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Tools & Techniques for Staffing & Recruiting

supplier focus:
**Pay Cards &
 Payroll Services**



PayCards Boost Staffing's Service

By Julie Gordon

A partner in Skilled Services of South Florida, Keirin Shanahan estimates that about 60% of his construction staffing agency's employees don't have checking accounts. Many of them are immigrants who come from countries in which the government was corrupt and don't want to open a checking account because they no longer trust the government, even in the United States, explains Shanahan. Others can't open a checking account because they have poor credit. The high percentage of employees without a checking account – or “unbankables” – used to be problematic for Shanahan, but two years ago he found a solution: Pay cards.

Pay Cards Help Staffing Companies Improve Their Bottom Line

Staffing companies such as Skilled Services of South Florida are working with vendors to put their unbankable employees' weekly or bi-weekly pay on a card that looks just like a credit card and acts like a debit card. These pay cards, which are often backed by Visa and MasterCard, help staffing companies operate a leaner, more efficient operation, as well as improve the financial health of their workers.

There is a large market for pay cards, given that there are about 25 million Americans, or about 18% of total documented workforce without checking or bank accounts, according to Federal Reserve statistics.

The use of pay cards enables staffing companies to pay their temps quickly, because the process is done electronically. Staffing companies can also save money because they don't have to pay for paper checks. Additionally, they don't need to contend with as many people coming into the office on payday to pick up their paycheck.

Making Up Lost Revenue

Shanahan, who has been using pay cards since October 2004, estimates that he gained over a million dollars in lost revenue over the course of the first year of using pay cards, now that his construction workers no longer have to come in and pick up paper checks. His workers, who bill at an average rate of \$25 an hour, were leaving their jobs two hours early or more on Fridays to come in and pick up their checks, which translated into less billable hours. Shanahan says his clients were unhappy because their crew was leaving early. And not only were his employees less productive, but also they were losing money by not working, and wasting money on gas by having to make a special trip to the office and drive to the bank.

Skilled Services of South Florida went from being a \$10 million company at the end of 2004 to a \$15.5 million company at the end of 2005, and Shanahan estimates about \$1.3 million of that increase is just from changing the company's payroll process. Shanahan says his company was the first Skilled Services office to implement pay cards, and the other offices followed suit. Today, every Skilled Services office has a pay card program in place.

"I had to be the guinea pig to prove it could work, and it did," he says. "It's simplified our lives and made us more productive and profitable. It's allowed me to do more. I'm able to grow the business and put that [many] more people to work. It's allowed us to focus on what we do best, which is staffing. There was so much lost time to do the payroll process. Getting guys checks shouldn't be a whole day for us. It's like a lost day of productivity."

As of last winter, Skilled Services of South Florida had 500 temporary workers, and of those, 200 were using the pay card, says Shanahan. He's hoping even more than that will use the card this year. "You need to have options like this available for them so they can make a decision as to how they are going to get their money," he says.

Pay Cards Save Temp Workers Money

Temporary workers who don't have checking accounts



Skilled Services President Mark Curtiss hands a rapid! PayCard to field worker Sam Clues.

can save money by using pay cards, as they don't have to pay the check-cashing fee that banks charge people who don't have an account. Banks such as Bank of America typically charge customers without a bank account a check-cashing fee of \$5, which means a worker who is paid once a week and works all year is spending \$260 annually on check-cashing fees alone. Some banks also charge a percentage of the check, anywhere from 2.5% to 8%. So someone who has a paycheck of \$800 per week and goes to a bank with a 5% fee is spending \$40 each week or \$2,080 annually in check-cashing fees alone. In contrast, many pay card programs don't have a monthly fee or transaction fee. Some pay cards have a small monthly fee, and a minimal fee when you use it at certain places, but proponents argue that in most cases, pay cards are still cheaper than the check-cashing fees. There aren't any requirements that someone has to meet in order to obtain a pay card, and no one is ever denied one. Some pay cards are signature-based, while others are pin-based.

Pay cards are safer than carrying around a lot of cash, notes Brian Slowik, a partner in rapid! Financial Services, a St. Petersburg FL-based pay card vendor that offers the rapid! PayCard. If a pay card is lost, the money can be replaced, whereas if someone is carrying around cash and loses it, it's gone for good. Slowik says his cards have zero fraud liability. As long as a cardholder reports his or her card missing or stolen within 72 hours, he or she is only responsible for up to \$50 of any charges someone else has made.

Foreign-born workers can use pay cards to transfer money to family members in their native country, and it's cheaper than a traditional wire service, says Slowik. His company gives each person two cards, so they can send one of the cards to a family member in Mexico, for example. They can even transfer money without having a second card by calling customer service for a one-time transfer or a transfer every time they are paid, says Slowik.

Additionally, pay cards are better for the environment because they don't use any paper. While a large number of people who use pay cards are "unbankables," people who do have a checking account sometimes use the cards for convenience, or sometimes even to hide money from their spouse. Parents can also put a portion of their paycheck on a pay card as a reserve fund for their college- or high school-age children, says Slowik. As staffing firms are becoming increasingly interested in pay cards for all these reasons, the cards and their plans are themselves evolving. For example, when staffing agencies sign up for the Ethos Debit Card from Vancouver WA-based Affinity Card Systems, their temporary workers receive automatic discounts on prescription drugs, according to Russ Wright, Affinity's VP of sales. Also, for a small fee, temps can obtain a membership to a low-cost discount health network that offers discounts on vision and dental care, chiropractic work, legal services and pet care. Wright estimates that between 60% and 70% of his clients are staffing agencies. One of the benefits of the Ethos Debit Card is that it also offers fraud protection, according to Wright. Users receive text message alerts after every deposit, withdrawal and purchase that is made. "Every time the card is used, users get an e-mail saying it was used, what the amount of the transaction was and the balance in the account," says Wright. Users can also turn their card on and off at any time with a simple phone call. "You just hit one button and it's disabled or enabled," says Wright.

Interest in Pay Cards Starting to Take Off

Clay Chancey, CFO of pay card vendor Alpha Financial Solutions, says there are more than twice as many pay cards today than there were five years ago. He estimates that in five or 10 years there won't be a paycheck at all. Employees will only be paid by direct deposit or pay card, he predicts.

Slowik, who launched rapid! PayCard with Chris Ruppel, Darian Johnson and Steve Sembler in 2002, has watched business boom recently: More than 300,000 peo-



ple were paid on the rapid! PayCard at the end of 2005, twice as many as 150,000 at the end of 2004, he says.

The rapid! PayCard can be used at more than 30 million merchants worldwide that accept Visa and more than 900,000 ATM machines, according to the company's Web site. "It becomes a virtual bank account for the unbanked employee," says Slowik.

Slowik estimates at the end of 2005 that about 35% of his rapid! PayCard clients were staffing companies, and he expects that figure to continue to grow in the future. The rest of his clients are payroll companies and independent companies, he says.

Between January and October of 2005, the number of Corestaff employees using pay cards jumped from under 1% to 11%, according to operations manager Donny Frissell. He says Corestaff is making more of an effort than ever before to market the cards. For example, flyers are included in employee's paychecks. "There's been a real marketing effort around this initiative whereas we didn't have it before," he says. "Now it's part of our business culture. It's becoming more mainstream. People are more

familiar with it.” Corestaff hopes to have between 15% and 17% of temporary workers using pay cards by the end of this year.

Corestaff, which has had a pay card program for four years, switched its vendor in the spring of 2005 to New Jersey-based Automatic Data Processing. ADP does not charge employers to enroll in its pay card program, and employees can sign up for a pay card and make purchases on it without any kind of fees. The only time employees can potentially encounter a fee is if they go to withdraw money and don't use a designated ATM. Employees can also obtain the balance on their pay card, both online and over the phone.

Currently, about 62% of Corestaff temps are taking advantage of some form of electronic payment, and the eventual goal is to have the entire workforce using that method.

A Tremendous Asset After Katrina

George Corona, SVP and general manager for Kelly Services, says pay cards proved to be an effective way to get temporary workers paid after Katrina hit. “They didn't worry about where their pay was going to go,” he says. “They had their card with them and got paid.”

Kelly partners with Chase Bank on its pay card program, which has been in place for nearly two years. “It's convenient for employees because their pay is deposited, and they can use it anywhere Visa is accepted,” says Corona. “It's been a very popular method of payment for all employees. ... There is no prerequisite for the card other than you work for us.”

Temporary workers don't have to pay anything to be enrolled in the program, and temps don't accrue any fees when they use the card to make purchases. They get one free ATM withdrawal per pay period, and every withdrawal after that costs \$1.50. Or, for just \$2 a month, temps can make unlimited cash withdrawals.

Corona has seen a variety of employees take advantage of pay cards. Each month the number of employees enrolled has continued to grow, he observes.

Going Electronic

Randstad, which also partners with Chase Bank, has had a pay card program for nearly two years, and overall it's been successful, according to Temple Walling, director of treasury and risk management. “We wanted to provide a

These pay cards, which are often backed by Visa and MasterCard, help staffing companies operate a leaner, more efficient operation, as well as improve the financial health of their workers.

benefit, a convenience for our talent,” says Walling.

While the main reason Randstad decided to offer pay cards was to make life easier for many of its temporary workers, the company also has benefited: Randstad has saved a significant amount of money by not having to spend money on paper checks, and has also saved paper.

Before implementing pay cards, 67% of employee payments were made by check, and 33% were made electronically. But since then, there's been a dramatic shift, and now electronic payment is in and paper checks are on their way out: 82% of temps are now paid electronically, and of those, 27% are pay cards, says Walling.

“I'd like to see less checks and [even] more people going to electronic pay,” says Walling. “I'd like to see us eventually at 90-95% electronic pay in four to five years. It's a very aggressive goal. No matter how convenient electronic is, you'll be amazed, some people still want to get that piece of paper.”

Canadian Use Higher

Express' pay card program is more popular in Canada than in the United States, says Harvey Homsey, VP of franchise systems, mentioning that a large number of Canadian employees take advantage of the cards. “It's more of an accepted feature,” he says. “It's basically the way Canada works. Most people are on direct deposit in Canada.”

Express has 60,000 to 70,000 people on its payroll every

week, and of those, about 5% are paid on a pay card, says Homsey. "It is very successful for those people that want this type of service," he says. "It works well for those who want direct deposit quickly into their debit card."

Homsey did not wish to reveal the vendor Express partners with. There is a small fee – less than \$1 – when Express deposits the money into someone's pay card. Temp workers pay under \$4 to enroll for the card, and they also pay a \$2 monthly service fee. But they are not charged when they use the card to make a purchase – for example, at a grocery store. Temporary workers who use their pay card at the ATM are given four free withdrawals a month. After that they are charged a small fee.

AppleOne Launches Its New Pay Card Program in the Golden State

AppleOne launched a pay card program in the second half of 2005, and so far it has gone well, according to VP Gregg Hassler. He did not wish to reveal the vendor AppleOne is partnering with for proprietary reasons.

The plan is to roll the program out region-by-region, and state-by-state. "California will be first," says Christine Duque, public relations manager for AppleOne, in an e-mail. "Our MIS and accounting people are located in California, so it is easier for us to respond to any issues [that come up]." Duque expects all AppleOne offices to have the card by the second quarter of this year.

AppleOne incurs costs to participate in its pay card program: "It costs \$20 just to send the card out, and there are other transaction charges and account charges AppleOne must pay," says Duque. Employees are charged \$5 per month for the card, which has the AppleOne logo on it. The first cash withdrawal following any payload is free; after that, there is a small fee.

Modern Business Associates Doubles Its Pay Card Enrollment

Mark Lettelleir, chief executive of St. Petersburg FL-based Modern Business Associates, says his company has more than doubled the number of people in its rapid! PayCard program in the two years since its inception. MBA Business currently has about 1,000 employees in its rapid! PayCard program, more than twice as many as the 400 employees who were enrolled in the program when it was first launched two years ago, according to Lettelleir. Temporary workers right away get an activated permanent card.

The use of pay cards enables staffing companies to pay their temps quickly, because the process is done electronically. Staffing companies can also save money because they don't have to pay for paper checks.

Pay Cards a Good Option for Those with Daily Pay

Michael Bell, president/owner of Tampa FL-based Vital Associates Medical Staffing, has gotten pay cards for his employees through rapid! PayCard for a year and half. "It's definitely a benefit to the employees, and the employers see it as a benefit to employees," he says.

Bell, who had employees requesting daily pay, was processing checks on a daily basis, which was not only a waste of paper but also time-consuming and inefficient, he says. "Having 70 people come into the office to pick up [their] check, it was like Grand Central Station." Now Bell can pay people electronically with the click of a mouse.

"It's a great product because it allows me to [more efficiently] implement daily pay options," says Bell. "Believe it or not, even healthcare professionals like the option of being paid on a daily basis, especially if they're working per diem. The best part is they can get paid daily. They can be paid right away. The money is there when they need it. It attracts personnel who normally wouldn't want to work per diem. It takes seconds to get on their card."

Pay cards are faster than direct deposit, which takes two to three days to go through, depending on the institutions. "Within minutes of faxing their time sheet in, the money is in their account," he says. Plus, there isn't any float time with pay cards, which occurs with traditional paper checks.

Vital's workers get their card with their name on it within 7 to 10 days after signing up for it. They pay a minimal fee when they use the card at certain places. The program

has been successful. Bell says he doesn't plan to make any changes to it in 2006.

Not Everyone Has Had Success with Pay Cards

Still, pay cards haven't been all roses for everyone. Select Personnel began using pay cards about two years ago for about 3,000 to 4,000 employees, but there was resistance to the program due to poor customer service from the vendor and the burden of maintaining the program at the customer level, and now the program is being phased out, according to marketing manager Lori Weathers. Currently, less than 1% of Select's employees receive pay cards. "We have an ethical issue with charging temps to withdraw against their checks more than once," says Weathers. "The first transaction is free, but any subsequent transactions are charged fees. We feel this causes an unfair drain on our temps' monetary resources."

Only about 2% of Pridestaff's 10,000 employees are enrolled in the company's pay card program, which partners with Illinois-based Skylight as a vendor, according to Jane Blocker, COO and EVP. But despite the program's low enrollment, she doesn't plan to cancel it. "I think it's a worthwhile benefit to offer," she says, noting that her goal is to make the program more well known, and have people understand it better.

About 10% of nextSource Employees Are Paid by Pay Card

New York-based nextSource – a subsidiary of Formula Systems LTD and a human resource solutions provider – has had a pay card program in place about a year and a half, according to Fern Swiss, CFO. She estimates about 10% of her company's workers are paid on a pay card. Most of the

workers who use pay cards are temps, but it's offered as an option to regular employees as well.

When employees first start working with the company, nextSource, which partners with Total Pay, presents pay cards as a pay option. Workers get their card in the mail about 10 days after signing up for it. While they're waiting for it, they continue with a regular check.

Total Pay gives employees an option of three banks from which to choose: Allpoint, National City and US Bank. US Bank gives two free ATM withdrawals, and Allpoint and National City give one. After that, workers are charged a minimal fee. They can check their balance online for free.

Other Variations

Getting a pay card system in place is a goal for North Carolina-headquartered Graham Associates Employment Consultants Inc. during the first half of 2006, according to VP Gary Graham. About half of the company's business is light industrial, and Graham estimates that 25% of his light industrial workers don't have a checking account. Graham Associates has new software that will be able to accommodate the pay cards. By having pay cards he won't have as many staff doing payroll, so it will translate into a savings, a much leaner operation, says Graham.

Many staffing companies have found pay cards to be an effective way to pay their temporary workers. Not only are they fast and efficient, but also they usually translate into a cost savings for temporary workers who don't have a checking account and have been throwing money away on check-cashing fees. Pay cards weren't so popular when they first came on the scene about five years ago, but today staffing companies are starting to take advantage of this electronic form of payment and many have found it to be a win-win situation. **SI**





TO CONTACT US
 By phone: (727) 828-3333
 or (888) 828-2270
 By fax: (727) 828-4444
 www.rapidpaycard.com

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MARCH, 2005 ■ ST. PETERSBURG, FL

The rapid! PAYCARD and Skilled Services Corporation... A Successful Partnership

■ "Implementing the rapid! PAYCARD has truly been a win-win proposition for our company and our employees"

ST. PETERSBURG -- According to Chicago Region Federal Reserve Testimony, approximately 25 million American workers (nearly 17 percent of the nation's workforce) do not have something that most of us consider as necessary as a car or a telephone---a bank account.

Like many employers with a high percentage of unbanked employees, Keirin Shanahan of Skilled Services Corporation, a Florida-based construction staffing organization, has seen first hand how this issue can directly affect his company's bottom

line, as well as the financial health of many of his employees.

"Simply put, payday has the potential of becoming an operational nightmare when you're dealing with a dispersed--and significantly unbanked--workforce like ours", said Shanahan. "Understandably, our employees want and need their paychecks on payday, and just can't wait for it to arrive in the mail. Therefore, a high percentage of our employees have chosen to drive to one of our offices on Friday afternoon to pick up their check. This has led to

literally hundreds of thousands of dollars in lost billable time for us, not to mention lost wages for our employees".

Skilled Services recently implemented the rapid! PayCard as an alternative to paper checks for its 350 employees, and the results have been dramatic. Shanahan estimates that his 350 employees, who bill out at an average of \$25 hourly, have typically spent 2 hours per week driving to pick up their check and go to the bank, resulting in \$7,500 of lost billable time per week, or \$910,000 annually. According to Shanahan, the rapid! PayCard has already helped them recoup much of this potential lost revenue.

rapid! PayCard Employee Check Cashing Savings
 Paychecks In A Year 52
 Check Amount \$350.00

Check Cashing Fees		Potential Savings
A fee of \$5 equals a yearly cost of: \$260.00	VS. The rapid! PayCard Typical Yearly Cost: \$125.40	= \$134.60
A fee of 3% equals a yearly cost of: \$546.00	VS. The rapid! PayCard Typical Yearly Cost: \$125.40	= \$420.60

"Implementing the rapid! PayCard has truly been a win-win proposition for our company and our employees", said Shanahan. "Logistically, I'm excited about how the rapid! PayCard will simplify the payroll process for our office staff. But more importantly, the financial results speak for themselves, as we see a real opportunity to gain close to \$1 million in revenue in our first year using the product".

The rapid! PayCard also provides tangible financial and budgeting benefits to employees. Many unbanked workers



The rapid! PayCard is YOUR virtual bank account that you can use today and with all of your future employers.

believe that "fringe", non-bank outlets, such as check cashing stores, are their only option come pay day. In reality, this is a costly option, especially for lower income workers. According to the National Endowment for Financial Education, check-cashing outlets typically charge fees that range from 2.5 percent to 8 percent of the total amount cashed. Using the example of a 5 percent fee on a \$500 weekly check, an employee would pay \$1300 in fees annually, money that could have been put in to a savings account or used to pay their rent. The rapid! PayCard eliminates check cashing fees and exposes employees to many of the benefits associated with a bank account...in many cases, for the first time.

"We developed the rapid! PayCard to fill what we perceived to be a real void in the marketplace", said Chris Ruppel, President of rapid! PayCard.

"Unbanked and foreign born employees represent an important segment of our economy, and our primary goal is to give employers the tools to enhance their relationships with them".



The Smartest Way to Handle Money™