

A little saving makes a big difference

➤ **Laura Blows speaks to Nest Insight director of research and innovation, Jo Phillips, about its research and trials to help increase people's savings levels**

Please could you explain your 'opt-out' payroll saving research programme, and why you decided to launch it in 2021?

It's estimated that one in four UK adults have less than £100 in savings. Financial shocks – a major appliance breaking, school shoes needing replacing or an unexpected bill – can hit at any time. An emergency savings pot allows people to pay for unexpected expenses without having to turn to high-cost credit.

Yet, it can be hard to get started with saving. Forty-six in every 100 employees eligible for sidecar savings in the Nest Insight pilots said that they thought that the savings tool would help them, but only one in 100 went on to sign up.

Building on the learnings from workplace pensions auto-enrolment,

Nest Insight wanted to explore whether taking an opt-out approach to workplace emergency savings would support more people who want and need to save to get started. Opt-out approaches can overcome some of the barriers that get in the way of people starting saving – things like inertia, low confidence and low trust in financial services.

In an opt-out payroll savings model, employees automatically start saving into their own accessible savings account through regular payroll contributions unless they choose not to. If they want to start saving, they don't need to do anything. Everything is done for them. Only people who don't want to save have to take action. An opt-out payroll savings approach preserves individual choice, while also making it easier for people to get started with short-term saving.

We've now trialled opt-out workplace savings approaches with three UK employers – SUEZ, the Co-op and Bupa Care Services and the results have been striking. When employees are supported to save via an opt-out approach we

see participation boosted by around 50 percentage points. Up to seven in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach.

How does this latest programme fit in with Nest Insight's previous sidecar/Jar offering?

Nest Insight has piloted different innovative workplace savings models with eight employers and three different savings providers, creating access for around 150,000 workers. These real-world pilots all test variations of offering a payroll-contribution accessible savings account in the workplace, either on an opt-in or opt-out basis and in some cases with an automatic rollover to pension saving once a certain emergency savings balance is reached – often called a 'sidecar' design.

The first of these trials was of a sidecar savings model. From 2019 onwards, we piloted and evaluated a hybrid savings tool called Jars that was designed to help employees build up emergency savings and, once a savings target has been reached, to then put more aside for retirement on top of their normal auto-enrolment pension contributions. Jars was introduced at five UK workplaces – Timpson, ITV, Step Change Debt Charity, BT and the University of Glasgow. It was offered to over 80,000 employees through Salary Finance and the Yorkshire Building Society.

More recently Nest Insight has launched three further pilots:

- In November 2021, all new joiners to SUEZ were enrolled into a workplace saving account with TransaveUK, unless they said they didn't want one. They were compared to everyone who joined SUEZ in the year prior to this who had access to the same account if they signed up throughout their employment.
- In September 2022, we launched two further trials with Wagestream, a financial wellbeing benefit app, and two of their employers, Bupa Care Services



and the Co-op. Employees signing up to Wagestream were randomised to either opt-in, opt-out or active choice (where rather than a default, employees have to make an active decision) mechanisms to save. As at SUEZ, all employees have access to the same saving options and could choose to save or not save.

How did you come to work with these companies for the trials?

We share all our learnings widely, including with employers. SUEZ is committed to supporting the financial wellbeing of their employees and expressed an interest in the workplace savings programme. SUEZ were keen to explore how to support their employees with saving and we worked with them and their credit union TransaveUK to design the pilot.

How did the savers initially respond? What feedback did you receive, both in terms of comments and in terms of initial opt-out rates?

Employees have been very positive about the opt-out savings approach. A survey conducted with Wagestream members experiencing opt-out payroll saving suggests over 90 are happy or neutral about being offered payroll saving in this way. Also, over 95 per cent of employees experiencing opt-out payroll saving at SUEZ said that they want their employer to continue to offer it.

We have also run interviews with employees experiencing opt-out payroll saving. Comments we have received include:

- *"I think it's a very important benefit not just for the financial wellbeing of employees but also for the mental wellbeing as it acts as a safety net to reduce further stress."*
- *"Now I have savings. I've never had savings before, that's a nice feeling. My financial situation is improving... I thought it was a good idea. I never would have sorted it out myself – it was all done for me."*

Were there any concerns that savers may have reduced their saving into their workplace pensions to instead contribute into this savings programme?

We have seen no cannibalisation of workplace pensions saving. We've monitored this for over 18 months at SUEZ and find that the addition of an opt-out payroll savings scheme doesn't impact workplace pension opt-outs or savings levels.

"Up to seven in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach"

What have you discovered so far from these trials?

At SUEZ, we've been trialling opt-out payroll savings for two years and the Co-op and Bupa trials have been running for about a year.

The rich and robust evidence base built from across these trials tells us that workplace savings schemes can be powerful, but can only achieve their potential when offered under an opt-out basis.

We have found that participation when employees have to sign up to save is very low. However, when employees are supported to save via an opt-out approach we see participation boosted by around 50 percentage points. Up to seven in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach.

We now know that when opt-out workplace savings schemes are put in place, barriers to getting started with saving, including inertia, low confidence and low trust in financial services are overcome.

We found that employees typically save £40 or more a month. They save persistently because the money is saved

automatically before they 'feel' it in their pocket. Employees build savings, actively use them when they need them, and then replenish their savings pots again. Also, having savings gives people peace of mind, reduces anxiety and boosts confidence. Finally, we found that workplace auto-saving is additive to people's contributions to their workplace pension scheme.

Will the employers continue to offer this savings tool even after the trials end?

SUEZ recycling and recovery UK, Bupa Care Services and the Co-operative Group have all expressed an interest in continuing to offer opt-out payroll savings schemes when the trial ends. All three are also thinking about how to overcome the current regulatory and legislative challenges that mean, at present, it can only be offered to a subset of their workforces. Wagestream have also included opt-out payroll saving in their extended employer offering with the potential to reach three million frontline workers.

And what are your future aims?

It's clear from our research that opt-out payroll savings approaches have enormous potential to boost the financial resilience, mental health and productivity of millions of people. We have a huge opportunity here. For the most part these approaches are currently untapped.

We're currently working with industry and policymakers to explore how opt-out payroll savings approaches could be scaled – how to increase access to workplace savings solutions, including to employees working for smaller organisations, how opt-out payroll savings approaches could be widely implemented, and whether there's an opportunity to build emergency savings into the future evolution of pensions auto-enrolment in the UK.

 Written by Laura Blows