

## **It's Time to Modernize Alaska Wage Payment Laws**

Over the past decade, advancements in technology have improved how employees can be paid and provided wage statements (pay stubs) in a more timely, efficient, and secure manner. Electronic pay helps employers meet their wage payment obligations. Too often, employees who receive paper checks can't get paid on payday if there is a snowstorm or other issue preventing travel to the workplace or to banks. Electronic wage statements are also available for secure access at any time, eliminating that frantic search for paper pay stubs when needed.

However, Alaska law *requires* employers to offer paper paychecks, which are less secure and less convenient than the electronic alternatives. Workers without bank accounts often rely on costly check-cashing stores, and once cashed, the employee is holding their entire paycheck in cash, which can be lost or stolen.

Nervousness about modernizing longstanding wage payment laws is understandable. When direct deposit was first offered in the 1980s, state legislatures debated the issue for years. Today, it is hard to fathom how anyone could object to direct deposit. According to the American Payroll Association, more than 93 percent of U.S. workers currently receive their pay by direct deposit.

### **With Direct Deposit and Payroll Cards, All Employees Can be Paid Electronically**

Payroll cards offer better protections for employees than paper paychecks, and even employees who don't qualify for a bank account can get a payroll card from their employer. Payroll cards are reloadable prepaid debit cards that comply with all wage and hour laws. Unlike cashed checks, payroll cards afford protections for loss or theft, so if a card is used without authorization the employee is protected. Employees can use payroll cards anywhere they might use a check, without ever incurring fees. Employees can easily get their entire pay in cash with no cost by using in-network ATMs, or by presenting their card to any VISA or Mastercard member bank (which is virtually all banks), or via cash-back at retail stores. Payroll cards enable employees to participate in the digital economy, such as making travel reservations and online shopping.

People are accustomed to being paid electronically. Virtually all government benefits are paid electronically (e.g., unemployment benefits, Social Security, nutrition assistance, disability, among others). Government employees and contractors are generally paid electronically. European workers haven't seen a paper paycheck in decades. *Only U.S. private sector employers remain burdened with the requirement to offer paper paychecks* due to outdated state laws written in the 1940s. Recipients have immediate access to funds without waiting for checks to arrive and for check clearance, and without incurring check-cashing fees.

Most employees already access their employment information electronically, such as pay stubs, annual tax forms (Form W-2) and benefits information. Every modern payroll system features easy and secure access for employees, including former employees, to obtain statements and information covering the past several years.

## **Environmental Impact**

Electronic pay avoids the need to print and deliver paper paychecks, and travel for employees to obtain and cash their check. Eliminating physical delivery would reduce carbon emissions, fuel, traffic and time associated with delivery.

## **Modernize Wage Payment Laws to Allow True Digital Choice**

At least 32 states already allow employers to offer electronic wage payments, with no requirement to also offer paper paychecks. In those states there has been no public outcry that employees are negatively impacted. Employers that wish to offer paper checks would still be free to do so.

Alaska lawmakers should modernize wage payment laws to help the environment and improve financial security for workers.

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