

Making Payroll Cards Work for Employees

**An in-depth look at employee payroll card usage and opportunities
for improvement in card design and delivery**



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EXECUTIVE SUMMARY

Payroll cards can be a healthy tool for employees to create the day-to-day financial systems that work for their unique lives.

Still, card providers and employers have opportunities to improve the design and delivery of payroll cards further to work even better for consumers. In previous reports, the **Compass Guide to Payroll Cards** and the **Payroll Industry Scorecard**, CFSI has defined what high-quality payroll card design and delivery looks like, and measured current products against that standard. To continue to facilitate dialogue on payroll card quality, CFSI has conducted first-of-its-kind consumer research to better understand how employees use and derive value from these products.

Leveraging both quantitative and qualitative research methods, CFSI combined broad trends in consumer demographics and payroll card usage with nuanced individual experiences. Analysis of the survey results revealed that payroll card users are diverse and leverage payroll cards in distinct ways.

These consumers represent a broad mix of races, ages, incomes, and education levels. Furthermore, these consumers often own other financial products and engage heavily with online and mobile channels. This diverse profile represents an opportunity for providers to serve many types of consumers.





3 Distinct Segments of Payroll Card Users

1

Engaged Users

understand and leverage their card features, hold multiple other products, and are more likely to experience fees.

2

Hesitant Users

express the least satisfaction with their card, own few other products, and do not feel informed about features and security.

3

Established Users

have had their cards the longest, but report little additional functionality and use the cards primarily for transacting.

Beyond demographics and product ownership, CFSI uncovered three key findings through this research.



KEY FINDING

01

Consumers are actively choosing payroll cards over other forms of payment, including direct deposit.

The majority of payroll card users also have access to a checking account and direct deposit, but they likely chose payroll cards because of seamless functionality and greater ability to control income by separating it from other financial activities.

KEY FINDING

02

Most payroll card users experience choice and limited fees, but not all.

The majority of payroll card users report being offered a choice in how to receive pay and are experiencing few fees, but there remain some users who do not perceive a choice or experience frequent or unexpected fees.

KEY FINDING

03

Payroll cards can be a multi-functional tool for financial health, but few cards champion this potential.

Many payroll card users report not having access to or not using dynamic card features, such as budgeting and savings tools, and report using digital channels in limited ways.

There is a tremendous opportunity for employers and payroll card providers to work together to improve consumer financial health. Both of these stakeholder groups have a responsibility to ensure that consumers perceive a true choice in how they receive pay and that they are informed about payroll card costs and functionality. By continuing to improve the design and delivery of payroll cards, consumers will likely engage more with the product. This increased engagement can help to advance their financial well-being, increase funds maintained on the card, and improve workplace effectiveness.

INTRODUCTION

Financial service providers play the important role of providing high-quality products to consumers, enabling them to create the day-to-day financial systems that work for their own unique situations and experiences.

Payroll cards can address the needs of different populations by providing a safe and convenient alternative to checks and cash for consumers without traditional financial products, and by bringing new functionality and value to consumers who are already “banked.”¹ Additionally, CFSI’s growing body of research on the connections between employment and financial health demonstrates that employers have an essential role to play in providing tools and resources, such as the option to use a payroll card, to employees.

In the ***Compass Guide to Payroll Cards*** and the ***Payroll Industry Scorecard***, CFSI defined what constitutes a high-quality payroll card product and demonstrated that cards in the market today do offer much of the basic functionality required to be considered high-quality. But, like any product, there are opportunities to improve the quality of payroll cards to better serve American workers. To continue to facilitate improvements beyond what we know of the payroll card industry today, CFSI conducted this first-of-its-kind, in-depth consumer research to understand how consumers are using payroll cards, what they like and dislike about these products, and the value they derive from them. CFSI is pleased to be able to introduce the consumer’s voice directly into the industry



Employee Financial Health: How Companies Can Invest in Workplace Wellness, published by CFSI in May 2017, encourages employers to take a comprehensive approach to financial wellness that not only educates employees but also provides them with access to safe, affordable financial products that help them spend, save, borrow, and plan.

and policy conversation around this product, and providers and employers are encouraged to consider this report as they improve the design and delivery of payroll cards.

Background

In 2015, CFSI published the ***Compass Guide to Payroll Cards*** to define the characteristics of a high-quality payroll card product. Created with input from both industry and consumer advocates, that guide offers actionable guidance to providers and employers on the design and delivery of payroll cards.

The core practices center on the necessity of consumer choice, safety, affordability, access, transparency, information and support, and personalization in payroll cards.

¹ A “banked” consumer is defined as an individual who has an account at an insured financial institution. “2015 FDIC National Survey of Unbanked and Underbanked Households,” <https://www.fdic.gov/householdsurvey/>.

The *Compass Guide to Payroll Cards* outlines guidelines across three levels:

Core Practices: Standards for high-quality payroll cards.

- Choice
- Safety
- Affordability
- Access
- Transparency
- Information and Support
- Personalization

Stretch Practices: Additional best practices for providers looking to move beyond Core practices.

- Convenience
- Mobile
- Education
- Portability

Next Generation Practices: Opportunities for providers to challenge themselves with the next step in high-quality product design.

- Budgeting
- Savings
- Credit

In 2017, CFSI followed that work with the **2017 Payroll Industry Scorecard: Assessing Quality in the Payroll Card Industry with CFSI's Compass Principles**, which assesses the payroll cards offered in the market against CFSI's definition of quality. The report found that consumers can access their pay for free at least once per pay period, have access to customer service, and have affordable ways to perform most activities with the card. There are few card providers, however, that offer additional functionality that can increase utility for consumers' day-to-day financial management.

There has been significant discussion, especially at the state level, around whether regulation is needed to protect consumers whose employers offer payroll cards. This latest report adds the direct consumer voice to CFSI's previous body of work on this topic, in order to continue to facilitate a constructive dialogue about what constitutes a high-quality payroll card among industry stakeholders, consumer advocates, policymakers, and regulators.

Research Design and Methodology

CFSI employed a mixed-method approach to this research, seeking to understand trends in payroll card usage and user experience across the United States through a quantitative survey, while providing depth and nuance to what these consumers

experience day-to-day with qualitative interviews. Twenty-five in-depth qualitative interviews were conducted between December 2017 and February 2018. A 15-minute online quantitative survey was administered to 684 payroll card users in January 2018. Interview and survey respondents were part-time or full-time employed adults (over 18 years of age) who currently use a payroll card. Results were continually leveraged throughout the research period to improve and refine survey questions. **See Appendix 1 for a full description of research methodology.**

The findings outlined in this report are supported by both the quantitative and qualitative aspects of the research. References to "payroll card users" throughout the report indicate results from the weighted quantitative sample of payroll card users in the United States.

In both **2014** and **2016**, CFSI published the **Prepaid Industry Scorecard** to call attention to the ongoing opportunities for providers to improve products to better serve consumers. Within those two years, there has been a notable increase in high-quality design and delivery of products in the market, and that progress can be a blueprint for the payroll card industry.

REPORT

Payroll Card Users Reflect the Diversity of the American Workforce



Combining nationally representative demographic and product data from payroll card users with insights from in-depth consumer interviews reveals that these users are diverse. These employees vary in their demographic characteristics, financial product ownership, and how they chose to use payroll cards.

Not Just Low-Income

Payroll card users share characteristics with other American consumers. Fewer than half of payroll card users identify as non-Hispanic white (46 percent), and the majority identify as Hispanic (26 percent), black (18 percent), or other (10 percent). These consumers are most likely to fall between the ages of 30-49 and to have graduated from college and/or pursued post-graduate work. There is a fairly even distribution of payroll card users across the income spectrum; the most commonly reported income range is \$30,000 - \$59,999 (35 percent), but it is notable that 16 percent of payroll card users report an income above \$100,000.

Qualitative respondents represented a wide range of industries. Occupations ranged from an IT director at a software company (annual income above \$100,000) to a sales rep for trade shows (annual income of \$60,000 - \$99,999) to a home care aide who cleans, cooks, and provides personal care for the disabled and elderly (annual income under \$30,000). Payroll card users may

also hold multiple jobs. One qualitative participant with an annual income of \$60,000 - \$99,999 has a full-time job at a retail clothing store, where he is paid through a payroll card, and a part-time job at McDonald's, where he receives a paycheck. Another participant is a job coach mentoring veterans for a global non-profit organization (full-time); on the side, he is in property maintenance looking after foreclosed HUD houses.

An analysis comparing the demographic distribution of payroll card users with all employed adults over 18 in the United States revealed that while some characteristics of these two groups diverge, there are also important similarities. The population of payroll card users includes more employees who self-identify as Hispanic, black, or other, and fewer consumers with an annual household income above \$100,000 compared with the total U.S. working population over 18. There are also differences in age, with payroll card users skewing younger. The level of education between the two populations is notably similar, however. **See Appendix 2 for demographic summary statistics.**

Not Just Unbanked

Most payroll card users also have a traditional bank product, and many own multiple products. Only 2 percent of payroll card users report not owning any other products, and 16 percent report owning all of the products referenced in Table 1. Qualitative respondents were also familiar with many types of financial products and readily accepted payroll cards as another financial tool. In addition, payroll card users overwhelmingly own smartphones, with 98 percent of respondents indicating that they currently own one.

Table 1 – Other Financial Product Ownership

Financial Product	Percent
Checking account	84%
Debit card linked to checking	74%
Savings account	73%
Credit card	71%
Prepaid card (other than payroll)	31%
401(k) or retirement savings account	43%
PayPal or Venmo	47%
None of these	2%

**Respondents were asked to select all that apply.*

Notable Digital Use

Payroll card users leverage card features in a variety of ways, with especially high usage occurring on digital channels. A strong majority (84 percent) of payroll card users receive their entire paycheck on the product, while the remaining 16 percent also receive a portion of their

paycheck through cash, check, or direct deposit. Consumers use their cards for a variety of purposes outlined in Table 2. Of the 46 percent of payroll card users who indicated that they withdraw cash, less than half (42 percent) withdraw their entire paycheck at one time. The most common location for consumers to withdraw cash from is ATMs (86 percent of those who withdraw).

Table 2 – Type of Card Use

Card Use	Percent
Buying items online	70%
Buying items at retail stores	66%
Paying bills (online or in person)	59%
Savings	53%
Withdrawing cash	46%

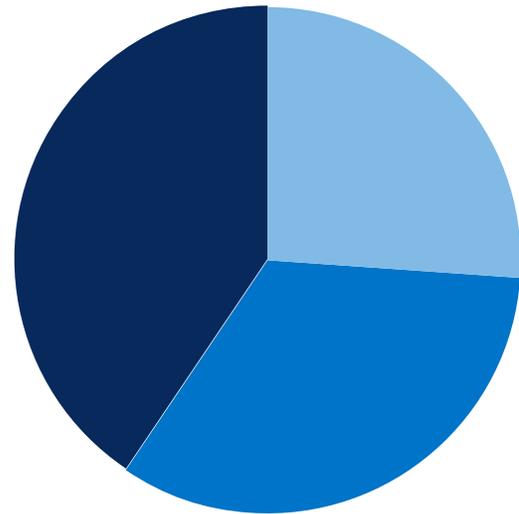
**Respondents were asked to select all that apply.*

Of the 95 percent of consumers who report having access to a website for their payroll card, 96 percent use the site, and of the approximately three-fourths of consumers who report access to a mobile application, 94 percent use that feature. Of the 82 percent of payroll card users who report access to customer service, 66 percent have taken advantage of it. This indicates that a significant portion of payroll card users are choosing to maintain funds on their cards and engage with those funds through online channels. **See Appendix 3 for other product ownership and payroll card usage summary statistics.**

The diverse characteristics of employees who use payroll cards reiterate the importance of providing high-quality products that can serve many types of consumers.

3 Distinct Segments of Payroll Card Users: Engaged, Hesitant, and Established

CFSI performed a cluster analysis with the quantitative data to reveal trends in payroll card users' experiences, habits, and preferences (**See Appendix 1 for a full description of the research methodology**). The research identified three segments of payroll card users who interact with this product in distinct ways. These groups illustrate that consumers have unique approaches to using payroll cards for their day-to-day financial management. A deeper understanding of these interactions can help employers and providers deliver products that meet diverse employee needs.



- 40% Established User
- 33% Hesitant User
- 26% Engaged User



1



The Engaged User

26% of the payroll card sample*

These consumers are more likely to be new users, **engage more with their finances**, and use the card frequently. The Engaged consumer **understands and leverages the available card features** and uses the card for purposes other than simply transacting. These consumers may be “envelope budgeting”² by only spending money from their card for a distinct purpose, or leaving a certain amount on the card each pay period as a savings method.

These payroll card users are more likely than the other groups to **hold multiple other financial products** and check the balance of their card multiple times a day. The Engaged consumer is **more likely to experience fees** on their card than other consumers, but that is closely related to the higher levels of card activity in which this group engages, as they have more opportunities to incur fees.

This qualitative respondent typifies the Engaged payroll card user:

“It’s a comforting, reliable instrument. I know it’s going to be filled up at a specific time, without fail. It’s never wrong. I have a close relationship with that pay card. I think of it as, it’s sort of like your whole career in your hand right there. It all comes down to this.”

2



The Hesitant User

33% of the payroll card sample*

This group has had their card for longer than the Engaged group, but they are not nearly as comfortable with the product and they **express the least satisfaction with the card**. The majority of payroll card users without a checking account are Hesitant Users; they have **less overall ownership of other financial products** and may prefer to use cash for transacting.

The Hesitant user **does not feel informed about their card** or understand the features available to them. In particular, these users are not confident in the security features of their cards and do not trust that their money is safe when using the card. This group checks their balances infrequently compared with the other groups, and they are more likely to only put a portion of their paycheck on the card. This group rarely experiences fees, but that is likely driven by their limited use of their cards.

This qualitative respondent provides insight into the Hesitant user:

“I don’t use it at iffy places. I don’t use it at the store or places where you never know if they have a fake card reader. I don’t use it at ATMs, I just go to the bank and withdraw my money and it will be free. Maybe once or twice I use it at a gas station but not really.”

² “The Envelope Budget System Explained,” Goodbudget. <https://goodbudget.com/envelope-budgeting/#.Wr6SOGrwLs>

* Figures do not add up to 100 percent because of rounding.

3



The Established User

40%

of the payroll card sample*

This group of users **has had their payroll cards the longest** and are comfortable with the product, but they do not use the card as dynamically as the Engaged group. For this group, the payroll card **simply provides another way of transacting**; they don't find it compelling, but they also don't have many complaints.

While the Established group is comfortable transacting on the card, they **report very little additional functionality**, such as being able to load funds other than their paycheck onto the card. This may be because they own older payroll products, but it could also be evidence of them doing less research on their card compared with the Engaged group. Similar to the Hesitant group, these users experience very few fees, but again, that may be driven by less overall use.

This qualitative respondent provides insight into the Established user:

"I pretty much feel neutral about it. I use it like a debit card."

These profiles and usage patterns indicate clear opportunities for payroll card providers and employers to address the needs of distinct consumer groups. For example:

> **Engaged users** would likely respond to additional functionality and financial health tools incorporated on their card. It is also important for payroll card providers to be conscious of how fees may accumulate for these active users. While consumers may consider these fees to be fair, they could eventually deter this group's high level of activity.

> **Hesitant users** would benefit from more information about their cards in general. Concerns about security, in particular, may be limiting this group's engagement; therefore, easy-to-understand brochures and customer service could increase the comfort level of Hesitant users.

> For **Established users**, providers have an opportunity to make cards more dynamic. This group may become more engaged if providers add new features to their cards, or offer more information that illustrates the payroll card's multi-functional uses.

KEY FINDING

01

Consumers are actively choosing payroll cards over other forms of payment, including direct deposit.



This research indicates that employees are actively choosing payroll cards over other similar financial products, such as direct deposit into a checking account with a linked debit card. The majority of payroll card users are not unbanked consumers, and direct deposit is a common offering from their employers. The choice to use payroll cards may be driven by seamless functionality, including receiving funds immediately and electronically right on a transaction device, combined with an increased ability to assert control over income by separating it from other financial activities.

Eighty-four percent of payroll card users report also owning a checking account, and 74 percent report owning a debit card linked to their checking account. Only 22 percent of payroll card users indicate that **not** having a bank account for direct deposit was one of the reasons they chose a payroll card. Of the 79 percent of consumers who report that they had a clear choice over whether to receive a payroll card,

85 percent were also offered direct deposit into a checking account. The large, overlapping population of consumers who both own a checking account and were offered direct deposit by their employer indicates that most consumers had an available, comparable alternative, but chose a payroll card.

Furthermore, the majority of payroll card users who have access to direct deposit in addition to their card are not splitting their paycheck between these methods of payment. Of those users who were also offered direct deposit, 84 percent receive their entire paycheck on their payroll card. Consumers do value the ability to receive funds electronically; 70 percent of payroll card users report choosing a payroll card because it offered them a way to receive money electronically. But **all** of the consumers who indicated they chose a payroll card to receive funds electronically also had a checking account and were offered direct deposit as an option to receive their pay.

This active choice of payroll cards above other products is potentially driven by the combination of ease, and cross-functional potential, of the cards. Almost all (93 percent) of users report receiving their pay on the card immediately on or before payday and, as noted above, there continues to be a high value placed on receiving funds electronically instead of through cash or check.³ Combined, these elements create an exceptionally easy method to receive pay. Our payroll consumer segments also demonstrate the benefits that high-quality cards can offer for financial management. The Established and Engaged groups use their cards as a daily transaction vehicle, while the Engaged consumers also leverage their cards for planning and savings. One interview respondent described how he leverages his payroll card to control how his family budgets and spends from their checking account: *“That way the money is not in my checking account. We tend to spend when the checking account balance is high... I like being able to put in when I need it... It’s more flexibility. I like the idea of having a buffer account that I can feed into my checking account... I get my money quicker. I get more control of my finances.”*

Payroll cards may also be more appealing to some consumers if they find them cheaper than traditional bank products or if they have had negative experiences with banks in the past.

Finally, some cards may be offering incentives to consumers that are not available on debit cards. One consumer describes the value she gets from bonus offers: *“I kept using this card because I like it. It’s a pretty cool card... for the fact that you can treat it just like a Visa card, and then also you can get direct deposit with it. And sometimes they have little bonus offers... right now they’re running a promotion; if I put \$100 into my card, then I get a \$10 bonus.”*

“When the payroll goes in, I don’t have to wait until the bank opens to cash my check. If I don’t have my ID with me, I don’t really need the ID. To go to an ATM, all I need is the certain PIN number. It’s convenient.”

“On payday, I don’t have to go out to get things done. I can just stay at home to pay bills, because I can just direct it from the card.”

“I didn’t have to go inside of a bank. I don’t have to go to cash a check. I don’t have to have a bank account. Not having overdraft fees. Not worrying about having to go over my limit and being charged. That’s good.”

“I have never encountered a time in this three years where our payroll wasn’t there or was a day late or something. Never had any problem.... Even with one bad check, the fees around here [for a bank account] are anywhere from \$30 to \$50. I can’t afford that.”

³ Of the 7 percent who does not receive their pay immediately, 74 percent report receiving it the day after payday.

KEY FINDING

02

Most payroll card users experience choice and limited fees, but not all.



This research demonstrates that consumers are experiencing the positive effects of ongoing improvements in the core design and delivery of payroll cards. While these findings are encouraging, choice and affordability are essential high-quality characteristics, and continued focus and attention from providers and employers are essential to ensure that all payroll card users can leverage these products to improve their financial health.

Not All Consumers Perceive a Choice

The majority of employees using payroll cards in the United States report being offered a choice in how to receive their pay. Nearly four out of five (79 percent) of payroll card users indicated that they had a choice in whether to receive a payroll card, and of those consumers, 95 percent indicated that their employer provided them with information to help them make their decision.

Unfortunately, the remaining 21 percent of consumers do not feel that they are being offered a choice in how to receive their pay. For example, one qualitative respondent indicated that her card has significant fees and she would prefer to be paid through cash or check, but her employer has switched to offering payroll cards only. Furthermore, out of the 79 percent who did understand they had a choice, 18 percent report choosing the payroll card because they felt that their employer preferred that.

“They definitely seemed to push the pay card. They pretty much just handed me an envelope with the card in it and said, ‘You’ll get paid on this.’”

The fact that there are any consumers who do not perceive a choice in how they receive pay, or who feel pressure from their employers to use payroll cards, raises concerns. There are financial health implications when consumers are forced into a product that may not suit their needs. Employers that use payroll cards, and the card providers that partner with them, must ensure that employees not only have a choice in how to receive their pay, but that those employees **fully understand that choice** and **do not feel pressured**. CFSI encourages all employers to consider their impact on the financial health of their employees, and the receipt of pay is one of the cornerstones of that relationship.

Inactivity May Drive Low Fees

Many payroll card users report experiencing almost no fees, but those who actively use their cards may experience repeated fees that can discourage engagement over time. Additionally, while many users who experience fees report feeling that they are fair, those who are less informed about the costs associated with their cards are more likely to report dissatisfaction.

More than half (56 percent) of payroll card users report never being charged fees on their payroll card. Of those that have been charged fees, almost three-fourths (74 percent) experience them at least once a week, with the most commonly experienced fees occurring on ATM withdrawals. The number of fees may be skewed by low card usage across consumer segments, however.

Table 3 – Experienced Fees on Payroll Card

Yes	44%	Reported Fairness	Fair	67%
No	56%		Not Fair	33%

The Hesitant and Established groups do not take advantage of the full suite of card features and use the card in limited ways, which creates far fewer opportunities to incur costs. Conversely, the Engaged consumers are actively using their cards and are more likely to experience frequent fees.

While some payroll card users may not experience fees because they simply prefer other methods of transacting, saving, and planning, there is evidence that others may be actively limiting their transactions and the funds they keep on the card to avoid paying frequent fees. Of consumers who have experienced fees (Table 3), more than half (52 percent) say they have changed how they use the card to avoid paying fees in the future. Out of the 42 percent of consumers who withdraw the full amount from their card, 35 percent report doing so to avoid paying additional fees. Within the qualitative research, a number of consumers indicate that they withdraw more of their paycheck from their cards than they otherwise would to avoid paying fees. Others state that they choose to not use their cards for transactions to avoid paying fees.

“The card is charging me fees and they don’t tell me why I’m getting a fee. I don’t know how to prevent getting the fee.”

Of the payroll card users who have been charged fees (Table 3), 67 percent report feeling that those fees are fair, while the remaining one-third report feeling that the fees are not fair. The consumers who indicate that fees are not fair primarily fall into the Hesitant and Established segments. Despite experiencing fees less frequently than the Engaged group, these consumers likely do not experience the same multi-functional card benefits that could justify the additional cost. Additionally, these groups report feeling less informed about their cards, which may drive feelings of unfairness related to fees. One in eight (13 percent) payroll card users indicate that they did not know they would experience fees when they started using the card, and those who did not expect fees are significantly more likely to indicate that they are not fair.

These research findings around the frequency and perceived fairness of fees reflect market evidence highlighted in CFSI’s **2017 Payroll Industry Scorecard**. That report found that payroll cards available in the market today do allow employees to perform many basic activities for free, as often required by law, such as receiving their full net wages and accessing important information about their accounts. That report also found that few program managers provide additional tools, such as low balance alerts, and education to help cardholders avoid unexpected fees. Like other financial products, such as checking accounts and debit cards, payroll cards offer consumers options to store and access their funds with and without fees. CFSI encourages card providers and employers to educate consumers about the fees on their cards and how to avoid them and to consider how certain frequent fees may impact overall card use. **See Appendix 4** for choice and cost summary statistics.



Payroll cards can be a multi-functional tool for financial health, but few cards champion this potential.

CFSI's extensive research on consumer financial health indicates that the financial aspects of spending, saving, borrowing, and planning are interrelated, and financial products that serve multiple functions can be especially impactful for consumers. High-quality payroll cards are an example of a multi-functional tool, as they allow consumers to engage with the “spend,” “save,” and “plan” aspects of their financial health.

The Engaged segment of consumers is already gaining value from using payroll cards in multiple ways and championing these functionalities. Adding more capabilities can improve current product use, increase uptake by new consumers, and improve financial health across all three of the consumer segments.

This research indicates that the majority of cardholders are not aware of many of their card features and either do not have, or do not use, the full functionality of the product. While the majority of cardholders are using payroll cards in limited ways, those who leverage their cards for more activities report higher levels of satisfaction. Almost no qualitative participants mention having features on their cards such as education tools, budgeting, and saving options. This aligns with the **2017 Payroll Industry Scorecard** research, which found that only a handful of card providers offer these kinds of features.

You are financially healthy when you...	
Spend	<ol style="list-style-type: none"> 1. Spend less than income 2. Pay bills on time and in full
Save	<ol style="list-style-type: none"> 3. Have sufficient living expenses in liquid savings 4. Have sufficient long-term savings or assets
Borrow	<ol style="list-style-type: none"> 5. Have a sustainable debt load 6. Have a prime credit score
Plan	<ol style="list-style-type: none"> 7. Have appropriate insurance 8. Plan ahead for expenses

Budgeting

Only 35 percent of users report having access to formal budgeting or personal financial management (PFM) tools on their cards, but we know from the Engaged segment and our qualitative research that many consumers are using their cards for informal budgeting. The **2017 Payroll Scorecard** found that few programs incorporated PFM tools into payroll cards, and only one program enabled users to further leverage card features such as alerts for budgeting goals.

Saving

More than half (53 percent) of payroll card users indicate that they use their card for saving, and this group reports higher overall satisfaction with the product. Yet only 46 percent of payroll card users report that a “savings account” is a feature on their card. The difference in these two populations shows that some users are likely practicing informal saving habits on their cards without the assistance of a formal product feature.

Mobile and Online

While almost all (95 percent) payroll card users report access to a website and 75 percent report access to a mobile application, there remains a subset who either do not have access to, or do not take full advantage of, these essential features for the digital age.

Of the consumers who report access to a payroll card website, 96 percent use the feature, but primarily for balance information, rather than active management. Ninety percent of payroll card website users report using the website to check their balance, compared with only 41 percent who use a website to add funds to their cards and 36 percent who report using website features such as online bill payment and budgeting tools. Additionally, only a quarter (25 percent) of these consumers report using the website to learn more about their payroll cards (Table 4).

Of the consumers who report access to a mobile application for their payroll card, 94 percent report using that feature. Similar to how payroll card websites are underutilized, mobile applications are used primarily for checking account balances, as shown in Table 4.

When all payroll card users were asked why they chose to use the product, less than half (44 percent) cited being able to manage their money online as a reason for selecting this form of pay receipt.

Table 4 – Website and Mobile Application Use

Digital Use	Website %	Mobile %
Check balance	90%	82%
Add funds	41%	25%
Use tools such as bill pay & budgeting	36%	22%
Learn about card	25%	20%

**Respondents were asked to select all that apply.*

Given the high rate of smartphone ownership among this population, there is an opportunity to provide enhanced capabilities to the quarter of payroll card users who currently do not have access to a mobile application. Furthermore, the low uptake of dynamic website and mobile features, such as budgeting and bill pay, could indicate that those functions are either not available, or that they are not appealing to card users. Payroll card users value receiving their pay electronically and are increasingly turning to online and mobile channels. Therefore, it is important that these digital features not only provide information, but can be leveraged for financial management and education.

Depositing Additional Funds

The ability to deposit additional cash or electronic funds onto consumers’ payroll cards can increase the product’s usefulness as a budgeting and saving tool. Of those consumers who are able to deposit additional funds on their card, nearly half (46 percent) take advantage of the functionality. Additionally, 49 percent of users who currently do not have the ability to deposit additional funds report that they would use that feature if it was available.

CFSI encourages payroll card providers to create additional value for consumers by continuing to add dynamic card features that enable users to leverage the product across the spend, save, and plan elements of financial health.

Improving Payroll Cards to Better Serve Consumers

Incentives are aligned between employers, payroll card providers, and consumers, which creates a tremendous opportunity for these groups to work together to improve financial health. As the design and delivery of the card continues to improve, consumers will engage more with the product, which can improve their day-to-day financial management and reduce workplace stress, while also increasing funds maintained on the card and transactions performed with the card.

Choice and Cost

Employers and card providers must make sure to follow fundamental high-quality practices, such as ensuring consumers understand that they have a choice in how to receive their pay and providing clear information about the card. Employers must also be very explicit that there is no expectation for their employees to use one form of pay receipt over another. High-quality printed materials and online reference tools about payroll cards can also help consumers understand that they have a choice, and enable them to select the payment method that works best for their day-to-day financial systems. As one consumer indicates, even adjusting the size of the font and providing digestible comparison tables could improve understanding: *“Maybe a better brochure... something that says what this is going to cost, and these are ways that you can avoid being charged instead of such tiny print.”*

Payroll card information should clearly state fees associated with using the card, provide details on security, and highlight the various card features that can enable consumers to use the product in multiple ways. Card providers should also consider how frequently occurring fees may impact the use of the card for the most active consumers. The qualitative research suggests that key fees that

could weaken card engagement are ATM fees, transaction fees, and balance inquiry fees. While many consumers do perceive the fees they incur to be fair, consumers may respond more positively to fees if they are expected and if the card provides additional value through its cross-functional uses.

Multi-functionality

Some consumers are already using their payroll cards for informal budgeting and saving. By adding formal tools, card providers can further encourage these behaviors and potentially engage consumer segments who are hesitant or only view the card as a transaction vehicle. Card providers should enable consumers to load additional funds onto the cards, and easily connect to external checking accounts for deposit or withdrawal. “Buckets” within the card account, between which consumers can split their funds, would allow users to budget without removing money. An explicit savings account tied to the card, or included within

“Reloading it at a grocery store if I have cash I want to load on to it, that option would be good.”



“

a bucket design, can also highlight the importance of saving for consumers. Saving and planning alerts, and cues when consumers log onto mobile and online channels, can help increase utilization of digital features. Card providers are also encouraged to review their current mobile and online offerings to ensure that they offer a high-quality user experience to drive further engagement on these channels.

Incentives

Consumers cited usage perks and deposit incentives a number of times in the qualitative research as elements they would like to see on their cards. More than a third of payroll card users also have credit cards, and many credit cards come with a plethora of benefits. It is understandable that consumers are interested in more benefits tied to this financial product, as well, and providing these perks may drive increased product engagement.

“[I would want] a mileage or rewards system of some sort. They could do some prize or contest to sort of pique a little bit more interest.”

“My bank had a thing once where they would round up to the nearest ten cents and deposit it back into your account. If they start a little promotion like that then I’d start using the card for my day-to-day purchases more.”

CONCLUSION

High-quality payroll cards can be a fast, convenient, and healthy way for both banked and unbanked consumers to receive their income. While many payroll cards are already high-quality, this research suggests that there is more work for card providers and employers to do to ensure choice and reasonable costs, and to establish these products as a multi-functional tool for all types of consumers.

There is an opportunity to not only improve well-being for individual consumers, but also to improve

the bottom line when companies invest in the financial health of their cardholders and employees. Financial service providers and employers should work together to measure the outcomes that employees experience and to improve the design and delivery of financial products and workplace benefits based on those results. CFSI hopes that this information can build on our previous payroll market research and continue to provide a platform for ongoing discussion and product improvement.



APPENDIX 1

Research Design and Methodology

CFSI began by conducting qualitative interviews with eight payroll card users in December 2017 to gain a baseline understanding of how respondents use payroll cards, their impressions of the product, and, importantly, what vocabulary they used to describe their cards. Having this information before the next stages of research allowed researchers to tailor the subsequent survey and interview questions in a way that was relevant and easy for respondents to understand.

The subsequent quantitative portion of the research incorporated findings from the initial consumer interviews. Potential respondents were invited to participate through email and were screened for age, employment status, and payroll card ownership. Full- and part-time employed respondents, who were over 18 and currently used a payroll card, were administered the full survey. Screened respondents who did not currently use a payroll card were administered only demographic questions to use for weighting the full sample. Respondents who were under 18 or unemployed were excluded.

The survey was offered in both English and Spanish and was administered to 684 payroll card users in January 2018. Only 1 percent of those users chose to take the survey in Spanish; therefore, the sample size for this subset was not large enough to differentiate in the report findings. The full sample of employed respondents (both those who do and do not use a payroll card) was weighted to match known employed adult population parameters based on the U.S. Census Bureau's American

Community Survey. This process provided the most accurately weighted sample of employed payroll card users over the age of 18, given that there was not an existing benchmark that could be used to weight the subsample of payroll card users directly.

An initial analysis of the weighted survey data was completed to explore trends and identify theories that warranted further exploration. Seventeen additional qualitative interviews were conducted in February 2018 to better understand these trends and theories.

As a final step, a more in-depth analysis was completed on the quantitative sample. Initial summary statistics and cross-tabulations were calculated to compare differences between subgroups in the sample. CFSI also conducted a cluster analysis to determine consumer segments based on attitudes and behaviors toward payroll cards. Factors used to generate the consumer clusters included how much of the respondent's paycheck was deposited on their payroll card, whether the respondent deposited funds in addition to the paycheck onto the card, the different ways the respondent used the payroll card, how often the respondent checked their payroll card balance, how they would elect to receive their pay if the payroll card was not available, and whether they were charged fees on their payroll card. These variables were chosen because they provided coverage of all respondents and were hypothesized to be the most indicative of respondents' experiences with payroll cards.

APPENDIX 2

Demographics

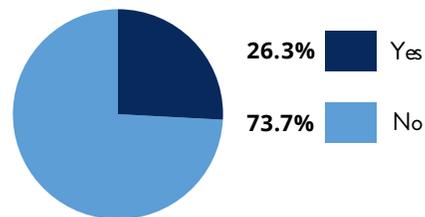
The following charts display information from the weighted sample of 684 payroll card users surveyed during this research. Please note that some categories may not add up to 100 percent because of rounding.

What is your race?

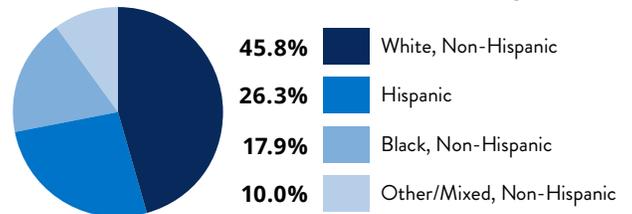
Race*	%
White	67.1%
Black or African American	19.7%
American Indian or Alaska Native	1.2%
Asian Indian	2.7%
Chinese	3.9%
Filipino	1.7%
Japanese	0.5%
Korean	0.7%
Vietnamese	0.7%
Other Asian	1.2%
Native Hawaiian	0.2%
Other Pacific Islander	1.1%
Don't know	1.4%

*Respondents were asked if they identified as Hispanic in a separate question.

Are you Hispanic, Latino/Latina, or of Spanish origin?

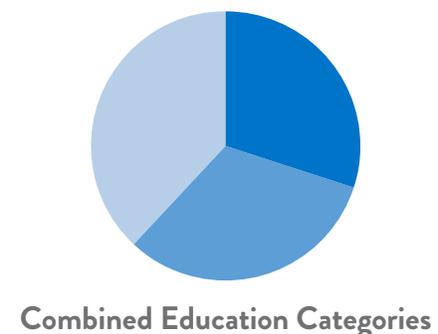


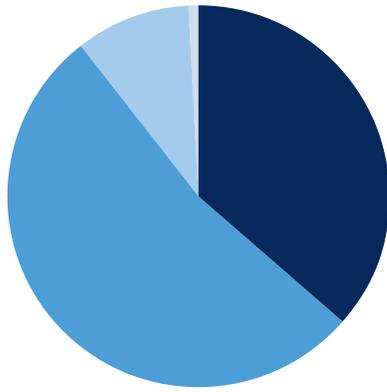
Combined Race/Ethnicity



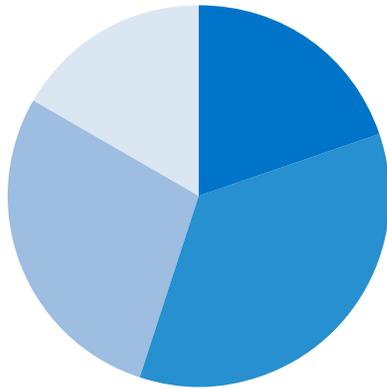
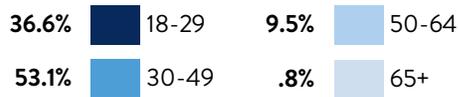
What is the highest grade level or school you completed?

Education	%
Less than high school	0.4%
High school incomplete	5.0%
High school graduate	24.8%
Some college, no degree	18.2%
Two-year associate degree from college or university	13.7%
Four-year college or university degree/Bachelor's degree (e.g., BS, BA, AB)	27.5%
Some postgraduate or professional schooling, no postgraduate degree	1.4%
Postgraduate or professional degree (e.g., MA, MS, PhD, MD, JD)	9.0%





Combined Age Categories



Annual Household Income Categories



Demographic comparison between payroll card users and U.S. employed population over 18⁴

Race	Payroll %	Full U.S. %
White, Non-Hispanic	45.8%	64.1%
Hispanic	26.3%	16.4%
Black	17.9%	11.2%
Other/Mixed	10.0%	8.2%

Age	Payroll %	Full U.S. %
18-29	36.6%	23.7%
30-49	53.1%	43.2%
50-64	9.5%	27.7%
65+	.8%	5.3%

Education	Payroll %	Full U.S. %
High school graduate or less	30.2%	33.5%
Some college	31.9%	32.6%
College graduate or more	37.9%	34%

Household Income	Payroll %	Full U.S. %
Under \$30,000	19.8%	11.2%
\$30,000 to \$59,999	35.3%	22.7%
\$60,000 to \$99,999	28.5%	27.2%
\$100,000 or more	16.4%	38.9%

⁴Data from 2016 ACS Public Use Microdata Sample. Steven Ruggles, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. Integrated Public Use Microdata Series: Version 7.0 [dataset]. Minneapolis: University of Minnesota, 2017.

APPENDIX 3

Other Product Ownership and Payroll Card Usage

The following charts display information from the weighted sample of 684 payroll card users surveyed during this research. Please note that some categories may not add up to 100 percent because of rounding.

Other than your payroll card, which of the following financial products do you have?

Product Ownership	%
Checking account	83.5%
Debit card linked to my checking account	73.7%
Savings account	72.7%
Credit card	70.8%
Prepaid card (other than your payroll card)	31.3%
401(k) or other retirement savings account	43.0%
PayPal or Venmo	46.9%
None of these	2.0%

Respondents were asked to select all that apply.

You indicated that you use your payroll card to withdraw cash; do you withdraw the full (amount of your pay from/portion of the pay that you receive on) your payroll card at one time?

Withdrawal Portion	%
Full withdrawal	41.7%
Partial withdrawal	58.3%

Note that this was only asked of the 46 percent who indicated that they use their card to withdraw cash.

How long have you been using your current payroll card?

Usage Length	%
Just got it this month	15.0%
At least 1 month, but less than 6 months	15.7%
At least 6 months, but less than 1 year	27.6%
At least 1 year, but less than 3 years	24.6%
At least 3 years, but less than 5 years	10.4%
5 years or more	6.8%

Where do you withdraw cash from your payroll card?

Withdrawal Locations	%
ATM	86.1%
Cash back at a store	52.3%
Bank or credit union teller	31.8%
Check casher	19.4%
Western Union, Walmart or other non-bank retailer	17.7%
Other	0.4%

Note that this question was only asked of the 46 percent who indicated that they use their card to withdraw cash. Respondents were asked to select all that apply.

Does your payroll card have a website?

Website Availability	%
Yes	94.9%
No	2.8%
Don't know	2.3%

Do you use your payroll card website?

Website Use	%
Yes	96.1%
No	3.9%

Note that this question was only asked of the 95 percent who indicated that they have access to a website.

What do you use your payroll card website for?

Website Use - Detailed	%
Checking my payroll card balance	89.6%
Adding additional funds to my payroll card	41.3%
Using budgeting tools or bill payment features offered online	36.1%
Learning more about my payroll card	24.7%
Other	0.2%

Note that this question was only asked of the 91 percent who indicated that their payroll card has a website and that they use their payroll card website. Respondents were asked to select all that apply.

Is there a mobile application for your payroll card?

Mobile Application Availability	%
Yes	74.5%
No	13.0%
Don't know	12.5%

Do you use the mobile application?

Mobile Application Use	%
Yes	94.0%
No	5.9%

Note that this was only asked of the 75 percent who indicated that they have access to a mobile application.

What do you use your payroll card mobile application for?

Mobile Application Use - Detailed	%
Checking my payroll card balance	81.7%
Adding additional funds to my payroll card	24.6%
Using budgeting tools or bill payment features offered online	22.3%
Learning more about my payroll card	19.9%
Other	2.3%

Note that this question was only asked of the 70 percent who indicated that their payroll card has a mobile application and that they use their payroll mobile application. Respondents were asked to select all that apply.

APPENDIX 4

Choice and Cost

The following charts display information from the weighted sample of 684 payroll card users surveyed during this research. Please note that some categories may not add up to 100 percent because of rounding.

Did your current employer offer you different ways to receive your paycheck other than by payroll card?

Perceived Choice	%
Yes	78.9%
No	21.1%

Did your employer give you information to help you make your decision about how to receive your paycheck?

Information Receipt for Choice	%
Yes	95.0%
No	5.0%

Note that this question was only asked of the 79 percent who indicated that they were offered a choice in how to receive pay.

What other options did your current employer offer you to receive your paycheck?

Other Perceived Choices	%
Direct deposit into bank account	84.9%
Check	77.0%
Cash	37.8%
Money order	22.3%
Other	1.9%

Note that this question was only asked of the 79 percent who indicated that they were offered a choice in how to receive pay. Respondents were asked to select all that apply.

How often are you typically charged fees associated with using your payroll card?

Fee Frequency	%
Daily	30.3%
A few times a week	30.4%
Once a week	13.3%
Once a month	21.4%
A few times a year	3.2%
Once a year or less	1.3%

Note that this question was only asked of the 44 percent who indicated that they have experienced fees.

What fees have you been charged on your card?

Fee Type	%
ATM withdrawal fees	66.8%
Minimum balance fees	30.0%
Annual fee	32.8%
Monthly fee	40.1%
Balance inquiry fee	26.5%
Paper statement fee	16.2%
Transaction fee	29.4%
Declined transaction fee	17.9%
Fee to use customer service	8.7%
Card replacement fee	6.7%
Other	0.1%

Note that this question was only asked of the 44 percent who indicated that they have experienced fees. Respondents were asked to select all that apply.

APPENDIX 5

Multi-functionality

The following charts display information from the weighted sample of 684 payroll card users surveyed during this research. Please note that some categories may not add up to 100 percent because of rounding.

What are some ways in which you use your payroll card?

Uses	%
Savings	52.9%
Buying items at retail stores	66.3%
Buying items online	70.1%
Paying bills (online or in person)	59.5%
Withdraw cash using the card	46.0%

Respondents were asked to select all that apply.

Number of payroll functions used (summation of uses)

Function Number	%
0	0.1%
1	21.3%
2	18.8%
3	19.3%
4	25.0%
5	15.6%