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## Paying Employees by Paycard with JD Edwards EnterpriseOne Payroll

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## Introduction

Employers have long recognized the benefits of distributing employee payroll payments through electronic direct deposit. Depositing pay electronically directly to an employee's financial institution reduces printing and mailing cost, increases efficiency, and eliminates check fraud risks. Given these significant benefits, many organizations strive to achieve 100% direct deposit of payroll payments.

Employees also benefit from receiving their pay electronically. Employees can more quickly access their pay since funds are generally available at the open of business on payday. Direct deposit eliminates the time and effort of having to deposit or cash a paper check. Direct deposit also eliminates the risk and inconvenience of a lost or stolen check.

Employers however may find that direct deposit is not possible for some employees or a chosen preference by other employees. Some employees may be unbanked—employees without a traditional checking or savings account. Other employees may not want to provide bank account information to their employer or may prefer to receive a paper check.


So, for employers continuing to look for ways to improve payroll delivery and reduce costs, how else can an employer increase employee participation in electronic deposit? Payroll paycards provide an easy, secure alternative for paying employees electronically as an alternative to traditional direct deposit and can be offered to all employees whether they are unbanked or not.

A paycard is a specialized bank debit card that is funded through standard ACH transmission. Paycards provide employees with a safe, convenient, and reliable option for receiving their pay. Paycard providers may also offer additional services and benefits such as mobile access and notifications that enhance the cardholder experience and ability to manage their finances. For employers, paycards provide a simple, low-cost or no-cost alternative that can bring true savings to the company, improve payroll delivery, and at the same time increase employee satisfaction.

## Paycard Trends

Based on factors such as industry and workforce demographics, many employers have recognized the demand for and benefits of offering a paycard option. Certain types of jobs or jobs in certain industries such as construction, food service, hospitality, and staffing may have a higher percentage of workers who are unbanked. Part-time, seasonal, or remote workers may also be less likely to have a traditional bank account or to sign up for direct deposit. For these types of workers, receiving pay on a paycard can be an attractive alternative to a paper check.

As technology continues to develop and as consumer behaviors and attitudes evolve, employers may also see workers trend toward non-traditional banking methods. Past technology advancements such as the internet,



automated teller machines (ATMs), and mobile options already allow consumers to conduct banking without entering the traditional brick-and-mortar branch. It may be of no surprise that younger generations such as Millennials and Post-Millennials who have grown up amidst continually evolving technology innovations are leading the way toward conducting personal business, including banking, through non-traditional means.

Considering the benefits of paycards along with emerging consumer trends in banking, the option of direct deposit to a paycard is an attractive alternative to employers and employees alike.

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*“But in reality, tens of millions of people operate without checking accounts and this trend is becoming more commonplace with younger people for a variety of reasons. In fact, the study found that roughly 5 million Millennials in the US do not have a checking account.”*

*A New look at Employees and Pay in America*  
Global Cash Card and the Center for Generational Kinetics  
February 2016

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## About Paycards

Paycards are a form of prepaid, reloadable debit card but with no bank account tied to the card. When an employer offers a paycard payment option, employees who choose the paycard option can have their pay deposited to the card rather than depositing to a bank account or receiving a paper check.

### How do Paycards Work?

Paycards work like bank debit cards; they carry a balance that is immediately reduced when a purchase or payment is made. Paycards can be set up so that they cannot be overdrawn. When the paycard balance is not sufficient for a purchase, the transaction is declined.


Many paycards process through the Visa or MasterCard financial network and are branded as such. Use of the Visa or MasterCard network guarantees wide acceptance of the paycard with service providers or at point-of-sale and ATMs both in-country and abroad.

Paycard vendors make the bulk of their revenue from the transaction fees paid by a service provider or the seller at a point of sale. Paycards may also carry a variety of fees that may be charged to the cardholder. These fees might include ATM withdrawal fees, point-of-sale declines, inactivity fees, transfer fees, paper statement fees, and card replacement fees.

### Advantages of Paycards

Paycards are useful for securely and electronically paying employees who do not wish to have or cannot have a regular bank account or who simply do not want to share their financial information with their employer. For the employee, electronic deposit to a paycard provides a simple, secure, and convenient payment alternative to a paper check. The employee may also benefit from the enforced discipline of a debit card, if it is set up so that it cannot be overdrawn. The employee may also benefit from other card provider services such as free 24/7 online services, lost card support, and online statements to easily track spending.

Some states require that employees receive their pay without fees; therefore, paycard vendors generally have a fee structure that helps employees avoid most or all fees with normal use. Providers may also offer free training to



educate employees about card use and fee avoidance. In addition, many card providers offer additional services and incentives such as mobile access, notifications, and perks and discounts.

### Disadvantages of Paycards

Employees who are not careful could incur many fees or deplete funds before the next payday. Another possible problem is a lost or stolen card, which may leave the employee without the means to make purchases until the card is replaced. Most card providers though attest to expedient customer service and rapid card replacement services.

### Employer Cost Savings

Since paycard costs are charged to vendors or employees, the employer providing the paycard option enjoys a net savings over producing paper checks. In terms of cost to the employer, a paycard is very similar to the very low costs of setting up an electronic deposit to an employee checking or savings account. The employer also gets to offer an additional benefit to employees and another choice to employees for how they are paid.

## Working with Paycard Providers

### Who Provides Paycards?

Various vendors offer paycards. Your financial institution may offer a paycard; the paycard may be through a partnership with Visa or MasterCard and be branded as such. Third-party providers who specialize in paycards offer their own paycard. The number of specialized providers is increasing due to the popularity of paycards amongst consumers. These companies are dedicated to working with employers to reduce or eliminate paper checks; they often focus on unbanked and underbanked employees. Paycard providers may differ in several ways including level of service, customizations offered, fee structures, financial networks (such as Visa or MasterCard), web portal capabilities, and so on.

Paycard Providers follow state-specific employment laws for paycards to help employers maintain compliance. Some may have full-time compliance attorneys on staff. It is important to fully evaluate prospective paycard providers before choosing one. The American Payroll Association (APA) website Buyer's Guides page includes a Payroll Card Program Buyer's Guide with a list of providers and features they support and is a handy reference for getting started.

### How Providers Work with Employers

Employers may offer enrollment kits containing debit cards from the chosen provider to facilitate employee participation. The provider also supplies their routing number to the employer. When an employee chooses to be paid by paycard, the employee is enrolled by the employer through the provider's web portal or other method. Enrollment information includes the employee's name, SSN or government ID, birth date, and the paycard number if provided by the employer.

Employers and providers work together to ensure accurate and timely pay. Payment information is transmitted during payroll processing. The standard ACH file format and process is leveraged to process electronic payments to paycards. Optionally, a proprietary format may be needed depending on the service provider. Once received, all payroll funds are dispersed to the employee debit cards. This results in the elimination of escheatable reporting requirements. There may be data transmitted back to the employer but this, as with many features, varies by provider.

## How Providers Work with Employees

The most important aspect of using a paycard is likely the associated fee structure. Some providers include training on how to use the card in such a way that fees are substantially reduced or completely eliminated. It is also important to clearly understand the process, timing, and cost of obtaining a replacement card for a lost or stolen card. The card user will need to be familiar with the underlying financial network (such as Visa or MasterCard) and related services and fee structures.

Gamification (retail and online) and reward points may be important to employees who opt for paycards. Web capabilities may include access to card balance and activity such as deposits, withdrawals, and expenditures. With a standard setup, a card user would not be able to exceed their balance and therefore would not incur overdraft feeds. A provider may offer an overdraft option however and charge the card user a fee for this service.

## Setting Up Paycards in JD Edwards

JD Edwards supports the ability to process electronic deposits to paycards through auto deposit setup and payroll payment processing. When you choose a paycard provider, the provider supplies their transit routing number. When an employee requests a paycard and they are enrolled with the provider, the provider (or the employer, if they have received enrollment packets from the provider) assigns the employee a card account number. The employer or the provider provides the paycard to the employee.

### Setting up Auto Deposit Instructions

Once an employee is enrolled with the provider, you can add the card and provider routing information to the employee's auto deposit instructions.

Pay Start Date	Pay Stop Date	Bank Account	Bank/Gateway Operator Trnst No.	M	C	Tr Cd	Amount or Percent	F	P	Ded Per 1	Ded Per 2	Ded Per 3	Ded Per 4	Ded Per 5	Ded Per 6	SEC	IAT Destination Country Code
		35229900483335	344568771	R		22		F	Y	Y	Y	Y	Y	Y	Y	PPD	

Figure 1. In Automatic Bank Deposit Instructions (P055011), add an instruction for the employee and the distribution to the paycard. This example includes a single instruction with Method Code = R (Remainder of Net Pay) to deposit all pay to the paycard.

In Automatic Bank Deposit Instructions (P055011), add an instruction for a distribution to a paycard, including:

- » **Pre-Note Flag.** To ensure that the employee has received their paycard before electronic deposit begins, you may choose to process the first payment as a prenote and issue a check for that payment. To process the first payment as a check, set the Pre-Note Flag to P.
- » **Bank Account.** Enter the paycard account number provided by the paycard provider.
- » **Bank/Gateway Operator Trnst No.** Enter the transit number provided by the paycard provider.
- » **Method Code.** Enter the desired method code. Applicable codes include \$, %, and R.

To ensure that an employee does not receive payroll wages on a paycard before they receive the paycard, you may choose to process the first payment as a prenote and issue a check for that payment. To process the first payment as a pre-note and produce a check, set the Pre-Note Flag to P.

Work with your paycard provider on the process and timing for enrolling employees and delivering paycards.

### Generating Auto Deposit Payments to Paycards

After you have created the auto deposit instructions for an employee's paycard, you process payroll and create payments as usual. When you select payroll payments and submit Print Payments, select Auto Deposit Advice and Auto Deposit Bank File as you normally would to create auto deposit advice slips and the bank file.

If an employee's auto deposit instruction is in prenote status, the employee will receive a check for the next payment and will be included in the bank transmittal file with the appropriate prenote transaction code. After payroll completes, the employee is no longer in a pre-note status and will receive their wages electronically on their paycard.

### Implementing Paycards: A Sample Process Overview

The following diagram illustrates a sample process flow when implementing a paycard option with JD Edwards EnterpriseOne Payroll. The diagrams illustrate the possible touchpoints between the paycard provider, the HR or payroll manager, and the employee.

- » Once you have selected a paycard provider, the provider may provide enrollment packets with paycards to the HR or payroll manager.
- » An employee who wants to enroll for a paycard contacts the HR or payroll manager to request enrollment.

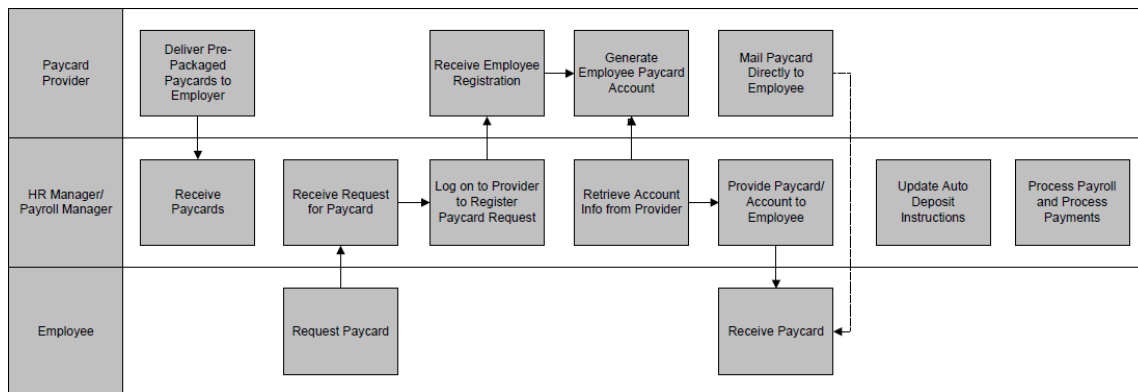



Figure 2. The provider may provide the employer with a bundle of paycards. The employee contacts the HR or payroll manager to request enrollment for a paycard.

- » When the manager receives a request for a paycard from an employee, the manager registers the request with the paycard provider. The employer logs on to the provider's website to enter the employee's enrollment information or the employee may send a list of employees to the provider. The provider requires information about the employee such as their name, address, birth date, and Social Security Number.
- » When a registration request is received, the provider enrolls the employee for a paycard account. The provider may mail the physical paycard directly to the employee.

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- » The manager retrieves the paycard account information from the provider. The employer provides the paycard account information to the employee and may also provide the physical paycard to the employee.
  - » The manager updates the employee's Auto Deposit Instructions with the information needed to direct deposit payroll payments to the paycard. The new instructions may be set to prenote to ensure that the employee has the paycard before any funds are deposited.
- Once the employee is in a non-prenote status, their payroll payments will be electronically deposited to their paycard.

## Conclusion

The time and cost to print, sort, and deliver paper paychecks can be significant for employers. Payroll resources can be burdened with a series of tasks to produce and distribute paper paychecks, consuming time that could be spent in other areas. In addition, check fraud and lost or stolen checks place additional demands on payroll personnel when these situations occur.

Payroll Paycards allow employers to expand participation in electronic deposit and can eliminate an employer's need to produce paper paychecks. JD Edwards EnterpriseOne Payroll seamlessly supports electronic deposit to paycards through standard payroll functionality. Through expanded participation in electronic deposit, employers can gain significant savings in resources, time, and cost. Employers may also find that with trends in technology and banking, as well as evolving consumer trends, offering a paycard solution not only brings significant benefits to the employer but is also a valuable benefit for employees.






**Oracle Corporation, World Headquarters**

500 Oracle Parkway  
Redwood Shores, CA 94065, USA

**Worldwide Inquiries**

Phone: +1.650.506.7000  
Fax: +1.650.506.7200

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