

# Quick-Pay Apps Are Popular During the Pandemic

Immediate access to pay gives employees more control over their finances

By Joanne Sammer

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**O**ver the past few years, employers have started to use smartphone apps that give workers immediate access to their earned pay in return for a transaction fee of a few dollars. Now, there are signs that their use has surged during the COVID-19 pandemic.

Lower-paid workers are not the only ones taking advantage of these apps. Employees at all salary levels are using them to access their pay quickly or to check on how much they have earned.

"These apps can help if someone in the household loses work hours—or their job," said Cecilia Frew, senior vice president with Visa Direct, a platform that allows businesses to make real-time payments to customers and workers.

Quick-pay apps have to be tied into the organization's payroll system, a process that can take anywhere from a couple of hours to a couple of weeks, depending on the complexity of the system. The app provider should take care of this at no cost to, and requiring little involvement by, the employer.

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### Easing Financial Anxiety

For the 1,800 employees of BIC Graphic North America, a supplier of promotional products based in Clearwater, Fla., allowing employees to immediately access their earnings through an app called DailyPay proved to be an important financial lifeline.

As the uncertainty surrounding stay-at-home orders and the pandemic began to build in March, the company saw employees' use of the app spike.

"Employees were accessing their pay a bit more than usual because of the unknown impact of the pandemic," said Barbie Winterbottom, the company's chief HR officer. "They wanted to make sure they had cash in their accounts because they weren't sure what would be happening tomorrow or next week."

Over time, use of the DailyPay app returned to more normal levels, only to spike again as employees began dealing with the financial fallout of the economic shutdown.

To Winterbottom, this experience showed that providing immediate access to earned pay can give employees more control over their finances. With the app available to every employee, salaried and hourly, she found that all types of employees were using it to access their pay.

"The natural reaction is concern that employees who are already having financial challenges could withdraw their pay [before the normal pay date] only to have a shortfall when it came time to pay their bills," she said. "However, the data doesn't show that happening."

Instead, Winterbottom found that employees were accessing their pay as soon as it was earned to head off financial problems, with average withdrawals of about \$50. For example, employees with a flat tire could make a withdrawal from their earned pay to cover the repair and ensure that they will be able to get to work.

"This chain of events could be catastrophic for an employee who is living paycheck to paycheck," Winterbottom said. "If they can't afford to fix the tire, that can lead to lost pay if they don't call 24 hours before they are scheduled to work."

### Keeping Tabs on Funds

User data compiled by quick-pay app ZayZoon shows a 300 percent increase from February to March in the number of times employees accessed the app, according to Shane Edrington, the company's director of business development in Cheyenne, Wyo. ZayZoon caps the amount on individual withdrawals at \$200 of earned pay but allows employers to set their own maximum on the number of withdrawals during a specific pay period.

However, not all of the increased use was for immediate access to pay. Instead, most users were logging in to check the balance of their earned wages.

"Anecdotally, this would indicate a higher stress level" across the workforce, given the economic uncertainty workers were facing, Edrington said.

As the economic shutdown began to ease, ZayZoon found that average user sessions returned roughly to pre-coronavirus levels by late May. "This could signify employees feeling somewhat more certain as it relates to the economic environment and their financial condition," he said.

*[SHRM members-only toolkit: Calculating Overtime Pay in the United States ([www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/calculatingovertimepay.aspx](http://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/calculatingovertimepay.aspx))]*

### Leveraging Faster Pay

Looking ahead, Winterbottom sees opportunities to use quick-pay apps to encourage employee savings. For example, some apps allow employees to funnel a portion of their pay into a savings account.

In addition, she anticipates opportunities to leverage these apps to deliver immediate spot bonuses to employees. Under traditional pay systems, such bonuses might be paid out weeks after the event, therefore potentially diluting the impact of the award. "Recognition could be two weeks away," she said. "The closer the reward is to behavior, the more likely it is to have an impact."

Others expect immediate payment to become an important element of the work experience. "Employers are under pressure to 'break the pay cycle' by giving quicker access to pay," said George Zarkadakis, digital lead with Willis Towers Watson in London. As a result, the pandemic could prove to be a defining moment for these apps. "Five years from now, the monthly pay cycle will feel like ancient history," said he added.

Looking forward, users will expect apps to help with money management tasks, he predicted. This will mean expanded access to budgeting and income management support and guidance around making major purchases such as a car or a home.

Emerging tools, he noted, will likely include reports on individual spending and low-balance notifiers, along with warnings when a user's spending could trigger an overdraft.

*Joanne Sammer is a New Jersey-based business and financial writer.*

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