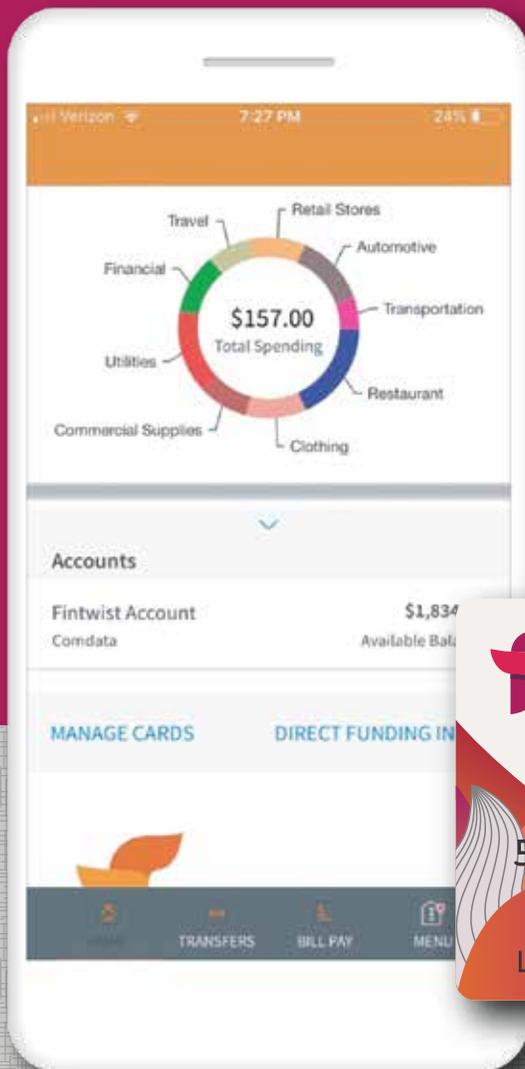


PAYROLL HAS NOT KEPT UP WITH PAYMENTS' TECH REVOLUTION:

A Comdata Whitepaper



ABSTRACT

Today's enterprises must part with traditional payroll systems and seek innovative solutions that cater to a new, emerging workforce. A payroll revolution stands to enhance employee productivity, engagement and retention - three priorities of every twenty-first century business.





Payroll has not kept up with payments' tech revolution

After years of a desperate need for disruption, the payments industry is having its digital moment. Consumers have benefited most from the recent decade of innovation, with digitization removing friction from retail banking and peer-to-peer payments enabling seamless transactions between individuals. B2B payments are beginning to follow suit with virtual cards and payment automation software driving the industry further away from paper checks.

While the broader industry has seen extraordinary modernization, there is one area that innovation has not reached scale: payroll.

Despite the significant advances in fintech every company's most important asset, their employees, have faced decades-old processes when it comes to getting paid. Today's modern workers, including the growing group of freelancers and 1099 employees, have not been provided payroll options that meet their unique and evolving needs.

The convergence of recent workforce trends should serve as a call to action for payroll innovation. With the average worker no longer average at all, payroll shouldn't be either.

Payroll Should Challenge the Status Quo – Just Like Today's Workforce

Today's modern workforce has led businesses to rethink everything from dress code and office hours to corporate culture and employee perks. At the same time, the face of today's workforce has changed dramatically as the gig economy allows individuals to dictate their own hours and responsibilities. Ushering in the greatest changes have been Millennials, a group expected in 2019 to surpass Boomers as the [largest generation](#) of Americans. This generation entered the workforce with heightened expectations for their

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employers, challenging the status quo of the employment relationship every step of the way. Their impact has had a ripple effect benefiting employees everywhere. Additionally, Millennials have driven the growth of the gig economy, with [nearly half](#) freelancing today.

With flexibility and independence a growing priority, the majority of the U.S. workforce is expected to be [freelancers by 2027](#). In addition, the gig economy has stimulated seasonal work with holiday hiring having reached a [record in 2018](#). Furthermore, the number of Americans holding multiple jobs is at its highest level [in](#) more than twenty years.

Clearly, the definition of a “typical” employee grows outdated each year. With today’s workforce unrecognizable to that of decades past, blanket and static payroll processes are no longer sufficient. The newfound variability in how and where individuals earn their income requires better, faster accessibility to wages.

Businesses must keep up with the times and address the needs of today’s modern workforce with tailored payroll solutions. Changing habits and preferences produce new financial needs that demand new options.

Alternative Banking Requires Cutting-Edge Payroll

The traditional payroll function works harmoniously under the assumption employees use conventional banks to manage their finances. As consumer interest in technology-driven financial services and bank alternatives grows, payroll methods must also evolve to ensure all employees – even those outside the mainstream – are provided the necessary access to and control of their funds.

A recent Gallup poll found that Millennial customers [switched their primary bank](#) at a rate 2.5 times more often than Boomers and traditionalists and 1.5

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times more often than Gen Xers. Over half of Millennials don't believe their bank offers anything unique, with two-thirds believing the way people access their money will be [totally different in five years](#). Furthermore, there is a large population of workers who lack access to bank accounts and financial resources due to barriers such as high fees, lack of convenience, and other qualifying factors. Others are unbanked by choice believing conventional bank accounts don't provide enough value, transparency, or security.

Regardless of banking preferences, all workers deserve the ability to easily access their funds and the necessary tools to manage their finances. The responsibility falls on employers to facilitate a payroll function that helps their workers access funds efficiently regardless of whether an employee chooses or is forced to forgo traditional banking.

A Culture of Employee Engagement Should Include Payroll

Among the modern workforce's top requirements is an engaging workplace where employees feel employers are committed to their success in and out of the office. With a talent pool that is becoming increasingly competitive, employee engagement is now one of the most important differentiators as employers seek to stand out and increase retention. A [recent study by Glassdoor](#) found that the culture and values of an organization are the top predictors of workplace satisfaction, *not* salary.

An innovative approach to payroll can contribute meaningfully to a positive, engaging culture by allowing employers to demonstrate their commitment to their workforce.

The time has come for enterprises to reimagine the capacity of payroll's role in the employer-employee dynamic. Employers must embrace solutions that better cater to today's workforce and capitalize on payroll's central position in their employment relationship.

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Payroll can be reimagined as a vehicle to deliver greater value to workers, for example, financial self-help tools. Over two-thirds of Millennials say they want digital budgeting capabilities to help them manage their money. Given payroll's inherent proximity to wages, employers should fill the education gap left by banks and provide such options to their employees.

Furthermore, employers are incentivized to enhance their employee's financial well-being. More than 72 percent of American workers claim to [worry about personal finances during their workday](#), which costs employers \$2,000 in productivity per employee every year. By offering financial planning and wellness support, employers can empower their employees to take control of their finances, producing a more satisfied and focused worker.

Today's enterprises must part with traditional payroll systems and seek innovative solutions that cater to a new, emerging workforce. Providing workers with funds on their own terms with access to personal finance tools can do more than just keep up with modern technology. A payroll revolution stands to enhance employee productivity, engagement, and retention – three priorities of every twenty-first-century business.

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