

Harnessing the power of instant payments

Payroll and Earned Wage Access

In today's world, people and businesses want to move money in an instant. With the Federal Reserve's [FedNow[®] Service](#), organizations in the payments ecosystem can make this happen.

There are many use cases for instant payments, with payroll and earned wage access among those expected to gain traction in the months and years ahead. Payroll service providers can work with financial institutions and employers to use the FedNow Service to instantly transfer funds to an employee's account, ensuring quick and seamless access to earned wages for workers.

BY THE NUMBERS

88%

of employees report some degree of financial stress¹

79%

of workers would be willing to switch to an employer that offers earned wage access²

41%

of businesses say payroll is a use case that would benefit from instant payments³

The benefits of instant payroll and earned wage access

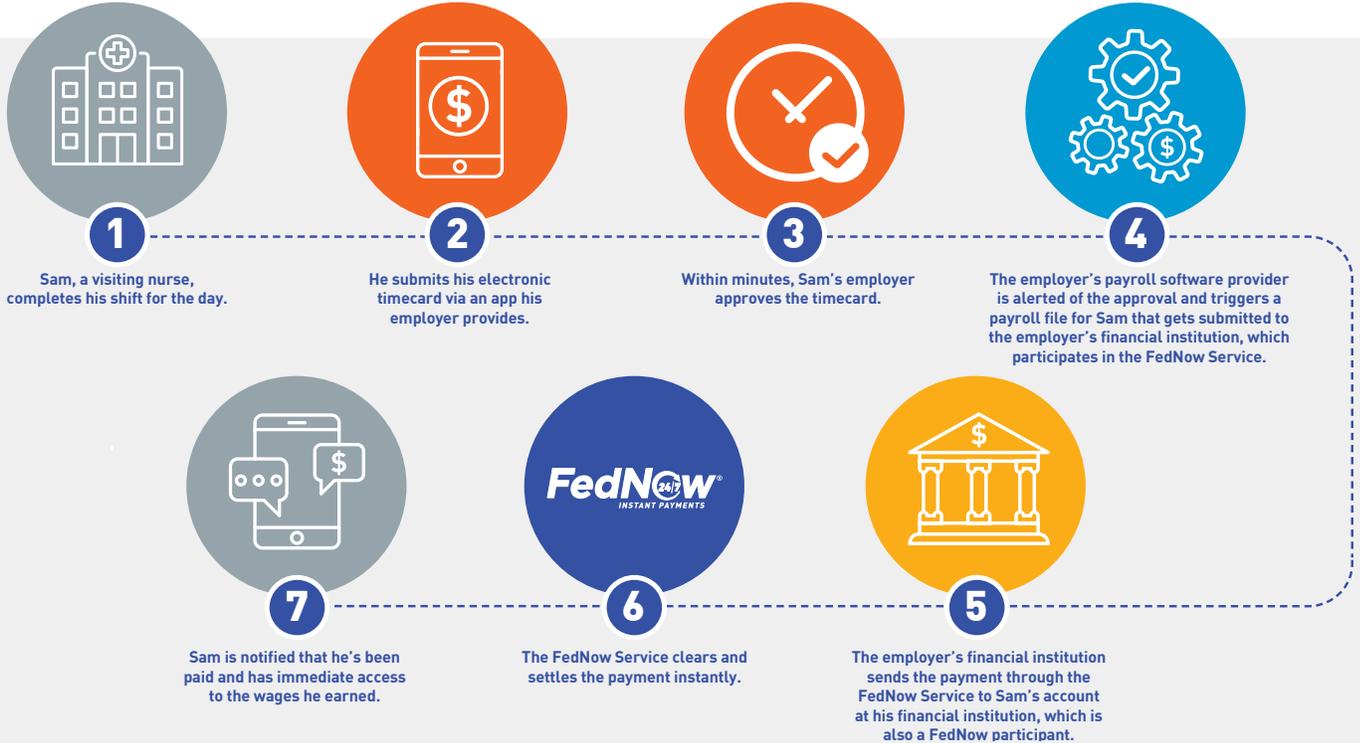
Instant payments can provide benefits to all players in the payroll industry:

- **Payroll service providers** — Improve end-user experience, offer new and innovative solutions, generate new revenue, stay competitive and meet the growing demand for instant payments.
- **Employees** — Instantly access wages earned, get reimbursed for expenses immediately and gain more control over the money already earned.
- **Employers** — Better manage cash flow, improve operational efficiencies while providing a differentiating benefit that can help attract employees in a tight job market, and boost employee satisfaction and reduce attrition.
- **Financial institutions** — Offer new products and services that customers are demanding and stay competitive in an ever-evolving market.

How it works

There are many ways payroll service providers, financial institutions and employers can work together to offer instant payment solutions to employees. Here's one high-level example of the potential steps of instant earned wage access:

- End User
- End-User Solution Provider
- Financial Institution
- Financial Institution Service Provider



Additional use cases

Getting paid instantly for wages earned is just one example of how instant payments could be used by the payroll industry. Other use cases include:

<p>Off-Cycle Payrolls</p> <p>Reimburse employees for expenses or disburse bonuses instantly</p>	<p>Emergency Payments</p> <p>Leverage instant payments when regular payroll is disrupted</p>
<p>Termination Pay</p> <p>Provide termination pay instantly</p>	<p>Payroll Funding</p> <p>Immediately transfer funds from an employer's account to a payroll provider's account</p>

Next steps

Now is the time to start preparing for and implementing instant payroll and earned wage access. Below are next steps to take.

Payroll service providers

- Assess the needs of your small business customers and corporate customers.
- Talk to your financial institution about their offerings or plans to offer instant payments. They will need to provide the connection to the FedNow Service. Visit FRBservices.org[®] for a list of financial institutions live on the service.
- Build and offer instant payment services in collaboration with your financial institution and others in the industry.
- Educate your customers on the benefits of instant payments and your new capabilities.

Employers

- Gain an understanding of the benefits of instant payroll and earned wage access.
- Talk to payroll providers and industry partners about their instant payment offerings.
- Communicate to employees about new instant payroll capabilities.

Financial institutions

- Get to know instant payments and the benefits they provide.
- Assess your customers' needs and pain points when it comes to payroll and other payments.
- Talk to your payroll provider customers about how you can collaborate to offer instant payroll capabilities.

Learn more

Visit FedNowExplorer.org for more information on the FedNow Service and instant payments, including an [on-demand webinar](#) on earned wage access.

Or, contact us directly at SYSFedNowCommunity@chi.frb.org with questions.

¹ [2024 LearnLux Financial Wellbeing in the Workplace Report](#)

² [Visa Insights 2019 Earned Wage Access Preferences Study](#)

³ [2023 Federal Reserve Survey](#) - The survey was conducted by Federal Reserve Financial Services (FRFS), a collaboration of the 12 Federal Reserve Banks. FRFS provides an instant payment service to financial institutions known as the FedNow Service, and thus the survey, and the statements and findings contained in this summary, are not independent academic research.