

## Is Next-Day Pay the Next Big Thing?

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Among the hardest-to-find workers in America today are restaurant and retail workers. The current labor market is the tightest in 49 years, and for the past year, there have been roughly a million more open positions in the United States than people looking for work. The hospitality sector always has faced recruitment challenges, but the recently shrinking applicant pool has forced employers to look for creative ways to lure workers to jobs in the food service and retail industries.

“Expedited pay”—also known as “same day pay,” “next day pay,” or “daily pay”—provides employees with all or some portion of their wages without having to wait for the weekly or semi-monthly payroll cycle to conclude. While direct deposit, pay cards, and electronic fund transfers all have shortened the time that employees have to wait to access their funds, PayPal, Apple Pay, Venmo, and the like, in conjunction with Millennials’ and Generation Z’s expectation of seamless and immediate financial transactions, have upped the ante for immediate distribution of wages.

In an effort to address the challenges, several food-service groups are currently test marketing the next-day pay model. For example, Church’s Chicken and Bloomin’ Brands are offering forms of expedited pay in an effort to recruit and retain talent. The expedited process provides workers with almost immediate access to funds to bridge the gap between paydays for expenditures.

There are a variety of vendors and distribution methods for employers to consider. For example, Instant Financial provides immediate access to pay after a worker finishes his or her shift. PayActiv and FlexWage are app platforms through which employers may offer customized pay options to their employees.

Some vendors charge employers for their services while others deduct fees from employees’ pay. These fees vary, and employers will want to understand what they are being charged before either contracting with an app provider or making an app available through a payroll processing service. Similarly, employers may want to ensure that employees understand these fees as well. Additionally, employers may want to review state and local laws regarding whether passing along such fees to employees passes legal muster.

In determining whether to implement expedited pay, employers can ensure that all federal, state, and local minimum wage, overtime, and payday requirements will be met when deciding on a vendor or app for their workforce. Employers may also want to analyze the effectiveness of these expedited pay methods in assisting in recruitment efforts, employee engagement, and reducing turnover.

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