## **THIS PAPER WILL SHOW:**

- How the workforce sees its employers, pre- and post-COVID-19
- How payroll changed during the pandemic work experience
- How payroll can evolve into the pay experience – PayEx
- How our post-COVID-19 society will not just embrace, but demand a pay experience



## Section One

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# How the Workforce Sees Employers, Pre- and Post-COVID-19

Prior to COVID-19, the workforce experience was being shaped by the demands of the younger generations — millennial and Gen Z — and their preferences. A good deal of the experience economy and the experience (EX) movement originated with millennials (born 1980-2000). They currently comprise 50% of the workforce and by 2025 will dominate with 75%. Millennials' lives are driven by experience. A major 2019 Gallup survey about millennial preferences found that more than 3 in 4 millennials (78%) would spend money on a desirable experience or event over buying something, and 55% of millennials say they're spending more on events and live experiences than ever before. More than 8 in 10 millennials (82%) attended or participated in a variety of live experiences compared with older generations (70%).

At work, they want to have a purpose. Millennials believe compensation must be fair, but they're motivated more by mission and purpose than paycheck. Purpose and personal development drive this generation, and they expect opportunities to learn and grow. When millennials get this type of support, business units can realize a 34% reduction in absenteeism and a 19% improvement in quality. When they don't, they tend to leave their jobs, quitting for a "career growth opportunity." And this becomes costly. Replacing millennials can cost 150% of each employee's annual salary. Generation Z is also part of the experience movement. "They're the most digitally literate generation to date. While millennials may have grown up during the internet's heyday, Gen Z has never known a world without it. As a generation, they are always 'switched on.' Every aspect of their lives is connected to the digital world," says a survey from real estate shopping developer Revo. "This allows them to see and experience pretty much everything everyone else is, ultimately feeding their need to continuously hunt down the next big experience. They are a generation defined by their constant FOMO (Fear of Missing Out)."

## Section One

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They currently make up 25% of the workforce. Where millennials want purpose, Gen Z wants flexible schedules and remote work options. This doesn't mean they're lazy; they just typically blur the line between their work and home lives.

During the COVID-19 crisis, we saw this demand for experience come to life as employers were challenged to think like a millennial or Gen Z employee and create experiences to help others cope. Many employers showed their brilliance! They created positive remote workforces, leveraging video, games, virtual coffee dates, mindfulness support and even personal trainers.

In a post-COVID-19 economy, the workplace experience will remain of critical importance. It won't just be a nice-to-have, it will be at the forefront. We expect that now, having had a taste of remote work and productivity freedom, millennials and Gen Z will strive to create an even more experiential in-person workplace, guided by self-discipline mixed with creativity and personal control over every aspect of their work environment.

## Section Two

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# How payroll changed during the pandemic work experience

Throughout the COVID-19 crisis, the one critical element of the crisis that was top of everyone's mind was if, when and how fast employees would get their pay. We witnessed the act of pay move from something transactional and cold to a powerful experience not just for employees, but for their families as well.

This transformation of “pay” to a pay experience was the result of a light being shone on areas of the business that people hadn't viewed the same way in the past, for example, the limitations of paper checks and direct deposit. With a lack of in-office personnel to actually run the paper checks, delays in mail delivery and concerns about human handling of checks, particularly by someone infected with the virus, paper checks were cautionary and often delayed. Direct deposit was often slow, forcing employees to wait days for pay to actually appear in their accounts.

At the same time, some employers needed to quickly ramp up their workforce, due to increased demand for their services, including health care, supermarkets and delivery services. Employers discovered another opportunity for a pay experience: offering a first-day pay benefit, such as DailyPay, increased their ability to both attract and retain vitally needed workers. Workers who had been displaced and needed money were able to answer the call for these in-demand jobs and receive their pay on their first day on the job.

In support of this shift to a world leveraging a pay experience, DailyPay released The DailyPay Workforce Index, which analyzes data based on changes in hourly staff and working hours across four different industries — hospitals, call centers, supermarkets and Quick Service Restaurants (QSR). This index was created to educate and inform the media about trends resulting from the COVID-19 crisis, verifying that while some industries are reducing hours or workforce, others were staffing up to meet demand.

## Section Two

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As a result, DailyPay also discovered that 43% of employees using DailyPay were accessing their pay early for COVID-19-related expenses, a 400% spike in number over three days.

Here are select comments from users describing how access to their pay saved them during this time.

“In the last week, I’ve had to use my DailyPay so I could buy essentials, like toilet paper, hand sanitizer and masks because I work at a gas station. **DailyPay has helped me so much in prepping for the coronavirus so I don’t get sick and so I can serve customers.**”

“While I was unsure about the hoarding pandemic on top of COVID-19, I wasn’t able to go buy diapers and wipes for my son, but **with DailyPay I was able to go get wipes when they were stocked and not have to wait for payday and possibly run out.**”

“**[DailyPay] Helped to buy cleaning supplies and gas to pick my daughter up from college due to COVID-19.**”

Clearly this pandemic demonstrated the responsibility of employers to meet the experiences demanded by employees for easier access to their pay.

## Section Three

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# How payroll can evolve into the pay experience – PayEx

Benefits. Employee experience. Workforce engagement. Job satisfaction. None of these things ever had much to do with payroll. But that, too, is changing, both as a result of COVID-19 and the changing demands of an evolving workforce. As we begin to enter the recovery phase of this pandemic, employers will need to pay serious attention to these demands.

As we all return to work, one of the heroes of the post-COVID-19 work experience could very well be payroll.

“Employees value ease of accessibility,” said Gary Webb, marketing and communications director at FMP Global. “By allowing them to easily access current and historical payslips in one place with mobile apps, employees have effortless access to their pay information. This minimizes the need for employees to go to their payroll team for information and filter through mounds of paperwork when requested. We live in a digital world, and it’s important to provide digital avenues for employees – providing mobile app accessibility to HR programs leads to a better payroll and employee experience.”

That’s just the digital side of the equation. That side – which has produced payroll apps and more transparency for the pay process – has helped move payroll away from an emotionless transaction and toward an experience. But that’s not the extent of “payroll as an experience.”

Technology and employee experience dynamics have added more flexibility to the payroll process. Some of this can be seen in savings programs and the predictive analytics that some companies build into payroll. However, even this is not the full extent.

As previously described, the newest area of the payroll experience comes through on-demand pay access. By enabling employees to access their earned pay as they see fit, the workforce starts to see payroll as a provider of options rather than a biweekly digital transaction.

## Section Three

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### **THERE ARE FOUR ESSENTIAL ELEMENTS OF PLANNING AND INTEGRATING A PAYROLL EXPERIENCE FOR EMPLOYEES:**

#### **1. WELLNESS/PREPAREDNESS:**

By giving the workforce the option of accessing their pay, employees can avoid high-interest credit cards or personal loans if they find themselves in a financial bind. A payroll transaction has no options. On-demand access provides many.

#### **2. DIFFERENTIATED:**

Simple on-demand access is a benefit just like health care. However, as it gains momentum, it will be table stakes. Companies need to put their own brand on the pay experience. New features in on-demand pay include options for saving, before payday.

#### **3. INTEGRATED:**

On-demand pay platforms should integrate seamlessly into payroll technology and payroll staff needs, with minimal cost and payroll staff effort.

#### **4. COMPLIANT:**

Almost every state has rules and regulations for what is considered a loan. Some payroll platforms have already run afoul of these regulations. Clean and simple access and transparent, per transaction fees are essential.





## Section Four

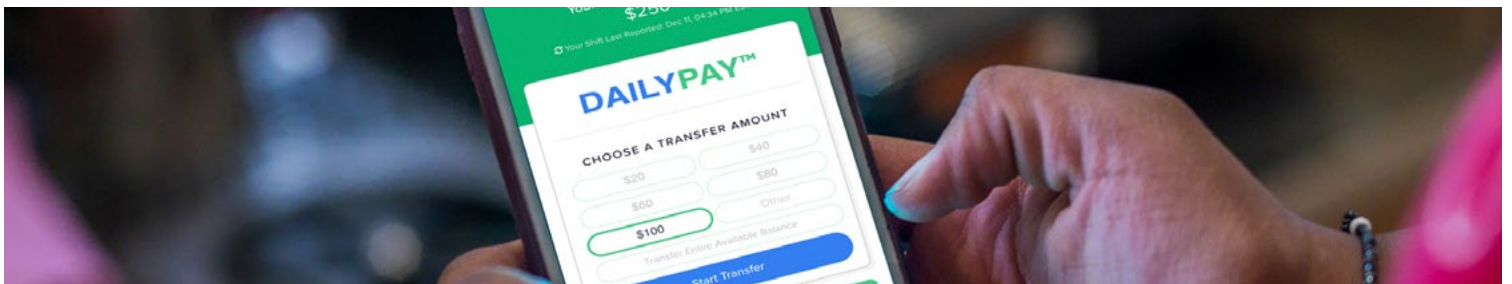
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# How our post-COVID-19 society will not just embrace, but demand a pay experience

The pay experience is about providing a frictionless, digital and rewarding experience at every moment of the employee journey. It is the starting point for a superior employee experience, a critical component of the employee toolbox that addresses the churn that employees encounter when they transition from their personal lives, where everything is instant and on-demand via myriad apps, to their work lives, which are typically very different. A pay experience is a powerful means to access and control pay that mirrors the same set of experiences that employees have in their personal lives.

DailyPay has created a true pay experience platform with PayEx™. It provides a frictionless, digital and rewarding experience at every stage of the employee lifecycle (recruitment through offboarding). It is the starting point of a superior employee experience that reduces turnover and increases productivity with these experiences:

- PAY:** Employees control how and when they get paid with instant access to earned income
- SAVE:** Employees can save their pay in three different ways — scheduled automatically, based on pay period earnings and/or at the time of an instant pay transfer
- REWARD:** Employers can compliantly reward employees (i.e., for taking on an extra shift when a coworker calls out)
- CYCLE:** Employers can easily process off-cycle payments (ex. missed shifts/termination pay)



## Section Four

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In the post-COVID-19 environment, offering a pay experience will augment employers' benefit offerings and provide a superior recruiting tool to rebuild staff that was furloughed or laid off as a result of the pandemic. Many employers will be vying for the same set of employees, and at the same price point, which will necessitate an innovative recruiting approach, such as offering a unique pay experience.

The DailyPay/Mercator project showed that a product suite – rather than a simple on-demand pay option – spikes the reach of the core DailyPay product. It found that between 40-60% of the respondents who are most likely to use DailyPay will use the PayEx suite.

### **METHODOLOGY BEHIND THE DATA**

Mercator surveyed a number of U.S. employees with varying salaries. After answering the questions about the general DailyPay concept, the respondents who showed a propensity to use the product read a description of the PayEx platform features: PAY, SAVE, REWARD and CYCLE. The order of the features was presented differently to each respondent. Then they were asked to indicate how likely they would be to use each feature. It's not surprising that the SAVE feature came up first (38%). What is surprising is how close "REWARD" came to "SAVE." Among the \$40-\$75k group, REWARD came in at 36%. In the under \$40k group, REWARD dropped from 39% (SAVE) to 29%. This could be due to the lower income group's lack of spot bonus awareness.

Mercator also ran a proprietary multivariate analysis based on TURF analysis (Total Unduplicated Reach and Frequency), which has been used to predict the success of several financial services products. It tells a compelling story for PayEx, with distinct differences between each income group. PayEx features almost double the potential reach of DailyPay, proving that employees thrive when a comprehensive suite of pay experiences are available.

## Section Four

### SOME KEY INSIGHTS INCLUDE:

#### EMPLOYEES MAKING \$40K OR LESS A YEAR:

The base concept shows a 40% likelihood of usage for this segment. When the SAVE feature is added, that bounces to 60.9%. REWARD takes it to 68.3%.

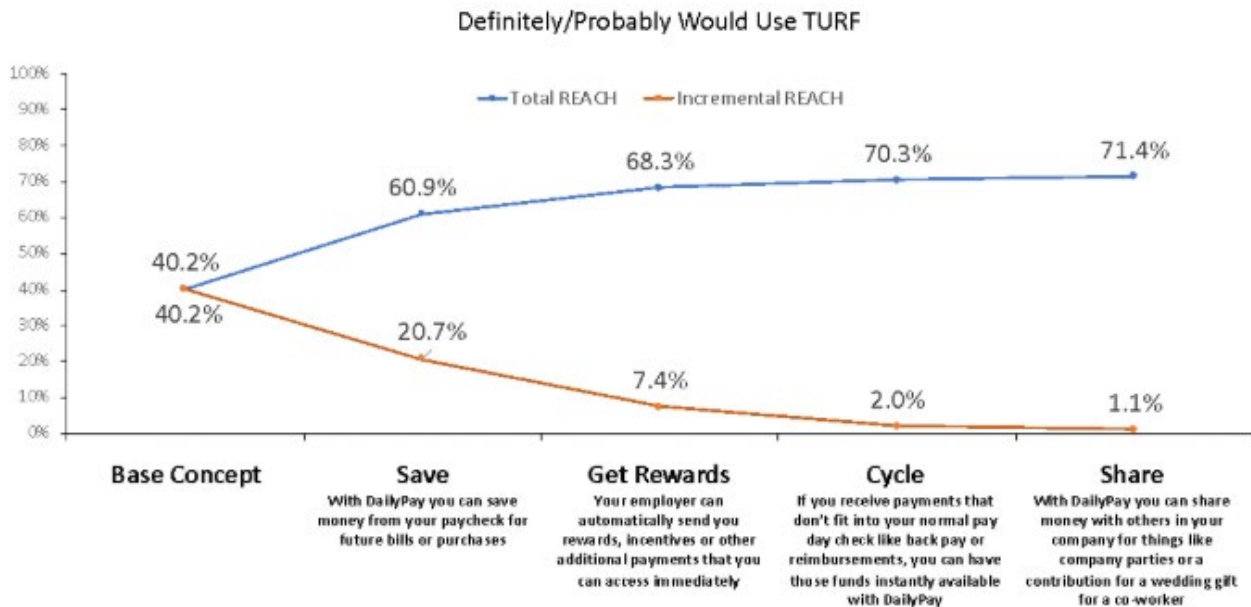
#### FOR INCOME BETWEEN \$40K-\$60K:

The base concept gets a 29% likelihood of usage. When the REWARD feature is added it spikes to 52.7%.

#### FOR INCOME BETWEEN \$60K-\$75K:

The base concept shows 31% likelihood of usage; 58.8% when REWARD is added.

## DailyPay Feature TURF (Among those with annual income of \$40K or less)



Base: Annual income \$40K or less (n=353)

# Conclusion

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Our experience with COVID-19 has caused us to rethink everything. One finding is that the fear of unexpected financial burdens is well-placed and consistent with several recent studies.

One of the most comprehensive studies comes from a 2018 Society of Actuaries Committee, which found that “people are not ready for the unforeseen and that the impact of (financial) shocks is greater for low-income people ... The most troublesome events, and the ones which people had the hardest time handling include needing and paying for long-term care and divorce that takes place after retirement, as well as fraud, bankruptcy and foreclosure.”

On-demand pay access is not just a compelling solution for solving these financial binds, it is quickly becoming a must-have for future focus. With all of these changes, the role of the payroll department has evolved. Payroll is now one of the most critical teams in ensuring success for the entire company, with a greater active role in integrating a proven solution, and Payroll can emerge the hero in the war for recruiting and retaining talent. The PayEx solution has become a valuable toolkit that drives movement toward the employee experience and brings success to the entire company.

