



PYMNTS®



July 2023

The Rise of Instant Payroll and Early-Access Compensation

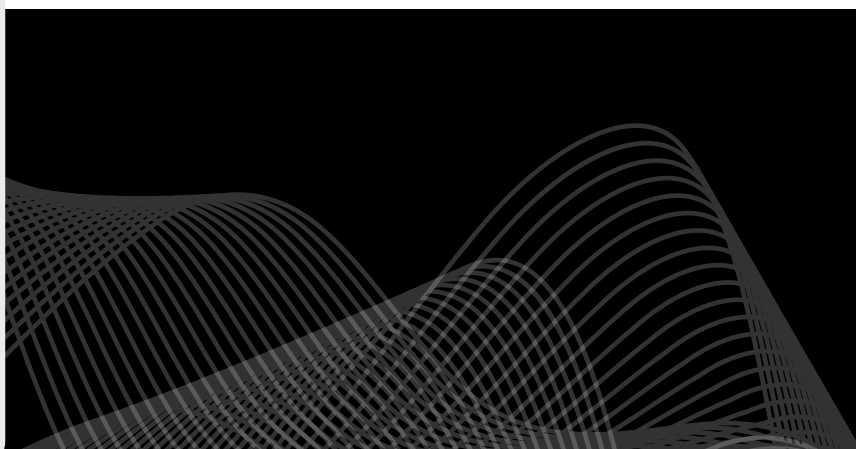
Money Mobility Tracker® Series

■ Read the previous edition



JUNE 2023
Money Mobility Tracker® Series

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Acknowledgment

The Money Mobility Tracker® Series is produced in collaboration with Ingo Money, 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

Legacy Payroll Causes Complications for Workers

Payroll is one of the most critical functions of any workplace, and delaying [paychecks](#) can have significant consequences for workers, with 72% reporting at least some difficulty if their pay was late for any reason.

Such disservices to workers can harm companies as well through employee attrition and negative word of mouth, not to mention the direct legal consequences that then occur in many jurisdictions. The state of New York, for instance, considers it a [misdemeanor](#) if wages and benefits are not paid out as agreed upon in employee contracts.

Employees suffer severe negative consequences if pay is delayed.



63%

Portion of Americans who live paycheck to paycheck



72%

Share of workers who would experience financial difficulty due to delayed pay

Need to Know

Gig workers and contractors are particularly at risk for delayed paychecks.

More than one-quarter of small to mid-sized businesses say they take an average of 90 days to pay their [contractors](#) — three times longer than the average for salaried employees. Among middle-market companies, this number rises to 37%, despite these companies' higher revenues and more predictable cash flows.

Continued failure to pay contractors and gig workers in a timely manner could result in a massive loss of talent by companies' own admission. One-quarter of companies surveyed said they had lost contract workers entirely when they could not pay them on time, and 39% said they missed out on skilled workers when they could not pay them swiftly.



Portion of middle-market companies that take an average of 90 days for contractor payroll



Portion of companies that have lost contract workers due to delayed payroll

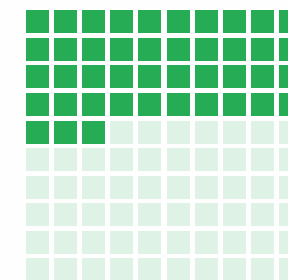
Need to Know

Payment delays can stem from many different causes.

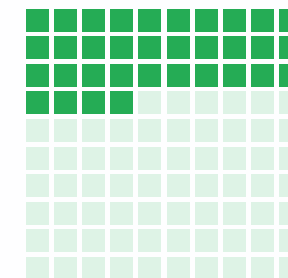
The most common obstacle businesses report is [compliance issues](#), at 43%, followed by the complexities of multi-jurisdictional payroll, at 34%, and inefficient payable processes, at 27%. Sixty-nine percent of respondents also reported widespread payroll data issues, which could potentially complicate any of the above obstacles.

While these might explain why companies delay their payroll, they are by no means excuses: Satisfied workers are essential to corporate success and under no circumstances deserve to have their pay be inaccurate or delayed. Businesses must ensure their payroll processes are up to snuff — or they barely deserve to be in business in the first place.

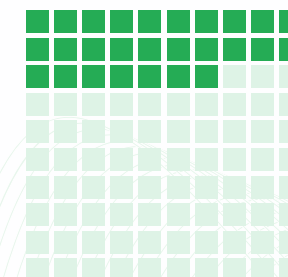
Companies cite many factors that can delay payroll.



43%
Compliance issues



34%
Complexities of multi-jurisdictional payroll



27%
Inefficient processes

News and Trends

94% of Canadian Workers Would Seek New Jobs if Pay Was Delayed

Employees are quick to jump ship due to [payroll issues](#), according to a new survey finding that 94% of Canadian workers would look for other employment if their paychecks were regularly delayed. Another 91% said they would look for new jobs if their pay was inaccurate.

The survey found that overall employee trust in a company tended to plummet when payroll's punctuality or accuracy was called into question. Sixty-four percent of respondents said they would trust their employers less, 59% would caution others against joining the company and 51% would question how much their employers valued them.



News and Trends

Sorbet launches on-demand PTO cash advance solution

Unused [paid time off](#) (PTO) payouts are traditionally performed once a worker leaves the company, but FinTech Sorbet recently launched a tool that will let employees access these funds as they accrue them. The solution works by determining the value of the employee's unused PTO payouts, delivering the loaned funds on a prepaid debit card and charging interest at an annual percentage rate of 9.99% to 18%, depending on the applicant.

Sorbet's offering aims to supplant payday loans and other high-risk options that low-income workers leverage for quick cash as well as 401k withdrawals leveraged by high-income employees. This solution will initially be available in eight states.



News and Trends

Firms leverage real-time payments for a variety of reasons

Faster payments are top-of-mind for both businesses and consumers, with 83% and 75%, respectively, using some form of [real-time transactions](#). For businesses, the most common use case is payroll, at 57%. Forty-five percent of businesses expect instant payroll to lower their costs, and 74% said receiving automated payment-related information via this method is at least somewhat important. Other benefits cited by businesses include flexibility, at 38%, 24/7 service, at 33%, and early-payment discounts, at 30%.



Portion of businesses that leverage real-time payroll



Share of firms that say faster payments lower costs

PYMNTS Intelligence

Leveraging Instant Payroll to Improve Employee Satisfaction

The age of the biweekly pay period seems to be drawing to a close, with workers increasingly preferring to receive their wages as they earn them rather than waiting days or weeks before they can access their pay. A recent survey found that a record 60% of working Americans wanted their employers to give them [access to wages](#) each day.

Implementing this earned wage access (EWA) is a key way to improve employee loyalty, and it offers companies increased visibility into their cash on hand, helping to improve overall money mobility. This month's PYMNTS Intelligence examines the benefits of instant payment systems for corporates as well as their employees and freelancers.



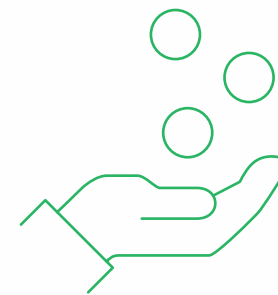
PYMNTS Intelligence

Increasing numbers of firms are offering EWA, with employees and corporates seeing financial benefits.

Just a few years ago, payday was a concrete date every two weeks, but now some employees can make it every single day. It is popular among those who have the opportunity: 56% of those with EWA said they had used it.

For employees, the benefits of EWA are self-evident. Almost three-quarters of Americans say they are stressed about their finances, with many reporting they live paycheck to paycheck and must turn to high-risk options like payday loans to resolve unexpected expenses. EWA removes this need by ensuring that workers' funds are available as they need them, rather than forcing them to take out loans.

Instant payroll can be a game-changer for employee recruiting and retention.



75%

Portion of millennials who say instant payroll would influence their acceptance of a job offer



60%

Share of corporates that say instant payroll helps with employee recruitment

Corporates, meanwhile, are growing more aware of EWA's benefits. Almost two-thirds say EWA can be a low-cost way of recruiting and retaining employees, as 75% of millennials say that EWA availability would influence their acceptance of a job offer. Additionally, 96% of corporates that offered EWA said their employees liked it, that it helped them attract talent and that it improved their employees' sense of financial security.

PYMNTS Intelligence

Faster payments are particularly helpful for gig workers and contractors.

Gig workers and contractors are more likely to face financial insecurity than their salaried counterparts due to the part-time nature of their work. Compounding that issue is the reality that they are much more likely to be paid late. Three-quarters of [gig workers](#) say they want to be paid by their employers more often than the traditional bimonthly pay period to offset these financial challenges.

The recruitment benefits for corporates could be significantly enhanced if instant payroll was extended to gig workers and contractors, as these individuals look for work more often than salaried workers and are more likely to be enticed by these benefits. Happier employees are more productive ones, so any expense of offering instant payroll would likely be offset by increased revenue.

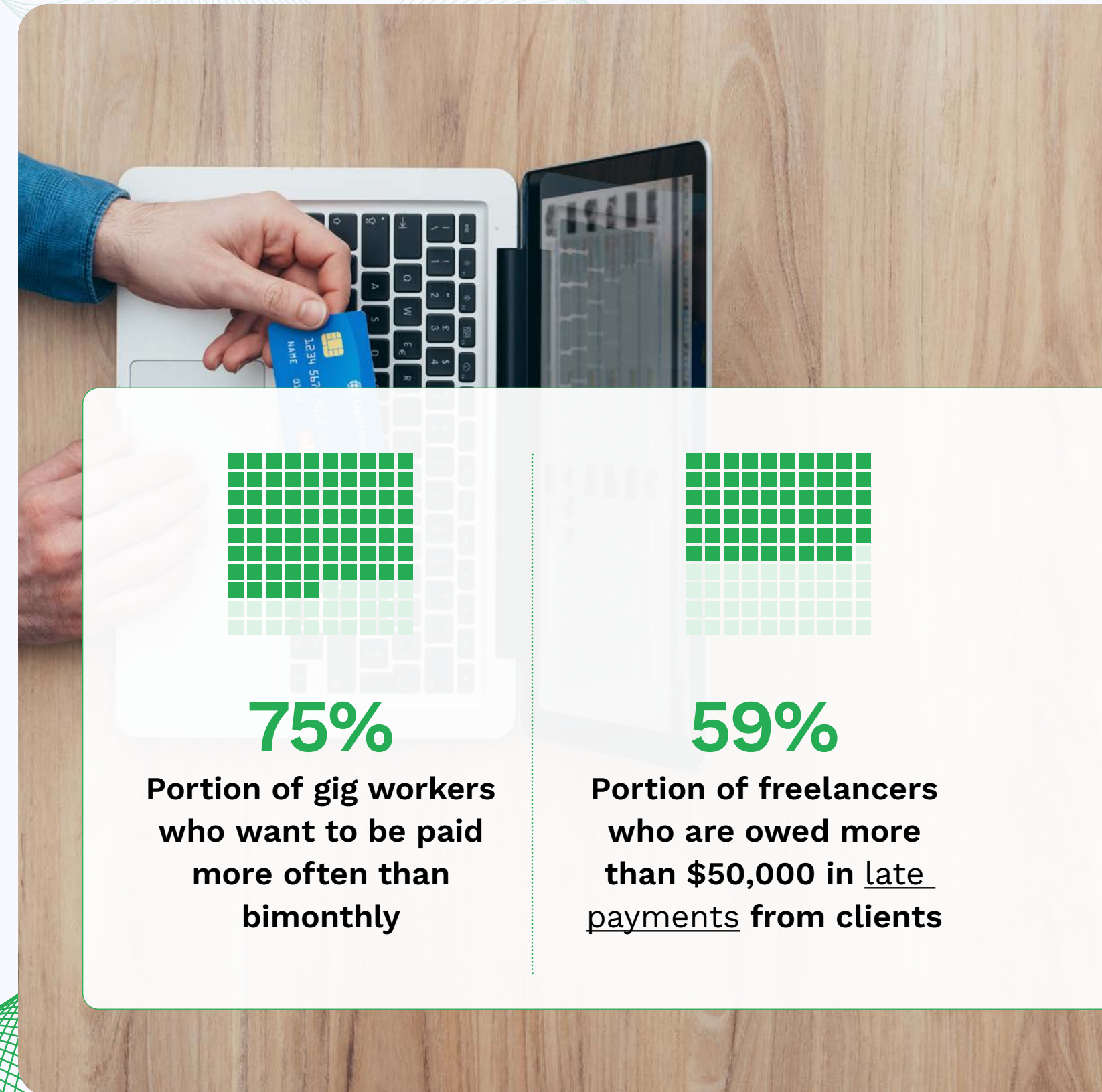


Chart of the Month

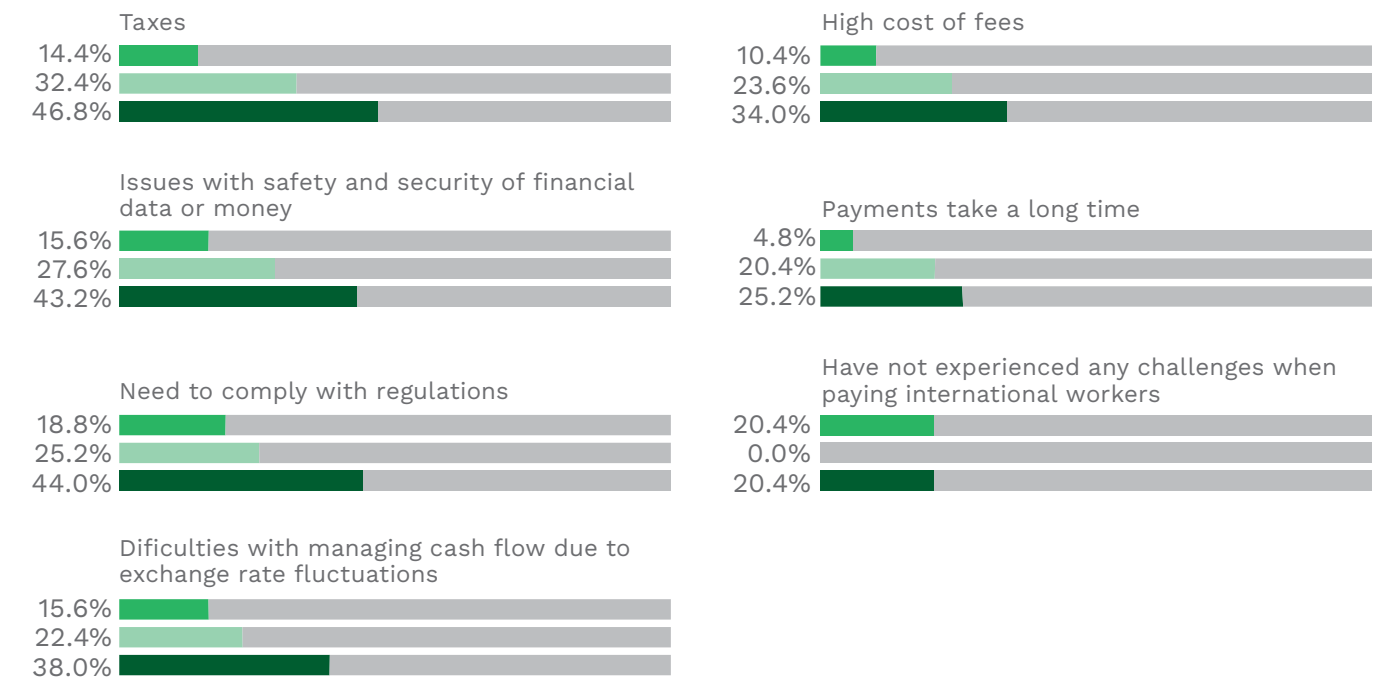
Instant Payments Hold Potential for Cross-Border Hiring

Hiring [foreign workers](#) can be very appealing to corporates for reasons that include expanding the potential talent pool as well as reducing costs by hiring from areas with a lower cost of living. International hiring brings with it a huge variety of challenges, however: Corporates were most likely to identify high taxes as an important international payroll challenge, but 34% of firms said fees were too high and 25% said that payroll took too long to process. Implementing faster payment options for workers could potentially reduce these challenges provided that both the firm and the workers are located in regions with compatible instant payments.

CHALLENGES ORGANIZATIONS FACE WHEN PAYING INTERNATIONAL WORKERS

Share of organizations citing specific challenges when paying international workers

- Most important
- Important, but not most important
- Total



Source: PYMNTS
 Meeting The Demand For Cross-Border Hiring: Challenges In International Workforce Payment And Management, November 2022
 N = 250: Complete responses, fielded March 10, 2022 – March 29, 2022

KEY FINDINGS

01

LEGACY PAYROLL

Paycheck delays can have massive detrimental consequences for workers, especially those who live paycheck to paycheck.



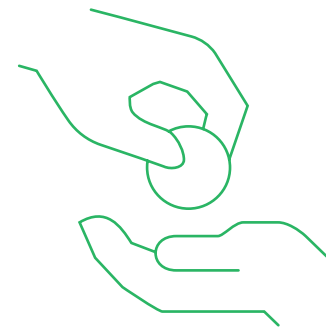
63%

Portion of Americans living paycheck to paycheck

02

CONTRACT WORKERS

Gig workers and contractors are particularly at risk for delayed paychecks, and a continued failure to pay contractors and gig workers in a timely manner could result in a massive loss of talent.



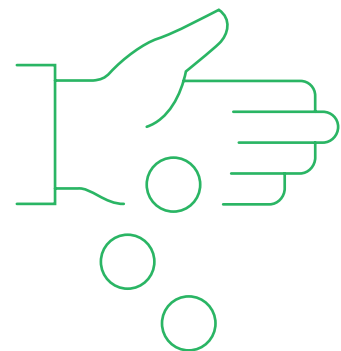
37%

Portion of middle-market companies that take an average of 90 days for contractor payroll

03

EWA

Implementing EWA is a key way not only to improve employee loyalty but also to offer companies increased visibility into their cash on hand — and improve overall money mobility.

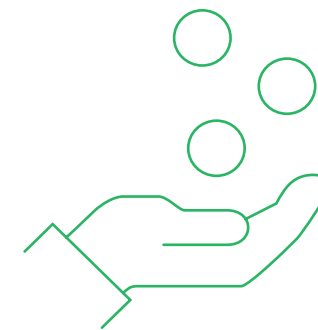
**75%**

Portion of millennials who say instant payroll would influence their acceptance of a job offer

04

ACCELERATED PAYROLL

Recruitment benefits for corporates could be significantly enhanced if instant payroll was extended to gig workers and contractors, as these individuals look for work more often than salaried workers and are more likely to be enticed by these benefits.

**75%**

Portion of gig workers who want to be paid more often than bimonthly

What's Next

Payroll Services Market to Exceed \$80B by 2027

Many companies outsource their payroll operations to third-party service providers that can then handle functions including time tracking, expense management and tax filing. The total value of this industry is projected to hit [\\$80.7 billion by 2027](#), up from \$72 billion in 2022 (a compound annual growth rate of 2.1% over the five-year period). The primary driver of this growth is the proliferation of payroll apps for mobile devices; these allow workers to track their pay on demand rather than using a web browser or waiting for the next pay period. On-demand pay will likely be a significant driver of growth in the future as more companies hire third-party payroll providers to implement EWA and other instant payroll services.

“Early wage access is here to stay. Even in a normal economic environment, it can be a vital tool for helping people overcome unexpected costs or financial emergencies without having to take on costly debt. But in the face of high inflation, instant access to rightfully earned pay can be a lifeline. Safe, regulated and easy to use EWA is part of the broader shift to money mobility and will become the standard across nearly every industry.”

Drew Edwards
CEO



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.



[Ingo Money](#) is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to FinTechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo’s solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash-out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs more than 200 professionals and serves some of the largest brands in North America.

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