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What Is a Pay Card?



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Payroll cards, also called pay cards, are a popular way to pay employees. They function like reloadable debit cards and offer several advantages for employers, too, such as cutting administrative costs and providing timely access to wages. Here's what to know about using pay cards at your organization.

If you're looking for a way to improve the lives of your employees and reduce turnover, the solution may be found in your payroll department.

There is a growing trend — and growing demand — for employees to receive their wages through payroll cards, also called pay cards. Here's what a pay card is, how it works and how to decide if it makes sense for your business.

What is a pay card?

A pay card is a type of prepaid debit card for your employees. On payday, your organization deposits an employee's wages on their card. The employee can then use the card to make cash withdrawals from ATMs and to make purchases in-store and online. It functions just like a debit card from a bank. Depending on the program, employees also may be able to use their pay card for paying bills and shopping online.

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If you offer payroll cards, they should simply be an option for employees, not a requirement. You generally must have at least one other way to provide wages, either through direct deposit or a paper check.

What problems do pay cards solve?

Pay cards provide employees with an alternative way to collect their wages in addition to paper checks and direct deposit. While direct deposit is common and convenient for workers with bank accounts, almost 6 million Americans were unbanked as of 2021, [according to the FDIC](#). For [workers without a checking account](#), direct deposit is not an option. To collect their wages, they may need to get a paper check and then use a check-cashing service. It takes them longer to get paid, plus they can lose money on fees. While they're waiting on the payment, they can miss deadlines for their rent or mortgage, utilities, insurance or other bills, leading to more fees and penalties.

Additionally, millions of other Americans are underbanked, which means that although they have a bank account, they primarily rely on alternative financing services, opting for cash, money orders and check-cashing services. For this reason, employees may opt for paper checks to avoid the delays or fees involved with a bank account.

Paper checks aren't just inconvenient for employees. They can be [more expensive for organizations](#) due to the cost of checks as well as the time for an employee to prepare and send them. Payroll cards can offer an efficient and cost-effective solution for both sides: Employers can avoid the hassle of distributing paper checks, and employees have an [alternative to depositing a check in a bank account](#).

What other benefits do pay cards offer?

In addition to reducing costs tied to paper checks, payroll cards offer other conveniences to employees.

- **Fast, flexible payment options.** The shift to digital finances is well underway and pay cards can [empower employees with options](#) about how they receive their wages. They can expect payment to be automatic and instantly usable. Plus, it opens the door for your workforce to request [early access to their earned pay](#) based on their hours worked.

- **Modern money management.** The pay card system provides each employee with an account where they can check their balances and transfer money. Pay cards can be usually added to digital mobile wallets, allowing employees to easily manage their accounts and [make mobile payments](#).
- **Improved financial wellness.** With fast and easy access to their earned wages and an account that can't be overdrawn like a bank deposit account, a pay card system can give your employees a greater sense of financial well-being. It can make tracking income and creating a budget simple.

What types of employees prefer pay cards?

While payroll cards can be convenient for any type of employee, certain key demographics may especially appreciate having this option.

Gen Z and millennial workers are leading the pay card charge. This is largely because younger workers are more likely to be unbanked or underbanked. In fact, [43% of Gen Z and 20% of millennials](#) reported paying \$5 to cash a paper check, versus just 9% of baby boomers. In addition, younger workers are used to digital technology. Gen Z is the first group that grew up using smartphones and pay cards to give them a mobile payment option that fits their preferences and lifestyle.

Payroll cards can also benefit minority employees, who are more likely to face issues with the traditional banking system. Approximately 14% of Black individuals and 11% of Hispanic individuals are unbanked versus just 4% of white individuals, according to [the Federal Reserve](#). By offering pay cards as an option for these workers, you can help them avoid fees and other issues related to being unbanked.

[Learn how pay cards can help you recruit talent and save money.](#)

What organizations could benefit from offering pay cards?

Pay cards can generally be a valuable addition to most payroll programs, but they can have a significant impact in particular situations. Start by considering the demographics of your workforce. If you think many of your employees are likely to be unbanked or underbanked or if they skew younger or lower income, they may enjoy the option of pay cards.

Another factor to weigh is if your business has staggered scheduling, such as in the retail, restaurant, medical and other service-based industries, or if you coordinate gig or remote work. Certain workers may not be in on payday to collect a check and may appreciate the convenience of an automatically loading payroll card.

Also, organizations that are naturally tech-friendly — or quickly became so in response to the global health crisis — may want to show they're [current in offering payment trends](#) that are attractive as well as inclusive. "Employers who want to gain an advantage in attracting and retaining talent have implemented payment solutions like feature-rich pay cards," says Ankit Jhunjunwala, director of product marketing for payment products at ADP. "These solutions offer meaningful financial wellness tools that can positively affect their employees. What's more, employees today are demanding such tools."

Demand for alternate payments is evolving

The global health crisis of the early 2020s escalated the need for more digital payroll solutions. With many employees working at home at that time, it became even more complicated for HR, payroll and finance leaders to

prepare and properly deliver paper checks.

At the same time, people have also shifted away from spending physical cash. According to PaymentsSource's [Future of Money](#) 2020 report, workers who make less than \$25,000 in particular moved from using cash to using debit cards as their primary payment method. This may be because stores are increasingly enacting policies of accepting card payments only.

Modern payroll cards are a solution to each of these developments. Employers can still pay employees who don't use direct deposit efficiently and on time, and employees can use their pay cards directly for debit-based payments. It's clear that the demand for more flexible payment options has been growing steadily and will likely continue to do so.

Move toward paperless pay with flexible, cost-effective payments that help financially empower your employees. [Learn about pay card options from ADP.](#)

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