



City of Chicago



R2013-690

Office of the City Clerk

Document Tracking Sheet

Meeting Date: 7/24/2013

Sponsor(s): Burke, Edward M. (14)
Burns, William D. (4)

Type: Resolution

Title: Call for hearing(s) on use of payroll cards by Chicago employers

Committee(s) Assignment: Committee on Finance

RESOLUTION

WHEREAS, on July 2, 2013, several publications reported that the New York Attorney General had commenced an inquiry into the use of payroll cards to pay New York employees; and

WHEREAS, the reported investigation follows the filing of a putative class action by a former McDonald's franchise employee against the franchise and its owners in Pennsylvania state court for violating the Pennsylvania Wage Payment and Collection Act (WPCA); and

WHEREAS, the lawsuit alleges that the franchise refused to pay wage compensation, as provided by law, when it paid workers their wages via a JP Morgan Chase Payroll Card, which required the payment of fees in order to access their wages, and without the option of being paid in cash or by bank check; and

WHEREAS, according to a report in the *New York Times*, in the overwhelming majority of cases, using a payroll card involves a fee: one provider, for example, charges \$1.75 to make a withdrawal from most A.T.M.'s, \$2.95 for a paper statement, and \$6 to replace a card; and

WHEREAS, according to the report, some users even have to pay \$7 in inactivity fees for not using their cards; and

WHEREAS, the Federal Reserve has banned inactivity fees for credit and debit cards, but no protections exist on payroll cards; and

WHEREAS, paying wages to employees using payroll cards is an increasingly attractive option for many employers seeking to ease the administrative burdens related to check payments; and

WHEREAS, some companies reportedly no longer offer common payroll options such as ordinary checks or direct deposit; and

WHEREAS, according to consumer advocates, at companies where there is a choice, it is often more in theory than in practice since employees are often automatically enrolled in the payroll card programs and confronted with a pile of confusing paperwork if they choose to opt out; and

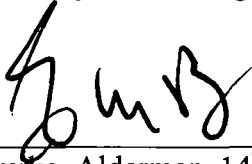
WHEREAS, payroll cards are particularly popular with retailers and restaurants and are gaining momentum; and

WHEREAS, according to industry estimates, \$34 billion was loaded onto 4.6 million active payroll cards in 2012 and \$68.9 billion is expected to be loaded onto 10.8 million cards by 2017; and

WHEREAS, according to estimates from the Federal Deposit Insurance Corporation, approximately 10 million households in the United States do not have a bank account; and

WHEREAS, the corporate authorities of the City of Chicago intend to provide employees in the city with a full disclosure of all fees associated with payroll cards and the option to avoid such fees; now therefore

BE IT RESOLVED, that Chicago employers using payroll cards and financial institutions that issue payroll cards and are hereby invited appear before the Committee on Finance to testify at a hearing regarding the use of payroll cards.



Edward M. Burke, Alderman, 14th Ward

