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2021 IMPACT INNOVATION AWARD IN DIGITAL WALLETS

CERIDIAN

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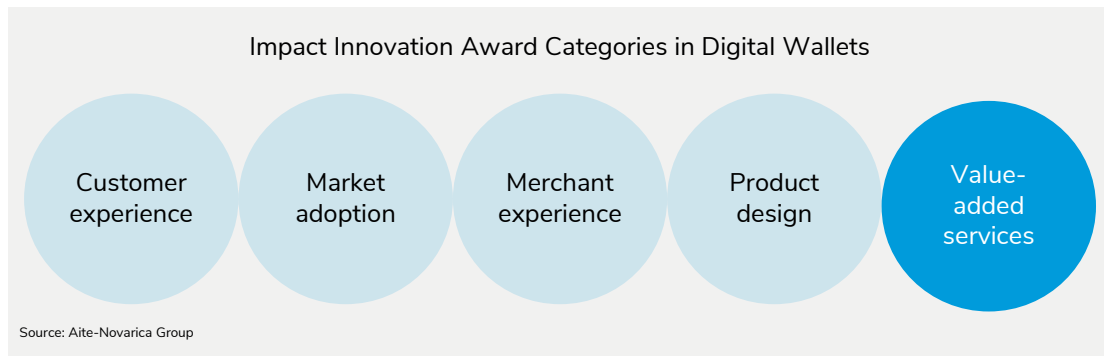
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compliments of Ceridian.

IMPACT BRIEF

DAYFORCE WALLET BY CERIDIAN

Ceridian is the 2021 recipient of Aite-Novarica Group's Impact Innovation Award in Digital Wallets for value-added services (Figure 1).

FIGURE 1: IMPACT INNOVATION AWARD CATEGORIES



Dayforce Wallet is a digital financial management solution that lets employees receive their earned wages on-demand when they want or need them, resulting in better control of their finances. By pairing a physical card with a mobile app's digital experience, it offers an easy way for employees to access and manage their earned wages on-demand, which are conveniently and immediately deposited into their card account.

MARKET CHALLENGES AND NEED

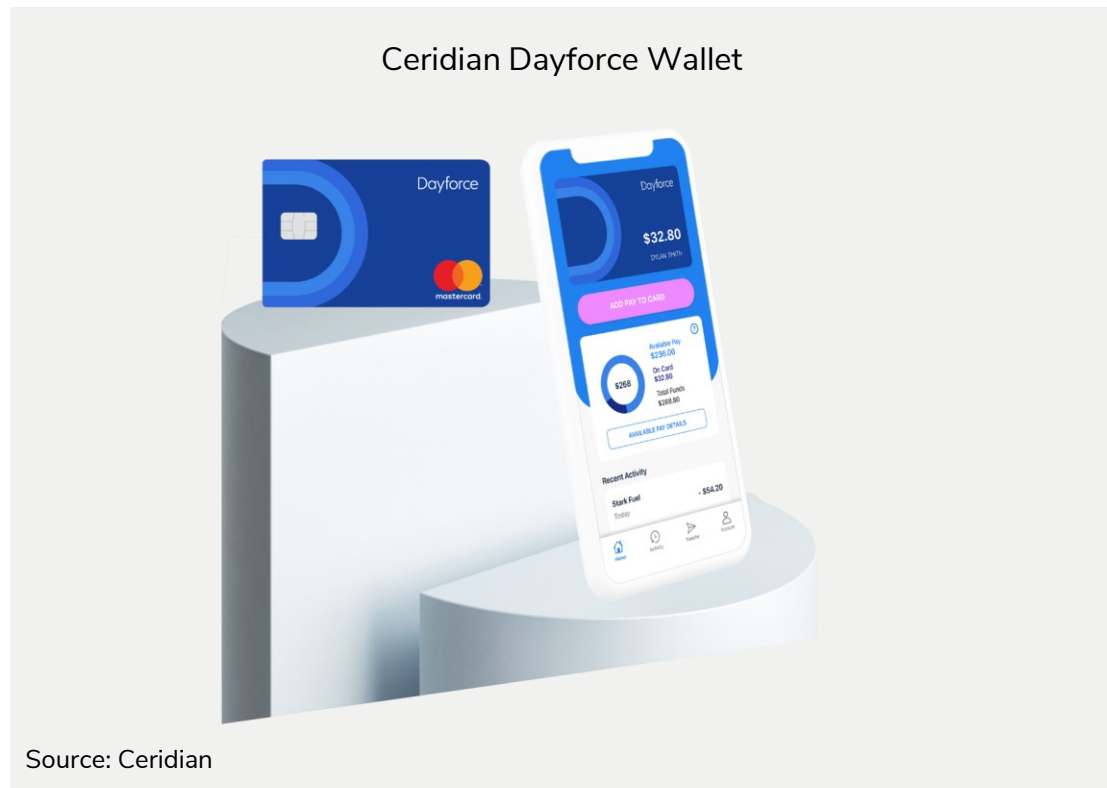
Earned wage access, the ability for an employee to receive a portion of their pay prior to their scheduled payday, is becoming a critical feature for employers to attract and retain employees, particularly hourly workers who may have difficulty making ends meet between paychecks. The benefit for employees arises because obtaining their pay from their employer is generally a much less expensive process than alternatives, such as accessing credit cards with an average annual percentage rate (APR) of 18.04%¹ or

¹ Alina Comoreanu, "Credit Card Landscape Report," WalletHub, July 13, 2021, accessed August 19, 2021, <https://wallethub.com/edu/cc/credit-card-landscape-report/24927#interest-rates>.

payday loans, in which a typical two-week payday loan with a US\$15 per US\$100 fee equates to an APR of almost 400%.²

Despite its appeal to employees, earned wage access was not without its own administrative burdens. Prior to Dayforce Wallet, the common earned wage access model would generally create a cash advance from the employer's payroll, then reconcile the transaction at the end of the pay period. This method requires a complex process of estimating deductions, determining the available balance based on that calculation, and adjusting the payment prior to releasing pay to the employee. Beyond the administrative costs inherent in a cash advance earned wage access model, available programs added cost, either to the employer or the employee, to make a withdrawal prior to payday (Figure 2).

FIGURE 2: CERIDIAN DAYFORCE WALLET

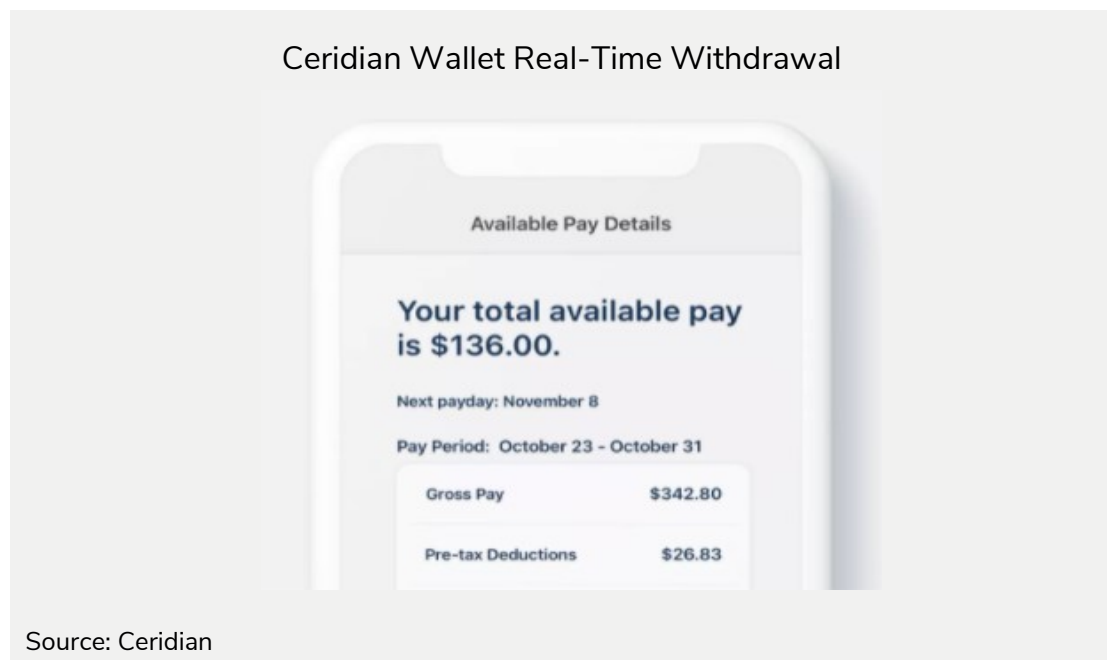


² "What Is a Payday Loan?," Consumer Financial Protection Bureau, June 2, 2017, accessed August 19, 2021, <https://www.consumerfinance.gov/ask-cfpb/what-is-a-payday-loan-en-1567/>.

INNOVATION: EARNED WAGE ACCESS FULLY INTEGRATED INTO AN EMPLOYER'S HUMAN CAPITAL MANAGEMENT PLATFORM

Ceridian, a global provider of human capital management (HCM) technology to over 5,000 employers worldwide, has built “native” earned wage access capabilities into its flagship platform, Dayforce. Since on-demand pay requests are processed as regular payroll, employees can access their actual earned pay, not an advance or a loan. Each withdrawal is an accurate real-time, on-demand payment, inclusive of any required withholdings. There is no need for payroll administrators at the employer to reconcile transactions at the end of the pay period, as payroll is continuously calculated in real time (Figure 3).

FIGURE 3: DAYFORCE WALLET REAL-TIME WITHDRAWAL



Dayforce Wallet is more than an earned wage access platform. It's also a manifestation of a totally different way to manage payroll (Table A).

TABLE A: DAYFORCE WALLET APP DESCRIPTION

CATEGORY	DETAILS
Financial institution	Ceridian
Innovation	Earned wage access for employees is integrated into the employer’s HCM platform to deliver actual earned pay to employees should they choose to withdraw pay ahead of payday.
Implementation time	Earned wage access was initially announced by Ceridian in October 2018.
Official launch date	Dayforce Wallet was announced at end of 2019, with an internal test implemented in February 2020. The first live customer was up in April 2020, and the product was available to all Dayforce clients by July 2020.
How it works	<ul style="list-style-type: none"> Dayforce Wallet is a component of the Dayforce HCM platform from Ceridian that combines payroll, HR, benefits, talent, and workforce management into a single cloud application. Since Dayforce Wallet is native to the platform, there is no incremental effort required by the employer to offer the solution to their employees. Employees access the Dayforce Wallet app on their smartphones. Requested funds are transferred to the employee’s Dayforce Prepaid Mastercard or transferred to another financial institution. Employees can then make purchases using their Dayforce Card to pay bills or make everyday purchases in-store, online, or over the phone. Since the data required to calculate net earnings is continuously kept up to date, Dayforce calculates all appropriate withholdings, including taxes and other deductions on-demand in real time. Employers maintain their existing payroll process and schedule, with minimal disruption. Dayforce Wallet also allows companies to limit the number and frequency of on-demand payments, if needed. Employers can control pay types available, such as enabling access to an employee’s base salary but not permitting commission compensation to be included. Employees can use the Dayforce Card

CATEGORY	DETAILS
<p>Key benefits</p>	<p>as a replacement for a traditional bank account or payroll card, by having their pay deposited directly to their card.</p> <ul style="list-style-type: none"> • Real-time payroll withdrawal capability that provides employees with access to their available payroll, net of deductions at any time during the pay period • Provides un- and under-banked employees with a prepaid Mastercard debit card • A large fee-free network of ATMs for cash access • No disruption of employer cash flow or payroll processes • Very simple implementation (20-minute implementation reported by a Ceridian client) • Eliminates the need for batch processing of earned wage access transactions prior to issuing payroll • No incremental cost for the employer or the employee
<p>Future roadmap</p>	<ul style="list-style-type: none"> • Create “savings buckets” to help employees save money for specific purposes • Provide employees with a reward program that allows them to earn rewards on their everyday spend • Enable bill payment through Dayforce Wallet • Add financial wellness tools to help employees better manage their economic lives

Source: Ceridian, Aite-Novarica Group

Solution Development

Dayforce Wallet was a logical extension of the Dayforce platform that revolutionizes payroll with a continuous calculation of payroll in real time. Once implemented and launched, demand for the offering was immediate and significant.

Key Quantitative and Qualitative Results

- **Quantitative results:**

- Based on a study conducted by Ceridian in Q4 2020, employers using Dayforce Wallet reported a 42% lower voluntary turnover versus nonwallet users.
- Employers offering Dayforce Wallet report a 5% increase in recruiting close rates and a 9% reduction in the time it takes to fill an open position.
- **Qualitative results:**

The following are quotations from two employers and one employee using Dayforce Wallet:

- From an employer using Dayforce Wallet: “When Dayforce Wallet was first brought to my attention, the biggest concern I had was the financial risk to the company given the fact that the product was new. But in looking at Dayforce Wallet further and in depth, I found that those concerns were unfounded. Dayforce Wallet was the simplest implementation with Ceridian we’ve ever had. Actually, turning the feature on took about 20 minutes at most, and we were able to roll it out to our first pilot group the very next day. By the end of the next two weeks, we had one location already enrolled.”
- From an employer using Dayforce Wallet: “The reason I think the Dayforce Wallet is so important right now is because a lot of organizations, ours included, have people working fewer hours. We did implement a pay cut that was in place for three or four months. We’ve since reverted to full pay, but when you’re talking about taking a pay cut or working reduced hours and making less than what you’re used to, having the flexibility to get paid when you need to because your bills don’t stop is a huge win. Nobody offers something like this in the professional or warehouse/distribution industries as we do. So, offering a benefit like this for our associates sets us light-years ahead of where some of our competition is.”
- From an employee using Dayforce Wallet: “There is no comparison between Dayforce Wallet and payday loans. Dayforce Wallet gives you access to the funds you’ve already worked hard to earn. This is your money that you now have access to a little earlier. The great thing is that there are no fees associated with it. There are no interest rates. There’s nothing that I have to remember to pay back. There’s no fear of defaulting on a loan.”

AITE-NOVARICA GROUP'S TAKE

Earned wage access has become an important tool for employers to help attract and retain employees at a time when the COVID-19 pandemic has created staff management challenges that have not been encountered in our lifetime. The value to employees is clear—it helps them manage their money and their lives without resorting to expensive loans or, in some cases, just doing without. Dayforce Wallet is an excellent tool to help employees manage their money.

The revolutionary component of Dayforce Wallet is that it is an integrated component of the Dayforce HCM platform, which continually accrues payroll in real time rather than defaulting to the antiquated batch payroll processes that are a vestige of the days of paper checks and handwritten general ledgers. Dayforce Wallet and its parent platform eliminate the traditional concept of “payday,” allowing employees to use the money as and where they need it, and freeing their employer from the complexity of time-based payroll processing. It is a revolutionary shift in compensation management.

AITE-NOVARICA GROUP IMPACT INNOVATION AWARDS

Customer needs and expectations continue to evolve, and financial institutions must strive to stay one step ahead. Their capabilities and the breadth of their product portfolios must go beyond what has traditionally been offered to address new market challenges and capture new opportunities. Aite-Novarica Group’s Impact Innovation Awards are designed to recognize and celebrate innovation achieved by financial institutions leveraging technology to surpass the status quo. Award recipients are leading the industry by identifying and implementing new products, capabilities, and/or levels of automation and effectiveness that are bringing our industry one step closer to next-generation banking. They are the financial institutions, regardless of size, that others will follow.

QUALIFICATION AND EVALUATION METHODOLOGY

Aite-Novarica Group solicited nominations for its 2021 Impact Innovation Awards in Digital Wallets from April to June 2021. All nominated initiatives were required to be in production.

Aite-Novarica Group reviewed all nominations and narrowed the field to the top three to four submissions in each of the categories.

A panel of external judges representing leading financial institutions, industry thought leaders, and consultants/implementers determined the winners. Each nomination was evaluated based on eight attributes (Figure 4).

FIGURE 4: EVALUATION CRITERIA FOR IMPACT INNOVATION AWARDS

Impact Innovation Award Evaluation Criteria			
Level of innovation and competitive advantage	Ability to meet market needs	Impact on customer experience	Impact on customer operational efficiency
Level of new revenue opportunity for the bank	Impact on customer retention/new customer attraction	Level of scalability across customer base	Future roadmap

Source: Aite-Novarica Group

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base. The quality of our research, insights, and advice is driven by our core values: independence, objectivity, curiosity, and integrity.

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