



# **Transforming Worker Pay: Or, How COVID-19 Changed Wage Payments Forever**

WMAC APA Chapter Meeting  
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# Today's Presenter



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# Agenda

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- Employee pay transformation prior to COVID-19 pandemic
- Responses to the COVID-19 Economic Shutdown
  - Federal stimulus programs and state initiatives aimed at helping employees
  - Business and employer responses
- COVID responses; employer payments look to the future
- The Employee Experience → The Pay Experience

# **Employee Pay Transformation Prior to COVID-19 Pandemic**

# Pre-COVID-19 Employee Pay

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## **Method of pay:**

- Primarily direct deposit use
  - Low percentage for paper payments
  - Increasing percentage of payroll cards
  - Mobile digital apps

## **Frequency of Pay:**

- Biweekly, semi-monthly, weekly, monthly
- Increasing use of on-demand pay benefits

## **Type of Pay:**

- Wage and salary, paid time off (sick pay or vacation), shift work, bonuses, and other supplemental pay
- “Gig” workers

## **Medium of Exchange:**

- Digital currency beginning to be an acceptable form of payment

# Pre-COVID-19 Employee Pay

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## **Transactional approaches changing:**

- New generation of employees
  - Experiences valued over things
  - Digital transactions
  - Challenges in recruitment, retention

## **Pre-COVID-19 economy:**

- Almost full employment, staffing issues high on employer agenda
- More gig workers

## **Technological changes:**

- Growing use of AI, robotics to support payroll administration
- Gig workers paid instantly, why can't my employer pay me that way?

## **Enter, on-demand pay applications**

- Disruption to traditional payroll disbursements, more financial awareness
- 85% of employees using on-demand pay say it helps them with budgeting and paying large bills (DailyPay survey of users, March 2020)
- Nearly  $\frac{3}{4}$  (72%) of employees in October 2019 Harris poll said they desired the ability to access pay daily (Kronos Workforce Institute)

# Poll Question 1

# **Responses to the COVID-19 Economic Shutdown**

# Government Response

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## Federal Level Response

### Families First Coronavirus Response Act

- New paid leave requirements
- Incentives to retain workers
- Unemployment insurance stipends

### Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- Loans, “Paycheck Protection Program”
- Deferral of Social Security taxes

### Other regulatory moves:

- Student loan garnishments halted until Sept. 30
- Will there be additional stimulus efforts?



# Government Response

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## **State Response**

### **Paid Leave Requirements**

- New York, Colorado, DC, NJ

### **Wage and Hour**

- Va. delays minimum wage hike, other payroll-related enforcement.

### **Withholding Taxes**

- States delaying withholding, issuing nexus statements for teleworkers

### **Unemployment Insurance**

- Many states, such as Va., are not counting layoffs/terms due to COVID-19 shutdowns against experience/accounts

### **Child Support and Garnishments**

- Major push to go electronic in response to shutdown; states recognizing delays in employer IWO responses

## Forced Closures March 2020

### Created two general categories of employers: essential and nonessential

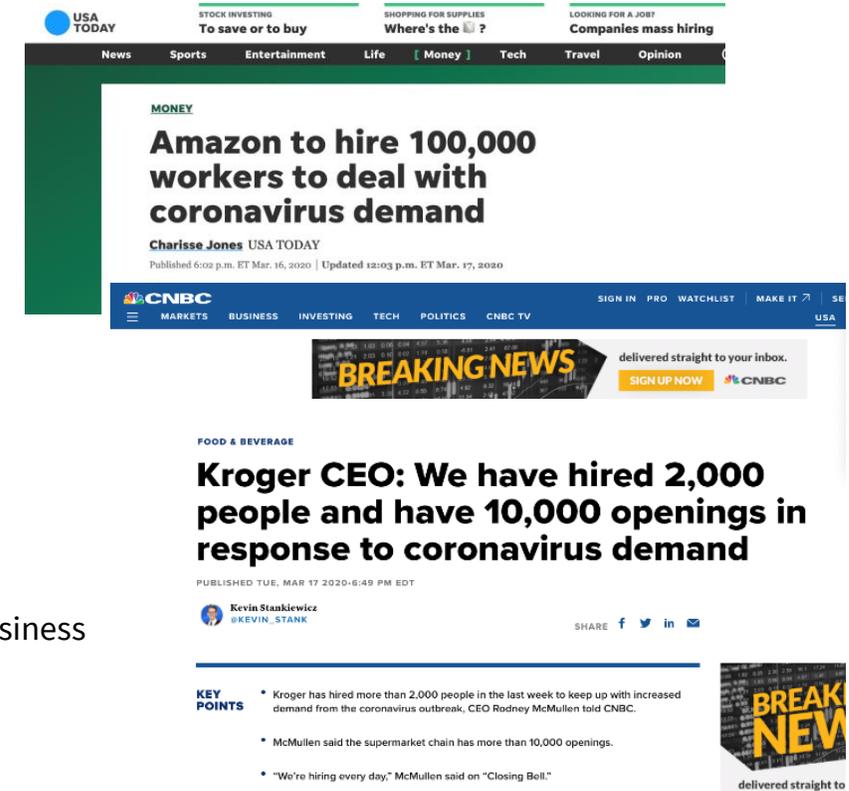
- **Essential businesses/employers allowed to operate all or part of operations**
  - Operated under new protocols.
  - Many still experienced layoffs due to reduced business, a few saw increases in business and need for employment.
- **Nonessential employers/employment generally had to shut down**
  - Small businesses: access to loans/possible grants.
  - Those with working capital paid workers for a time, at least, when they were not working.
  - Unemployment insurance federal stipend helped keep workers solvent.

# Employer Response

## Essential Work

### Businesses allowed to stay open changed the pay experience for workers . . .

- Added remote work as much as possible
  - Timekeeping/time recording changes
- Pay access
  - On-demand pay not just a hiring incentive, but aided employees as crisis hit
- Hardship pay, bonuses
  - Variations by worker/industry
- Paid time off/pay continuation
  - Paycheck Protection Program for those small businesses open, but with little business
  - Extended leave pay, proportional pay, and severance
- Added safety protocols on work premises, PPE



# Employer Response

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## Nonessential Work

**In March 2020 many employers shut down completely or left a skeleton staff to keep the operation going (including payroll)**

- Those that were left worked remotely as much as possible
  - Many took reduction in pay—payroll processing pay cuts
  - All others laid-off: termination processes, severance, unemployment insurance
- Pay access
  - Realization that paper transactions were no longer that viable, particularly off-cycle payments
  - Those with on-demand pay allowed personal financial liquidity—while they were on the payroll
- Paid time off/pay continuation
  - Paycheck Protection Program for small businesses
  - Extended leave pay, proportional pay

## Poll Question 2

# The Post COVID-19 Economy and Employee Pay

# Post-COVID-19 Employee Pay

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## **Post-COVID-19 economy and employee pay**

- At onset, employee usage of on-demand pay services skyrockets
  - Coronavirus as a reason: A nearly 400% increase in reason for drawing pay early (DailyPay users only) March 14-17
  - On-demand pay providers step in to help employees/employers in crisis
- Use of digital payments becomes more normal
- Several new types of paid leave being implemented
  - Temporary leave types are being developed--new earnings codes
  - If not developed, use of other leave type, like snow emergency, is being used
  - Important to track—possible tax benefits for employers
  - Some on-demand pay providers can ensure payments made available to employees ASAP
- On-demand pay access continues to grow; generally accepted as a practice
- Record high unemployment is going down: Rehire America

# Post-COVID-19 Employee Pay

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## Rehire, Rebuild, Relate

After COVID-19, the workplace will never be the same. Employers will need to adjust pay practices, in particular, to meet the new challenges.

- **Rehire:** The large number of workers who have been out of work need pay access right away, and employers will face renewed competition for workers and talent.
  - About one in six of job seekers in the post-COVID world will only apply for jobs offering daily pay.
  - Job seekers are 1.9x more likely to apply for a job that offers on-demand pay
- **Rebuild:** Companies need to rebuild trust with the workforce after this upheaval. Providing a world-class **pay experience** that includes allowing workers to choose when they get paid, and provides access to financial wellness tools will be intrinsic pieces to getting that trust back
- **Relate:** The pandemic forced employers and employees to relate in new and different ways. As we regather as a workforce, employer culture, communication, and compassion all will be a priority

# **The Employee Experience, the Pay Experience**

# The Employee Experience

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## Generational Changes in the Workforce Technology Driving Changes

Millennials & Gen Z will comprise more than 75% of the workforce by 2025.

- Value experiences in life . . . and in work
  - **Customer Experience** → **Employee Experience** → **Pay Experience**



- Rise of the Gig workforce
- Use of frictionless, instant transaction applications

# The Pay Experience

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## **Every employer already provides a pay experience**

**Payroll provides workers with timely and accurate pay, but in the employee's lifecycle, ask:**

- How long do newly-hired workers wait to start receiving their pay?
- What lag exists in processing retro payments for wage increases?
- How quickly can underpayments, once identified, be remitted/resolved? And how?
- What is the process for spot bonuses and other awards?
- Are there tools and resources provided to assist employees in saving for the future?
- How is pay allowed to be disbursed to workers?
- Is full access to pay at termination available? How easy is this accomplished?

**These all are key parts of the employee experience that need to be addressed by employers that seek to be “an employer of choice” in the coming years. Employees desire to choose when and how they get access to their pay.**

# Poll Question 3

# The Pay Experience

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## **Pillars of the future pay experience, and the future is now, include:**

- Flexible access to earned pay, on-demand
- An ability to reward workers with payments on the spot
- Retro payments made as soon as the amounts are determined
- Transactions with “choose to save” tools imbedded
- Ability for workers to instantly share amounts with coworkers/others

# The Pay Experience--Resources

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## Some resources to research the Pay Experience

- **Pay Different White Paper:** <https://paydifferent.dailypay.com/>
- **Workforce Institute at Kronos, Harris Survey Report:** Death of the Paycheck?  
<https://workforceinstitute.org/death-of-the-paycheck/>
- **The DailyPay Blog:** Ideas on improving employee engagement and retention ([dailypay.com/blog](https://dailypay.com/blog))
- **American Payroll Association:** On-Demand Pay and the Gig Economy  
<https://www.americanpayroll.org/compliance/compliance-overview/hot-topics/on-demand-pay-and-the-gig-economy>
- **The Source podcast:** Hosted by me! Covers legal, regulatory, and other developments in the on-demand pay industry <https://thesource-dailypay.com/>

**Questions?**

**Thank You WMAC-APA!**

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