



## Payments Insights

### Why Faster Payments Will Dominate Payroll in 2023

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#### Real-time payroll and earned wage access continue to increase in popularity, as companies see the benefits of offering workers faster access to pay.

As we look forward to what lies ahead for 2023, The Clearing House is excited about the momentum of real-time payments and instant payroll and earned wage access in the marketplace.

Since the 2017 launch of the RTP® network, **volumes have grown by over 10% each quarter**, reaching 49 million transactions valued at \$22.7 billion in Q4 2022.

One of the most significant drivers of the growth of RTP volume is earned wage access (EWA), which allows workers to access their earned wages when they need them, which can help employees decrease financial stress. As we head into an uncertain financial period, business leaders across the country will focus on implementing financial wellness programs that will help attract new talent and retain their current employees.

To help prepare companies of all sizes with their financial wellness programs, we put together a few predictions on why earned wage access is an important feature to offer workers, how EWA is the future of payroll, and how instant payroll capabilities will likely grow in 2023.

**Growth of EWA:** During the economic downturn induced by the pandemic, many Americans turned to gig work, such as driving for Uber or making deliveries for GrubHub. While some have returned to salaried employment, others have kept their gig jobs. Most gig workers rely on earned wage access because it allows them to control exactly when they get paid so they can choose when to pay for work-related expenses, such as gas, auto repairs and insurance, among others.

Meanwhile, Gen Z, which joined the workforce as gig work went mainstream and on-demand pay emerged, increasingly expects to be paid faster and more frequently. Gen Zers do not accept that they can purchase goods and services in real-time but not access the money they earned until it clears a day or two later or until their pay is direct-deposited a week or two later during the scheduled pay period. Unsurprisingly, a majority of Millennials and Gen Z are more interested in jobs that provide same-day pay. And it's not just Gen Z as **more employees overall want same-day pay**, up from 49% in 2018 to 79% in 2022.

A few years ago, a few thousand companies offered employees EWA — a drop in a pool of 10.75 million employers nationwide. But the newer generation of workers and changes in worker behavior are driving more companies to adopt instant pay, and some estimates see a boost to a few million employers offering EWA this year.

The adoption of earned wage access will continue to escalate in hourly wage and high turnover industries, such as healthcare, because EWA encourages employee retention. One study found that **the average tenure of nursing home employees with EWA increased by 73%**.

EWA will also likely grow in white-collar industries. Based on their experiences with the increasingly instant economy, people of all income brackets are growing to expect instant access to their wages to cover unforeseen expenses, emergencies, and investment opportunities. Financial institutions across the country need to consider how changing worker and customer behavior will impact their payments overall strategy, and how real-time payments fits in. Many financial institutions are already working with their corporate customers and their payroll providers to better serve their needs.

#### **EWA will move downstream to companies of all sizes**

We expect to see more small- and midsize businesses (SMBs) catch up to their large corporate counterparts and adopt real-time payments and EWA. With an uncertain economic outlook, many entrepreneurs will turn to real-time payments to improve their cash flow management,

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The RTP network allows SMBs to bypass tedious transaction settlement times and improve cash flow by providing immediate access to cash. With instant payments, companies can receive invoices immediately via bill pay to buy inventory promptly, pay employees in a timely manner, and pay expenses such as rent and utilities. (SMBs interested in implementing real-time payments can view our current list of participating financial institutions [here](#).)

As the adoption of earned wage access and real-time payments continues to expand, 2023 promises to be an exciting year. If you are interested in learning more about various use cases for the RTP Network, email us at [TCHInfo@theclearinghouse.org](mailto:TCHInfo@theclearinghouse.org) or learn more about the RTP network by following us on [LinkedIn](#) and [Twitter](#).

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