

Why Some Employees Continue to Request Paper Checks, and What You Can Do About It

BY WILLIAM DUNN, CPP

With most employers offering direct deposit and paycards, why do many employees continue to opt for paychecks? Do employees perceive that checks are better than electronic pay? Are there reasons that these perceptions may be true?

EMPLOYEE PERCEPTION

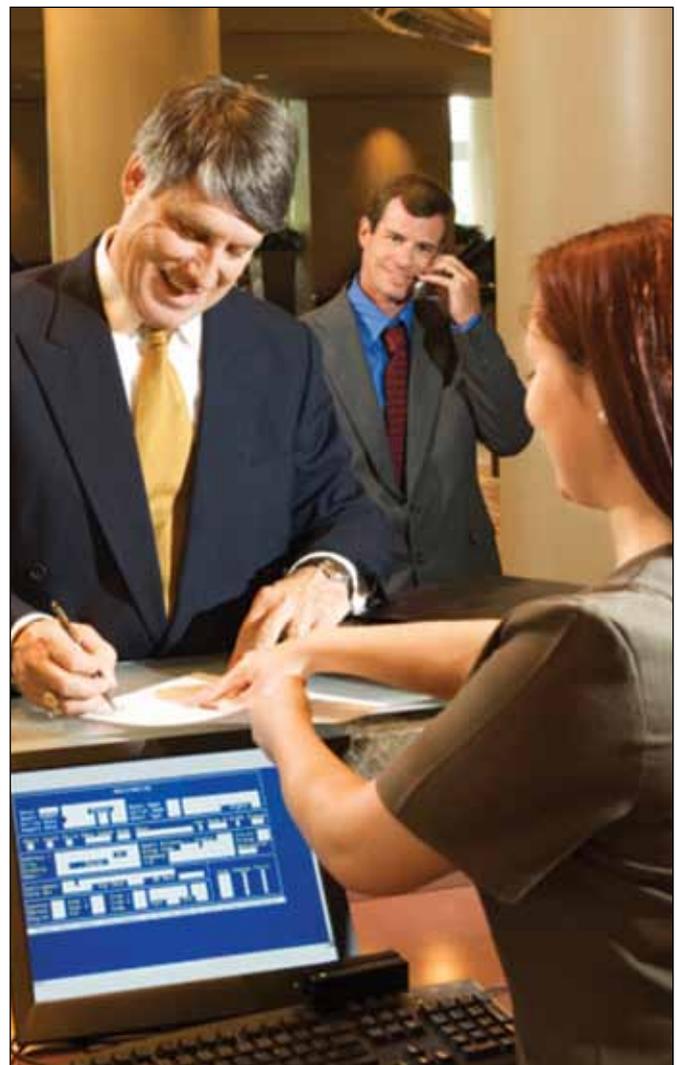
When comparing average direct deposit amounts with average check amounts, it is evident that people receiving checks have lower average net pay amounts. This means that more of the people who live paycheck-to-paycheck are receiving paper checks.

People who depend on that check for their basic daily requirements feel that payday is very important. This means that if checks are distributed in advance of when funds are available through direct deposit, there is a real concrete advantage to receiving a check. Here are a few ways this happens.

While there may be a “policy” stating when checks are distributed, actual practice may vary. Field managers release checks the day before payday because, “banks had already closed for the day, so I thought it was OK,” or, “employees know the checks have arrived, and they want them before they come to work on payday, so I give them out at the end of the shift on the day before payday.”

The ability to get a check early if the employee is not at work due to vacation or a holiday is also perceived as a significant advantage. Being able to go by and pick up your check a day ahead of time because you are not going to be at work the next day is a concrete advantage. It is hard for a field manager to refuse this kind of request from an employee. If they do, they are perceived as trying to make life hard for the employee. Remember, everyone knows the checks are already there and ready to pass out.

Employees who receive their paycheck via U.S. mail may well be doing so because they get their checks earlier that way. Companies must be careful to ensure that checks are



not being delivered late, so many checks are mailed with an error margin that works in favor of the employee receiving the check. Send a regular letter to a manager in the same area on the same day the checks are mailed to see if the checks are arriving ahead of schedule.

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Another reason some employees demand a paper check is that they do not want their spouse to know how much they are making, especially when it comes to overtime or a bonus. If they may have a joint checking account, they cannot have 100% direct deposit and still keep their total earnings secret. Even a second bank account would mean a bank statement showing up at the home address. Paycards (see below) provide a method for these employees to continue their lifestyle uninterrupted.

Other employees claim they want to be able to see their pay stub information when they receive their pay. Many employers are making their pay stub information available online before payday if the employee uses electronic pay. This can be a real reason to switch to electronic pay.

PERCEPTION VS. REALITY

Depending on the type of employees in the industry, there will always be some employees who do not have a bank account or refuse to get one. Insufficient funds fees are the primary reason that people drop out of the banking system and refuse to use banks.

What can employers do to overcome these perceived advantages? The first thing is to make sure that no checks are ever given out in advance of payday. If employees complain about not getting their check early when they are not going to be at work the next day, either because they are taking a day off or are about to go on a vacation, that is the perfect time to have them enroll in direct deposit.

A change in check distribution will cause people to reconsider their pay method. If they perceive that the change in check distribution is to their disadvantage, they will move to another payment method. The change can be something like mailing checks if you currently pass them out by hand. Another change is to move the location or time of day that

checks are distributed. Receiving checks early on payday is perceived as an advantage over receiving the checks in the afternoon or at the end of the work shift.

Checks are designed to present a conservative image of dependability. What would happen if checks were printed on hot pink paper instead of the dependable conservative blue or gray? It would give them a less valuable feel, even though they have the same legal value.

A key to reducing the number of checks is to have an electronic pay option that will work for all employees, even those who do not have bank accounts or do not want to provide personal banking information. Fortunately this kind of option is now available through paycards.

The paycard option provides a check alternative to every employee. The introduction of paycards is the perfect time to make other changes with the check. The main reasons that employees wish to receive a check are perceived advantage or an emotional attachment. You can eliminate the perceived advantage by ensuring that paper pay is never earlier than pay delivered by direct

deposit or paycard. As for the emotional attachments, these can be reduced by changing payday traditions through the methods mentioned above.

ENCOURAGING CHANGE FROM THE START

If new employees are allowed to default to a company-issued check, it becomes much harder to convert them later. Modify the new hire or on-board process and collect the employee's pay distribution method as part of the process. Electronic pay options can be presented in a format that lists all of their advantages, while the check can be listed with all of its disadvantages. A preferred method of pay distribution can be indicated, but it should not be intimidating. ■

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