



PYMNTS

The Clearing House

January 2023

The Rise of Instant Payroll Payments in 2023

Real-Time Payments Tracker® Series

■ Read the previous edition



Real-Time Payments Tracker®

- Employees Cite Financial Worries as Top Concern **P. 04**
- Real-Time Payroll Could Help Relieve Workers' Financial Stress **P. 10**
- Workplaces Offer Instant Payroll in Limited Capacity **P. 16**
- EU's Instant Payment Mandate Faces Uncertain Future **P. 34**

What's Inside

04 Lack of Timely Payroll Leads to Massive Financial Struggles

Just 10% of American workers would have no difficulty meeting financial obligations if their next paycheck were delayed by a week, with 40% saying it would be very difficult.

10 Real-Time Payments Help Hospital Workers Ease Financial Stress

Trinity Health recently announced it would offer daily payment to employees, an option only feasible via real-time payments.

16 Workplaces Begin to Offer Instant Payroll in Limited Capacities

Seven out of 10 middle-market companies are offering instant payroll to some employees, and another 24% are planning to implement it in the near future.

22 Employees Leverage Variety of Channels for Earned Wage Access

More than 57% of EWA users receive their pay through an employer-offered program, followed by 26% that receive it through a payments app.

24 An Insider on Improving Employee Satisfaction via Instant Payroll

Karen Hess, vice president of human resources at Oglebay, explains how instant payroll has significantly improved the quality of life for the resort's employees.

28 Real-Time Payroll Poised to Enter the Mainstream

ADP, Atomic and Everest Group are all taking steps to make instant payroll a reality for employees.

34 EU's Instant Payment Mandate Faces Uncertain Future

The EU recently introduced a proposal forcing banks to provide 24/7 free instant payments, but banks have raised concerns about the high cost of doing so.

36 About

Information on PYMNTS and The Clearing House

PYMNTS



Acknowledgment

Real-Time Payments Tracker® Series is produced in collaboration with The Clearing House, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

Need to Know

Lack of Timely Payroll Leads to Massive Financial Struggles

Sixty-three percent of Americans were [living](#) paycheck to paycheck as of November 2022, up from 60% the month prior, according to a recent report. Low wages do not entirely explain this growth, as 47% of those earning more than six figures per year also reported living paycheck to paycheck, up from 43% in October.

The inability to save can have massive downstream effects, as any unexpected expense that may arise could potentially result in financial ruin. Households might be able to pay these surprise bills, but not immediately, forcing them to entertain risky options such as paycheck loans, bank overdrafts or exceeding their credit limits to make ends meet.

A growing number of American families [live](#) paycheck to paycheck due in part to slow legacy payroll processes.



63%

Share of Americans living paycheck to paycheck



47%

Portion of Americans with six-figure salaries who live paycheck to paycheck

Need to Know

Workers can experience massive difficulties if their paychecks are delayed by just a week.

Living paycheck to paycheck means that unexpected expenses can devastate families financially, but so can any delay in payroll. One [survey](#) found that just 11% of workers would face no difficulties if their next paycheck were delayed by a week, with the largest individual response saying it would be very difficult to do so, at 40%.

Payroll delays can occur from any number of complications far outside the employee's control, such as accounts payable staff turnover, delayed vendor payments or simple errors in payroll software. Even massive, well-established companies such as [Twitter](#) are not immune. Companies looking to ensure their employees' financial well-being would therefore benefit from a shift to instant payroll systems.

Employees report varying levels of difficulty if their paychecks are delayed.



72%

Share of employees who say a delayed paycheck would be very or somewhat difficult



11%

Portion of employees who would not face difficulties if payroll was delayed

Need to Know

Access to real-time payroll could go a long way toward relieving financial stress.

A system called earned wage access (EWA) offers employees daily pay for their work rather than the traditional biweekly or bimonthly pay period, ensuring that workers' pay is available immediately rather than forcing them to wait. This system is available through several existing payments rails, including The Clearing House's RTP® network.

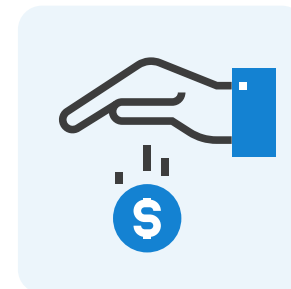
This system is still largely unknown to workers, with just 21% [saying](#) they would be interested in it. The current status quo that involves payday loans and negative feedback loops of financial distress due to late payments is untenable, however. Implementing daily pay could improve the conditions of hundreds of millions of workers across the country.

Workers are still largely unaware of the benefits of real-time payroll.



21%

Portion of workers that are interested in EWA



53%

Share of employees that are not interested in EWA



7%

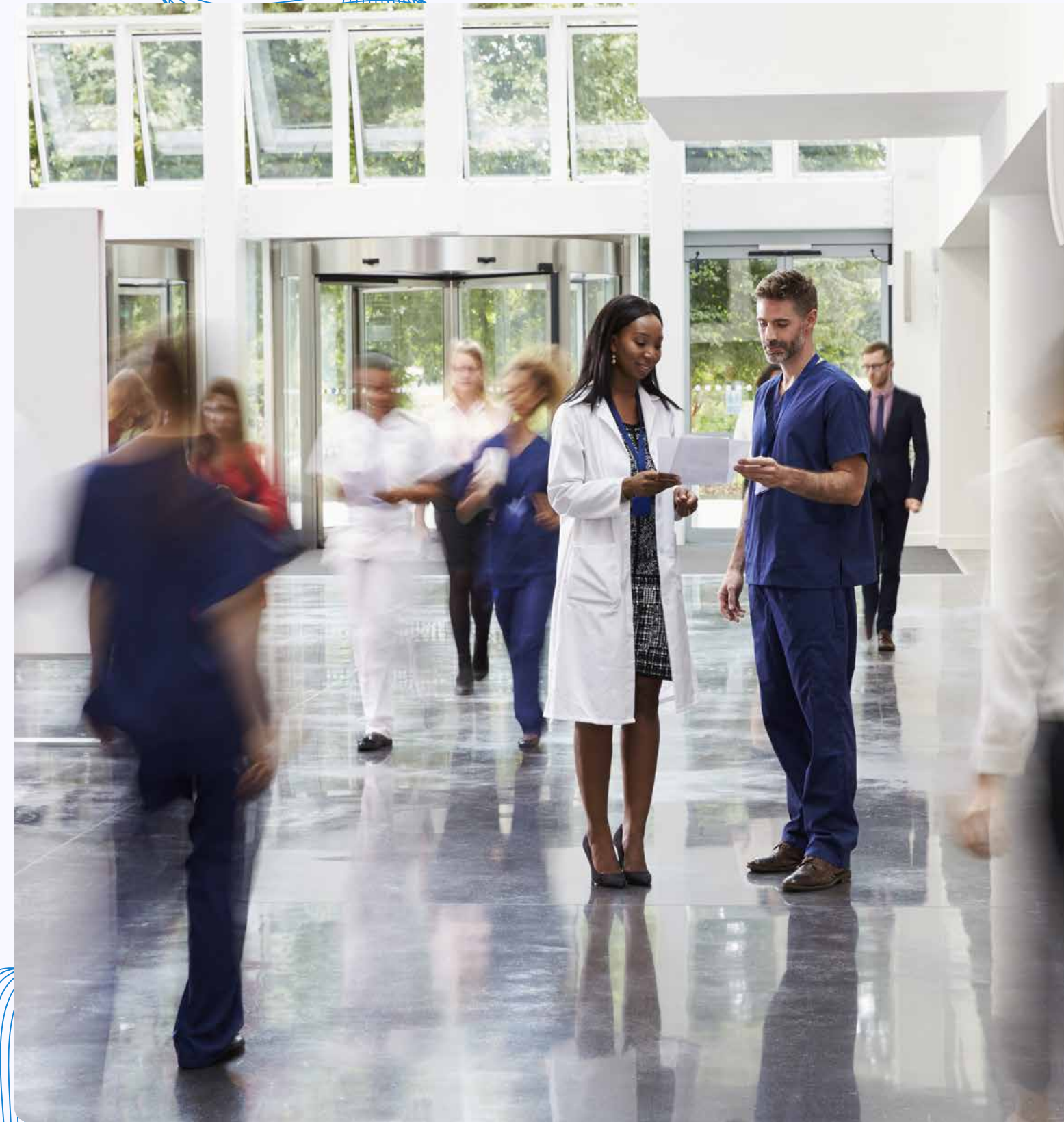
Portion of workers that currently receive EWA

News and Trends

Real-Time Payments Help Hospital Workers Ease Financial Stress

Hospitals are one of many industries recently suffering from staffing crunches, and some are taking bold steps to attract new talent. Trinity Health recently [announced](#) that it would offer daily payment of wages to employees, an option only feasible via real-time payments.

Trinity Health partnered with DailyPay to enable this daily payment option, with instant payments moving through the RTP® network, the real-time payments network operated by The Clearing House. Initial responses to the new system have been positive, according to Trinity Health management, as it removes financial stress when waiting for a traditional biweekly paycheck under legacy systems.

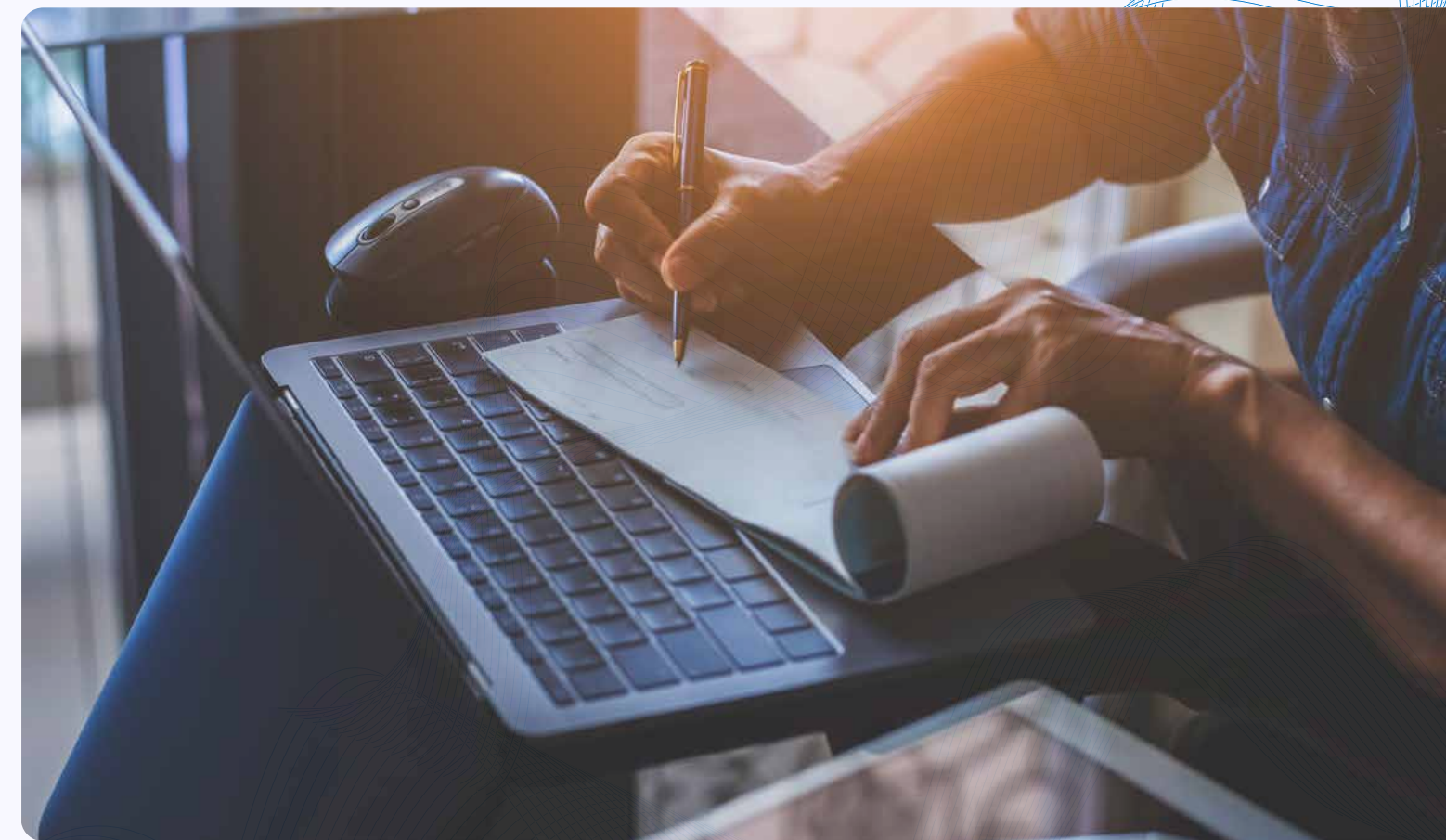


News and Trends

Sixty-eight percent of workers more likely to stay at jobs if employers improved financial wellness, study finds

This financial hardship due to slow payroll is common among workers in several industries. A recent [study](#) found that 70% of workers nationwide said the looming recession is causing them financial stress, and 45% said their companies are not doing enough to ensure their financial wellness.

Improving financial care by providing instant payroll access could be crucial to preventing staffing issues. The study found that 68% of workers were more likely to stay at their job if their employer improved their financial wellness, and workers were less likely to quit their jobs in favor of a higher-paying job elsewhere if employers offered more financial support.



News and Trends

On-demand pay is growing more popular thanks to employee pressure

EWA, also known as on-demand pay, has existed for nearly a decade but has been surging in popularity in recent years. A recent [survey](#) found that 60% of workers want daily access to earned wages. Another [survey](#) found that 81% of households earning more than \$100,000 per year want EWA. Overall, the survey showed that 78% of workers said free EWA would improve their loyalty to their employer, and 79% said it would make them feel more valued as employees.



55.8M

Number of EWA transactions in 2020

18.6M

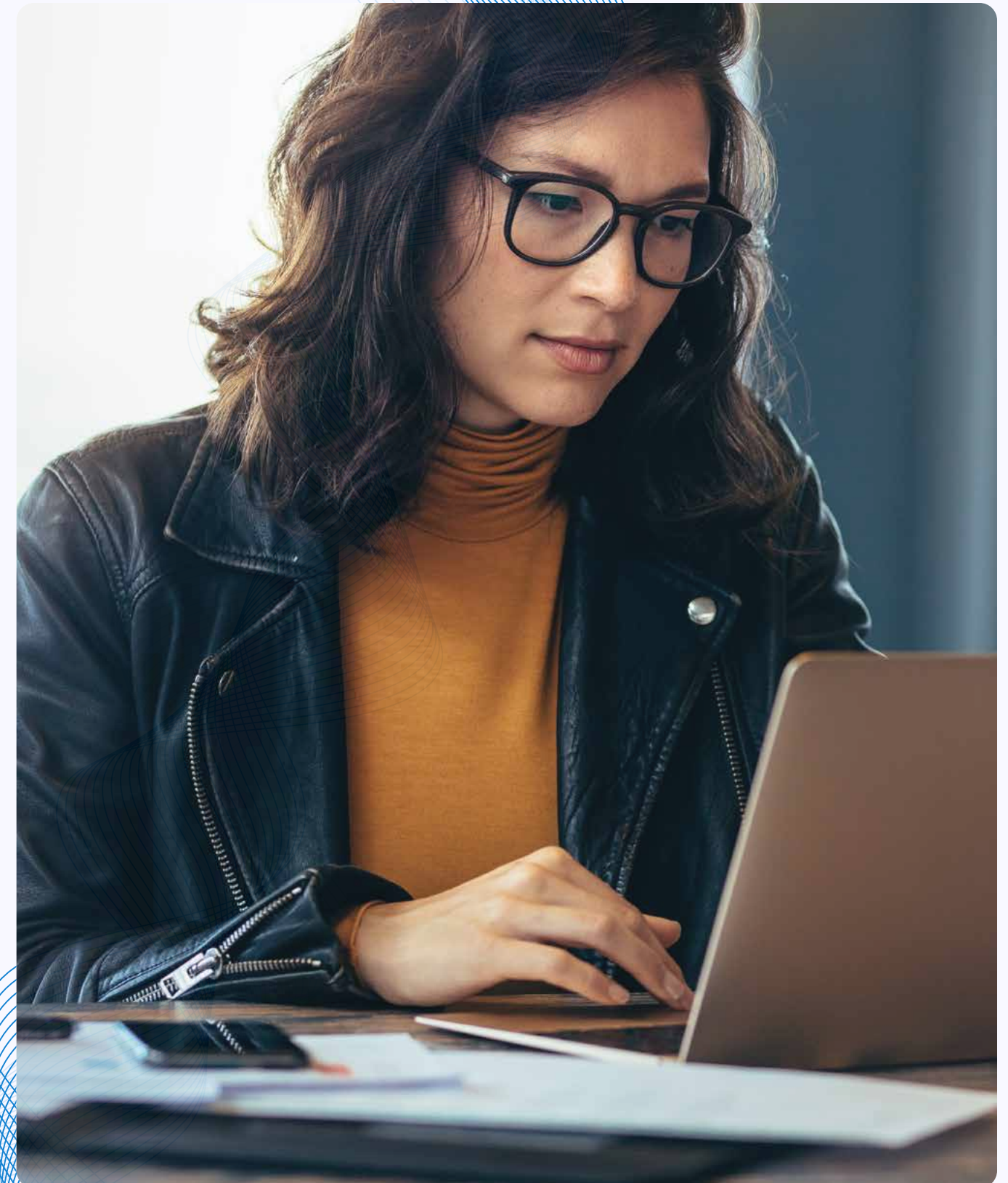
Number of EWA transactions in 2018

PYMNTS Intelligence

Workplaces Begin to Offer Instant Payroll in Limited Capacities

Payroll delay is rampant among the American workforce, especially gig workers. [Studies](#) have found that 74% of freelance workers have not received their pay on time, with 20% receiving pay one day late and 16% reporting they are regularly not getting paid for up to two months after they expected. A full 59% said clients currently owe them more than \$50,000 for finished work.

While freelancers feel the most acute payment delays, salaried employees are no strangers to payroll delays, either — even those who receive their paychecks via a regular biweekly schedule often report financial difficulties when waiting for their next pay period. This month's PYMNTS Intelligence examines how corporates can improve their employees' and freelancers' financial well-being via instant payroll solutions.



PYMNTS Intelligence

Workers are becoming more receptive to instant payroll, especially younger generations.

While earned wage access is still largely unfamiliar to the workforce as a whole, younger generations, such as millennials and Generation Z, are beginning to demand it in growing numbers, especially as these cohorts are the most likely to work in the gig economy.

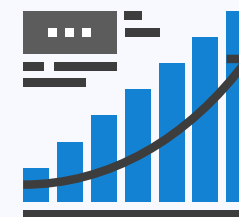
A recent [study](#) found that 83% of employees between the ages of 18 and 44 said they should have access to their wages at the end of each workday or shift, and 80% said these funds should go directly into their bank accounts. Another 78% said that no-cost earned wage access would boost their loyalty to their employer.

Instant payroll is extremely popular among younger employees.



83%

Share of workers between ages 18 and 44 who said they should have access to their wages at the end of each workday



78%

Portion of workers who said earned wage access would increase their loyalty to their employer

Workers are even receptive to changing jobs entirely if it means access to instant payroll, with 81% saying it would be the deciding factor when accepting a position. Workers are much less receptive to EWA if they have to pay an additional charge, with support [dropping](#) to just 23% in this case.

PYMNTS Intelligence

Workplaces are beginning to offer instant payroll in a limited capacity.

A recent [study](#) found that seven out of 10 middle-market companies are offering EWA to some employees, and another 24% are planning to implement it in the near future. Just 5% of companies surveyed had no plans whatsoever.

These systems typically rely on instant payment schemes such as the RTP® network to deliver payroll daily, rather than waiting days for legacy ACH systems to move money into employee accounts. The number of companies offering instant payroll could increase as the use of the RTP network grows for other instant payment functions, and corporates become more adept in its capabilities.

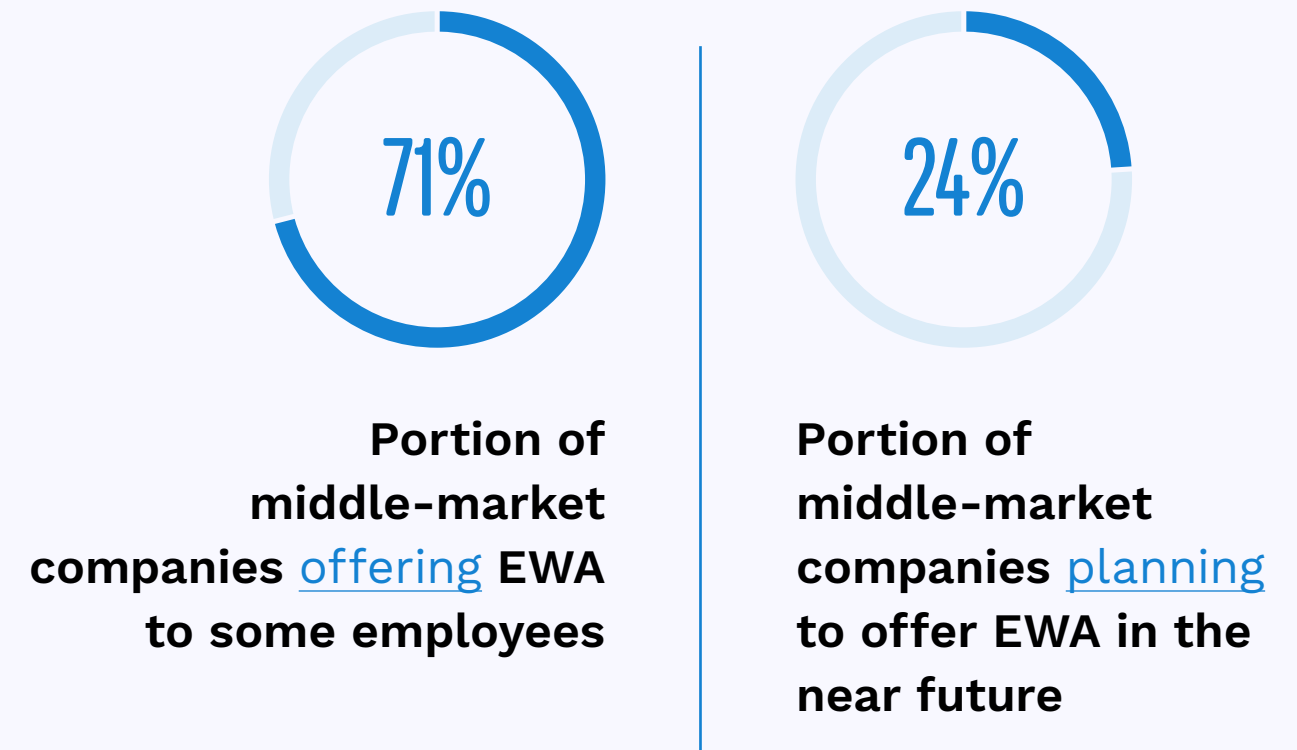


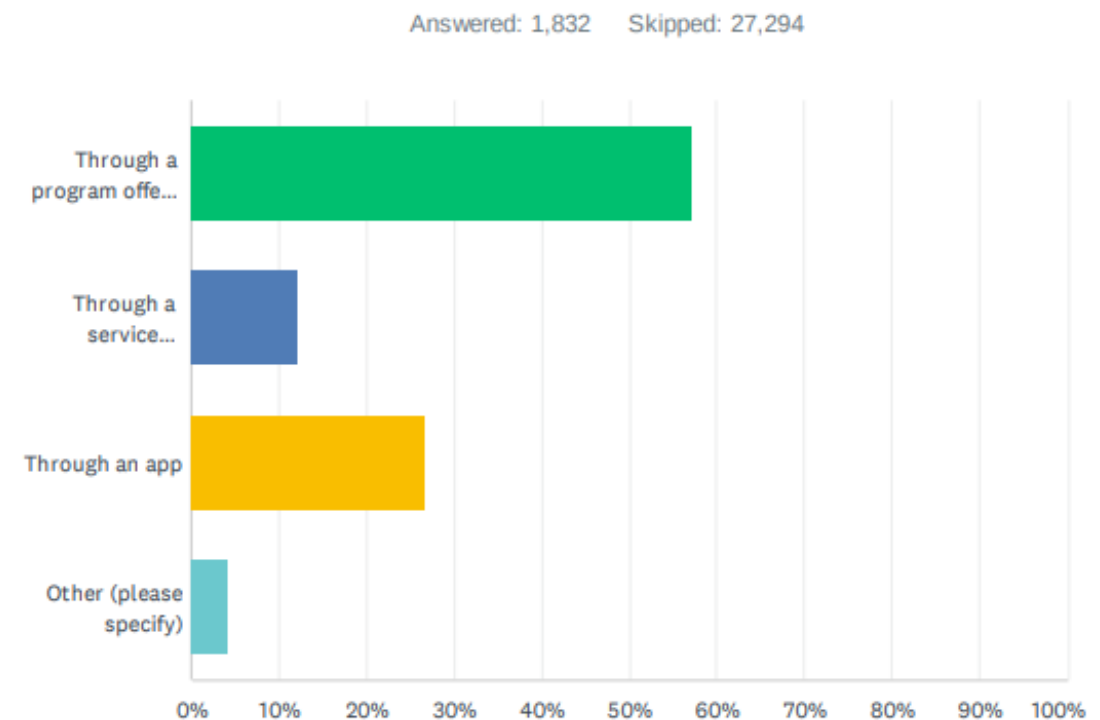
Chart of the Month

Employees Leverage a Variety of Channels for Earned Wage Access

Instant payroll is still a relative rarity in the United States, but the sheer variety of payment channels that current users leverage [indicates](#) a multitude of options to expand this system in the future. More than 57% of EWA users receive their pay through an employer-offered program, followed by nearly 27% that receive it through a payments app. The least common method was through a service provider at 12%, although another 4% picked an alternative option. Any of these channels could become the norm if EWA continues to grow in popularity, although employer-provided programs likely have the greatest chance of succeeding as they are a natural extension of current employer-provided payroll.

Employees that leverage EWA have a variety of payment sources

How do you currently receive earned wage access to your pay?

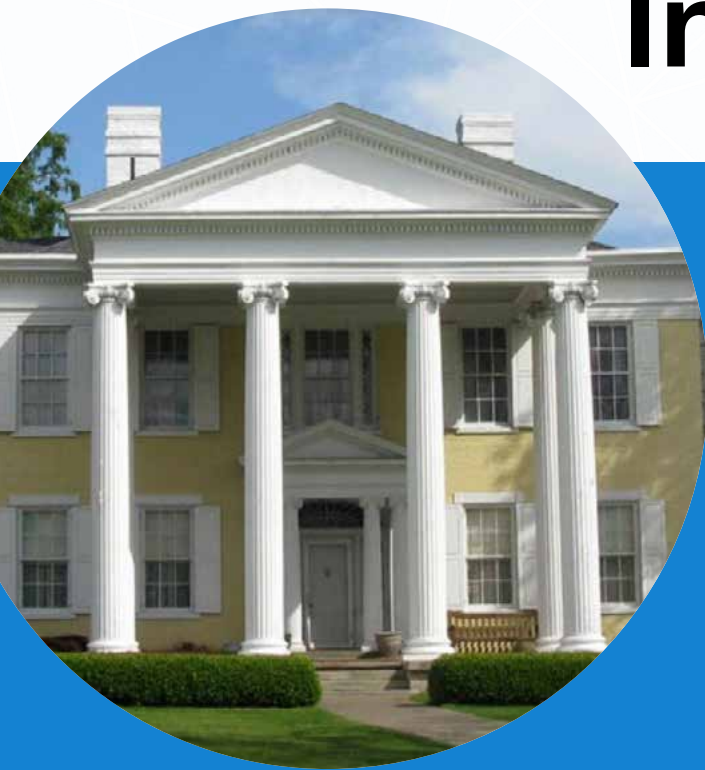


ANSWER CHOICES	RESPONSES	
Through a program offered by my employer	57.21%	1,048
Through a service provider	12.12%	222
Through an app	26.64%	488
Other (please specify)	4.04%	74
TOTAL		1,832

Source: American Payroll Association
 2022 "Getting Paid in America" Survey, September 2022
 N = 1,832: Complete responses

Insider POV

An Insider on Improving Employee Satisfaction via Instant Payroll



KAREN HESS
Vice president of
human resources



“The average amount transferred is \$94, and on an 11-month basis, the total amount transferred has been about \$1.5 million. People are using it [for] their basic needs: At the top of the list is bills, second is food, third is transit. So it’s for all the right reasons.”

An interview with Karen Hess, vice president of human resources at [Oglebay](#), about how instant payroll has significantly improved the quality of life for the resort’s employees.

The implementation of instant payments access for Oglebay employees was designed from the ground up to alleviate employees’ financial struggles and boost retention. Hess explained that she first learned about the possibility of instant, on-demand payroll from a trade magazine that described a Memphis hotel employee’s struggle paying for services for her asthmatic child.

“[Her son] needed his medication, but she didn’t have the money to get his prescriptions filled. But fortunately, she had a product called DailyPay and was able to access her pay [immediately] and get the prescription needed for her child. After reading that article, I thought if it helps one employee, it’s well worth it.”

Insider POV

The RTP network powers the seamless transfer of earned income for payments provider DailyPay. Employees can transfer income to their bank accounts, payroll cards or debit cards. The payroll system can make transfers in seconds, allowing users to have their funds on hand instantly in the case of a financial emergency. These instant transfers give employees an alternative to high-risk options such as payday loans if unexpected expenses rear their heads.

The program was an instant hit with Oglebay employees. Since its implementation in 2018, 42% of the resort staff currently leverages it to pay for a vast range of everyday expenses, according to Hess.

“The average amount transferred is \$94, and on an 11-month basis, the total amount transferred has been about \$1.5 million. People are using it [for] their basic needs: At the top of the list is bills, second is food, third is transit. So it’s for all the right reasons.”

From the resort’s end, implementation was largely seamless. Hess noted that there was little effort needed on the part of Oglebay’s payroll team, and the operation of the instant payment system was entirely invisible.

“I don’t want to say it was just flipping a switch, but it was close to it. My payroll benefits manager had to do very little preliminary work in order to implement the program.”

Top three instant payroll uses for Oglebay employees



Bills



Food



Transit costs

Companies to Watch

Real-Time Payroll Poised to Enter the Mainstream



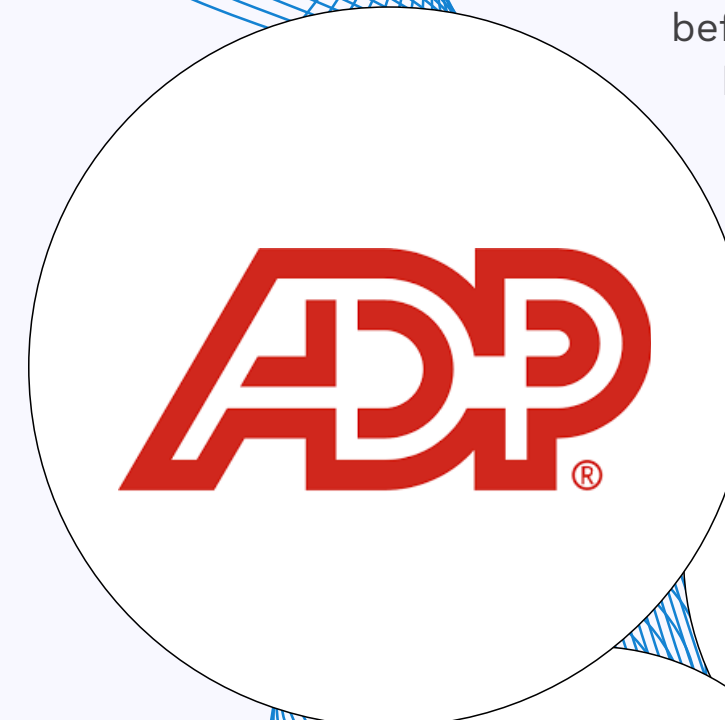
Human capital management solutions provider ADP recently [added](#) EWA to its Wisely by ADP payment platform, a feature offered in partnership with DailyPay. The system integrates with companies' existing payroll systems for ease of use and offers employees real-time wage access.



Payroll company Atomic is also [enabling](#) real-time payroll by partnering with Jack Henry's digital banking platform. Atomic soft-launched its Deposit plugin on the Jack Henry platform in June, integrating financial institutions' direct deposit systems for payroll.



Management research firm Everest Group is also [implementing](#) real-time payments by partnering with CloudPay. Everest employees across 45 countries can now withdraw earned wages before payday, although this tool has a small cost for employers.



Insider POV

Earned Wage Access is Fastest Growing Use Case on RTP



ELENA WHISLER
Senior vice president

“When TCH launched the RTP network back in 2017, we didn’t think that payroll would be a major driver of volume, as ACH handles most payroll volume quite well. However, society’s movement to instant everything, including access to earned wages, has generated a boom in EWA payments over RTP in the past year.”



Elena Whisler, senior vice president at [The Clearing House](#), discusses the rapid increase of earned wage access transactions via the RTP® network, spurred by a tough economy and more gig and contract workers.

Earned wage access is a relatively new concept. Why does it seem to be growing so rapidly?

Businesses and individuals both clamored for faster pay. EWA really began to take off and gain popularity during the past 12 to 18 months, as inflation increased and the labor market started to slow. During the pandemic, many workers lost jobs or shifted to freelance or gig economy jobs, such as Uber or Grubhub, and they began to ask for ways to be paid faster. Instead of waiting for a weekly or biweekly paycheck, workers began to ask for pay as they earned it, or what is now known as EWA, which helps workers pay daily expenditures or cover emergency expenses.

Insider POV

What types of companies are offering EWA to their workers?

Currently, EWA is most popular in the gig economy, services industries and healthcare. These workers often face the most financial stress with personal expenses, and having access to earned wages ahead of the regular pay cycle can help reduce financial anxiety. The companies in these industries have also been facing an unprecedented labor shortage and have found it difficult to attract and retain workers. EWA is an additional benefit that employers can use to attract and retain workers. Surveys show that workers who have EWA are more likely to stay at an employer and are less stressed about finances, which also allows them to be more productive on the job.

In terms of EWA payments, what is happening on the payments rails?

Real-time payments over the RTP network help to provide the best user experience for the worker. With RTP, the worker can receive their earned wages instantly and use the money right away. On the RTP network, instant pay volume has exploded in the past year, jumping from approximately two million payments in Q4 2021 to more than seven million in Q4 2022. Today, the RTP network reaches approximately 62% of demand deposit accounts in the United States, and that number is increasing as more FIs join the RTP network.

If a worker's FI is not on the RTP network, the EWA payment would happen via an ACH payment, which would put the money in the worker's account usually on the next day, unless it was over a weekend or holiday. While not instant like an RTP network payment, it is still faster than waiting for a traditional weekly or biweekly paycheck.

What's Next

EU's Instant Payment Mandate Faces Uncertain Future

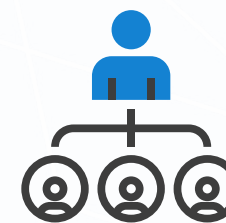
The European Union's instant payment mandate, first [rolled out](#) in November 2017, has met several snags since its introduction that have discouraged timely adoption by banks in EU member states. It currently lags Australia, Brazil and India in instant payments prevalence, primarily due to the size and complexity of the existing European financial infrastructure. In October 2022, the EU introduced a proposal meant to increase real-time payment prevalence by forcing banks to provide 24/7 free instant payments, but banks have raised concerns about the high cost of doing so.

Experts predict that Europe will be on the forefront of real-time payments for the foreseeable future.



24.3%

CAGR of the European real-time payments market through 2027



36

Number of European countries currently participating in the SEPA ICT payment scheme



2,300

Number of financial institutions participating in SEPA ICT

About

PYMNTS [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



The Clearing House [The Clearing House](#) operates U.S.-based payments networks that clear and settle funds through ACH, check image, the RTP® network and wire transfers. The RTP network supports the immediate clearing and settlement of payments along with the ability to exchange related payment information across the same secure channel.

Learn more at www.theclearinghouse.org.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

Disclaimer

The Real-Time Payments Tracker® Series may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.

The Real-Time Payments Tracker® Series is a registered trademark of What’s Next Media & Analytics, LLC (“PYMNTS”).