nest insight

Supporting emergency saving

Briefing paper 2 – early learnings from the employer experience

BlackRock. Money & Pensions Service. JPMorgan Chase & Co.

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About Nest Insight

Nest Insight is a collaborative research unit set up by Nest Corporation to help understand and address the challenges facing Nest members and other defined contribution savers. For more information visit **nestinsight.org.uk**

About Nest Insight's strategic partner

Invesco is an independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Building on its strong track record in defined contribution research, and its existing partnership with the University of Cambridge Judge Business School, Invesco partnered with Nest Insight to support their ambitious programme of research, publications and events. For more information visit **invesco.co.uk** NYSE: IVZ

Programme partners

BlackRock is a global investment manager, serving the UK market for more than 20 years. BlackRock Social Impact partners with not-for-profit organisations, start-ups, corporations and BlackRock employees to create impact in communities and on a global scale. It is supporting a cross-sector programme with a mission to help people living on low to moderate incomes gain access to and increase usage of proven savings strategies and tools, ultimately helping them to establish an important safety net. For more information, visit **blackrock.com/corporate/about-us/social-impact**

The Money and Pensions Service (MaPS) vision is: 'everyone making the most of their money and pensions'. MaPS is an arm's-length body committed to providing access to the information and guidance people across the UK need to make effective financial decisions over their lifetimes. For more information, visit **maps.org.uk**

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Delivery partner

Salary Finance is on a mission to help millions of people around the world to become financially happier and healthier. It currently helps over 3 million employees at 550+ of the UK's largest employers. Salary Finance partners with employers to provide a range of salary-linked employee benefits, helping employees to get out of debt, start saving, advance their pay, protect their future and learn better financial habits. For more information, visit **salaryfinance.com**

The UK's auto enrolment system

The UK introduced pensions auto enrolment in 2012.

Under the legislation, employees and employers make mandatory minimum contributions each pay period into a pension scheme based on their eligible earnings. Jobholders must be automatically enrolled if they make £10,000 or more a year, though they can also ask to be enrolled by their employer if they earn less. Larger employers were brought into the programme first, with employers of all sizes participating by February 2018.

The level of minimum mandatory contributions into defined contribution (DC) pension schemes was increased in phases, starting with 1% of band earnings for employees and 1% for employers, rising in April 2018 to 3% for employees and 2% for employers and rising again in April 2019 to 5% for employees and 3% for employers. Workers can receive tax relief from the government on their contributions, currently an equivalent of 1% of their 5%.

Employees can opt out of auto enrolment or stop contributions later. Our research has found that, even after the most recent rise in minimum contributions, very few existing savers ceased contributions and opt-outs for new enrollees remained low, at around 10%.

To learn more, see **Essentials of the UK retirement system**.

Research programme overview

The sidecar savings model is a hybrid savings tool that combines an accessible 'emergency' savings account with traditional defined contribution (DC) retirement saving.

The approach was developed based on ideas originally set out by a group of US researchers[1] to help people create a better balance of short- and long-term saving that fits more closely with their financial needs and preferences.

Building financial resilience

The savings tool is designed to help address two key challenges facing many DC pension savers:

1. **A lack of short-term emergency savings**

   According to research by the Money and Pensions Service (MaPS), only 44% of working-age adults in the UK have £500 or more in savings on hand and 26% have no savings at all. This means that an unexpected financial shock, such as a car repair bill, could leave many people with little choice but to seek money from elsewhere. This may include turning to friends and family, using existing credit cards or reducing spending wherever possible. But some people might have to cancel pension contributions to free up cash or resort to high-cost sources of borrowing which, if not managed carefully, could lead to debt spirals – the effects of which may be felt into retirement. Being stuck in debt can also cause excessive levels of stress for an individual, which in turn can have a knock-on effect on their health, productivity and earning capacity.

2. **A need to save more for retirement**

   For some workers, saving at the auto enrolment minimum contribution level is likely to provide a meaningful uplift in their quality of life in retirement. Others, however, may need to save more in order to fund the lifestyle they want in later life. Direct appeals to people to increase contributions can often be ineffective. But pre-commitment devices, where people commit now to saving more later, have had significant success[2]. The sidecar savings model uses the idea of a pre-commitment to save more for retirement once the more immediate pressure of saving for emergencies has been met.

1 See John Beshears, James J. Choi, Mark Iwry, David John, David Laibson and Brigitte C. Madrian, Building emergency savings through employer-sponsored rainy-day savings accounts (June 2020), **nber.org/chapters/c14346**

2 See Richard H. Thaler and Shlomo Benartzi, Save More Tomorrow: Using behavioral economics to increase employee saving (February 2004), **jstor.org/stable/pdf/10.1086/380085.pdf**

Trial partners and design

This multi-year research programme is supported by BlackRock, the Money and Pensions Service (MaPS) and JPMorgan Chase. The research is being led by Nest Insight, working with academics Sarah Holmes Berk, John Beshears, James Choi, David Laibson and Brigitte Madrian as well as MaPS.

Salary Finance is the trial's technology partner, providing the savings tool which is being introduced in participating workplaces under the name 'Jars'. The emergency savings accounts are provided by Yorkshire Building Society.

At the time of publication, participating employers who have gone live with the Jars savings tool trial include Timpson, the University of Glasgow, BT and StepChange.

Over the length of the trial, we'll be examining the impact of the savings tool and following workers on their savings journey to measure:

- Who signs up to use the savings tool? What levels of participation do we see? Does it attract new savers?
- How do people use the savings tool? How much do they save? How often and why do they withdraw money from their emergency savings account? And does it help them to save more for retirement?
- Does the savings tool have a positive impact on workers' financial resilience and wellbeing?

Figure 1

How does the savings tool work?

1 Sign up
The saver signs up at a dedicated Jars portal. This process takes 5–10 minutes.

2 Pick emergency savings target
The saver selects the amount to save from each pay packet and sets their savings target. Editable defaults are offered as a starting point.

3 Set up emergency savings account
The saver opens a new 'instant access' savings account. This will be their emergency savings jar, which sits alongside their existing pension pot.

4 Auto deposit into emergency jar
Their chosen amount is deducted from their salary each pay period. At first this money goes into the emergency savings jar.

5 Auto rollover to pension pot
Once their savings target is reached, the salary deduction is sent to the saver's pension pot, on top of their normal auto enrolment pension contributions.

6 Tap into emergency savings
The saver can take money out of their emergency savings jar as often as they want. Whenever the balance drops below their savings target, this salary deduction starts going into the emergency jar again.

About this series of briefing papers

Nest Insight is approaching the end of the first phase of its sidecar savings trial. From January 2021, all participating employers will have implemented the Jars tool and we'll start the clock on two years of steady-state data gathering which will form the basis of the final programme evaluation.

We have learnt a great deal in this first phase. This series of briefing papers, Supporting emergency saving, is intended to share these initial insights.

The briefing papers in turn set out emerging ideas for how sidecar savings might be implemented from the perspective of policymakers and the industry, explore the experience of employers providing Jars for their workforce and look at the experience of the employees to whom it has been offered.

The first briefing paper, Supporting emergency saving: briefing paper 1 – policy considerations and questions for future research[3], was published in October 2020.

This second briefing paper explores some of our early learnings and emerging insights about the employer experience of offering a sidecar savings tool to their employees.

3 **nestinsight.org.uk/wp-content/uploads/2020/10/Supporting-emergency-saving-policy-considerations-and-questions-for-future-research.pdf**


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Section 1

The employer's role in supporting greater adoption of sidecar savings

Nest Insight's sidecar savings trial aims to test the effectiveness and impact of a hybrid workplace savings tool called Jars which combines short- and long-term savings goals. Employers play a key role by offering the tool as an employment benefit, building employee engagement and setting up employees' emergency savings via payroll deduction.

Because employers are still implementing and launching the pilot tool Jars, it is too early to draw conclusions about the efficacy of this approach in driving improvements in financial wellbeing. However, the conversation around approaches to support short-term emergency saving has come to the forefront because of the Covid-19 crisis. Insights from the early stages of our trial may be relevant to policymakers in the UK and beyond, as well as to providers, employers and employee benefits consultants who are working on solutions to support people to build financial resilience.

So, while our trial is still in the early stages, we think it is important to share what we have already learned from our research.

We previously published Supporting emergency saving: briefing paper 1 – policy considerations and questions for future research[4], which explores some of our emerging insights about how sidecar and sidecar-like savings approaches could be supported, and their impact maximised, if the case for wider use is made in the future.

4 **nestinsight.org.uk/wp-content/uploads/2020/10/Supporting-emergency-saving-policy-considerations-and-questions-for-future-research.pdf**

In this paper, we look specifically at what we have learned so far from the employer experience of Jars. We consider:

- the context to the roll-out of Jars
- employer responses to the Jars concept and design
- employer decision-making around offering Jars
- implementation of Jars and employee engagement
- optimising sidecar savings for employers

The learnings in this paper are drawn from 18 qualitative research interviews conducted by researchers from BritainThinks from July through September 2020. This is a relatively small sample size so insights at this stage should be treated as indicative rather than definitive. Participants included:

- representatives of employers who have launched or plan to launch Jars with their employees, referred to in this report as 'Jars employers'
- representatives of employers who considered launching Jars but have not yet done so, or decided not to, referred to in this report as 'non-Jars employers'
- provider stakeholders who have worked with employers to set up and promote Jars, such as representatives from Salary Finance, which provides the Jars tool, Yorkshire Building Society, which provides the instant access savings account, and Nest, which provides one of the workplace pensions involved in the trial

From these interviews we developed 11 learnings, which fall under three broad subheadings:

Employer responses to the Jars concept and design

1. Employer support for the concept of a hybrid workplace savings tool is high. This is due to its perceived ability to improve employees' financial resilience.
2. Jars is primarily viewed by employers as a way to support employees to save and build up an emergency savings buffer. Pre-commitment to additional pension saving after the emergency savings target is reached is seen as an important but secondary aspect of the product design.
3. Employers feel the salary deduction mechanism designed into Jars is, in principle, a very effective way to initiate a savings habit among those who previously have struggled to save for a variety of reasons. Payroll-based hybrid savings tools are perceived to be a good idea for a wide range of different types of employer organisation and types of employees.
4. Despite the positive employer response to the design of Jars, there is some concern around whether the mechanisms will be enough to overcome the barriers to saving that employees face.

18

interviews

The research involved 18 telephone or online interviews that lasted 45-60 minutes.

Employer decision-making around offering Jars

5. An organisation's existing culture is an important driver for offering a hybrid workplace savings tool. Many employers already take an active interest in supporting their employees' financial wellbeing and Jars fits well with this strategic objective.
6. Offering a benefit that can support employees with their financial wellbeing is felt to demonstrate that an employer is responsible and forward-thinking.
7. Some employers cited concerns about the resource requirement or timing of implementation and roll-out as barriers to offering Jars. Such barriers have been exacerbated by pressures caused by the pandemic.
8. Employers don't necessarily feel qualified to evaluate if Jars is the optimal savings product to offer. It may be useful to establish a set of quality criteria for emergency savings accounts to help employers evaluate workplace savings tools.
9. The pilot Jars design is currently compatible only with 'relief at source' workplace pension schemes, which take contributions from the employee's net pay.

Implementation of Jars and employee engagement

10. The employer implementation experience is aligned with expectations. It is no more complex than implementing other benefits.
11. Building employee engagement in a new benefit can be challenging. Communications need to be timely, multi-channel and frequent.

Section 2

The context to the roll out of Jars

The coronavirus pandemic has created a uniquely challenging environment for employers to roll out a sidecar savings tool to their employees. At the same time, employers are more aware than ever of the need to improve employee financial wellbeing.

The pandemic began to unfold in the UK in March 2020, shortly after the Jars hybrid workplace savings tool had been launched by some of the employers participating in the sidecar savings trial and while other employers were still planning or considering launching it.

Lockdown restrictions implemented to help reduce spread of the virus had a significant impact on many businesses and necessitated changes to working practices and communications with staff. For example, many employees across the UK were placed on furlough under the government's Coronavirus Job Retention Scheme (CJRS). Others had to adapt to working from home (WFH), or to new shift patterns and unfamiliar health and safety requirements. Some faced an increased workload as adaptations were made, or because colleagues were absent. Employers had to make decisions quickly to satisfy evolving guidelines and respond to shifting market conditions.

The Covid-19 crisis has created an uncertain and difficult backdrop for rolling out new benefits to employees, given the many other issues that employers are trying to manage and address at this time. Several employers postponed the launch of Jars or, if they had already launched the tool with their employees, postponed communications campaigns to encourage participation. At the time of writing in November 2020, a second lockdown had been put in place in the UK and the furlough scheme extended for several months.

Some employers told us they anticipate pandemic restrictions will be compounded by further upheaval caused by Brexit.

Taken together, these business challenges made rolling out this new benefit a lower priority for a few employers:

> If I am honest, we are trying to work hard so the business survives. I'd say getting your head above water if you know what I mean. So, I don't know when I'd be able to discuss savings with colleagues. Let's just see how things are next year.

Jars employer

However, employers also noted that in recent years there has been a drive to develop their benefit offering, and that they are committed to continuing to do so even in light of current challenges. For example, the pandemic has further highlighted to them the role employers can play in supporting the wellbeing of employees, particularly in relation to financial security:

> We're moving away from it, but our offering is quite basic at the moment and feels relatively limited. It's also not communicated as a whole – there is limited proactive communication. Now we're delivering a raft of changes through 2020 – including the way we manage pay, new grading systems, looking at policies and benefits, maternity, paternity, sick pay – and we've made changes to [our] pensions arrangement. There's a whole host of reward-based initiatives through 2020 and it will go beyond this.

Jars employer

In the current environment, employers are perhaps more aware of the financial vulnerability of many of their employees. In some cases they've also become more nimble in adapting working practices. So, there may be increased opportunity to engage more employers about offering a new savings tool like Jars as a benefit for their employees.

Figure 2

77%

of employees say money worries have affected their job performance

69%

of employers say money worries have affected their workers' job performance

22%

of employers say employee money worries have meant they've lost talent

4.2m

days per year

estimated cost to UK businesses of employee absences due to a lack of financial wellbeing – equivalent to £626 million

Sources: Money and Pensions Service, Financial wellbeing in the workplace, **moneyandpensionsservice.org.uk/financial-wellbeing-in-the-workplace**, and Close Brothers, Financial wellbeing index (2019), **closebrothersam.com/media/1969/the-financial-wellbeing-index.pdf** (data pre-date the pandemic)

Section 3

Employer responses to the Jars concept and design

Employers are supportive of offering their employees a workplace emergency savings tool with a pension saving auto rollover feature.

The instant access savings and payroll deduction features have been particularly welcomed. But some employers have voiced concerns about the level of voluntary take-up that can be achieved in practice, even with a product that is appealing in principle.

Early learning 1

Employer support for the concept of a hybrid workplace savings tool is high. This is due to its perceived ability to improve employees' financial resilience.

Employers view Jars as a good way to improve employee financial wellbeing and build financial resilience among those most in need. There is widespread recognition that employees find saving difficult and struggle with debt.

Employers say they like the mix of saving goals in Jars:

> It's a very positive product by helping with short-term and long-term financial gains. It's there to help the person out whatever.
>
> **non-Jars employer**

They also find the hybrid saving model easy to understand, and were able to describe the concept accurately and unprompted during interviews:

> It's a short-term, rainy-day savings plan. You nominate an amount and that money gets put into the savings plan. Once you hit the ceiling, then the residual gets put into [the] pension scheme. So, whether you're saving for short-term or long-term needs, you get into the habit of saving money every month. It's actually a very simple mechanism – why hasn't it been thought about before!
>
> **non-Jars employer**

> It's a way of building an accessible pot of savings in the short-term, that can flip into long-term savings for your pension. I think the primary thing is financial resilience, so if you have a type of shock, like a boiler blowing up or something on the car needs fixing, then you've got some funds to fall back on, rather than having to borrow. Having that resilience supports a sense of wellbeing. Financial wellbeing is a primary driver for mental wellbeing.
>
> **Jars employer**

Employers are particularly conscious that financial worries can impact a person's mental health and productivity[5], and that this can cause challenges for their employees at home and at work.

5 See Katie Evans, Working well: how employers can improve the wellbeing and productivity of their workforce (January 2016), **smf.co.uk/wp-content/uploads/2016/01/Working-Well-How-employers-can-improve-the-wellbeing-and-productivity-of-their-workforce.pdf**

Early learning 2

Jars is primarily viewed by employers as a way to support employees to save and build up an emergency savings buffer. Pre-commitment to additional pension saving after the emergency savings target is reached is seen as an important but secondary aspect of the product design.

When employers describe the value Jars could deliver to their employees, they emphasise the liquid, 'emergency' savings component, with the rollover contribution to pension savings coming through less strongly. This may be because supporting employees to build up emergency savings is viewed as a more immediate way to support individuals to build their financial resilience now or in the future.

This sentiment was also expressed by provider stakeholders in our interviews with them. These stakeholders say they see the benefits of encouraging further pension saving through the sidecar savings model, but the greater benefit is helping employees build a short-term financial buffer and become less reliant on credit:

> You can see the rise in people using payday loans. We know people don't have emergency funds, and it's difficult for people to prioritise saving.
>
> **non-Jars employer**

> It's a savings product that helps you save money for short-term needs, but also when you satisfy those short-term needs, it helps you save in your pension too.
>
> **provider stakeholder**

This may in part be because employers feel that auto enrolment already goes some way to support longer-term savings among workers and a gap remains in supporting more liquid savings. Employers do recognise that most people in the UK are not saving enough for their retirement. Some employers report their employees' engagement with pensions is low and that although few people opt out of auto enrolment, employees rarely choose to increase their contribution level or make additional contributions to their pension. However, employers also know that some employees are struggling to pay back debts or worried about how to pay their day-to-day bills. For this reason, employers say the benefit of saving more for a pension now is considered less tangible, and it's therefore more challenging to communicate this value to their employees.

In our interviews, a few employers said they aim to raise awareness of options available to employees to make additional contributions to their pension, such as 'salary sacrifice' schemes, where the employee takes some of their salary in the form of a direct contribution to their pension before taxes and National Insurance (NI) contributions are paid. While they find the pension rollover mechanism in Jars appealing as another route to encourage this behaviour, they still did not feel this benefit should be put 'front and centre' in communications to employees. Instead they said the pension rollover could be made part of a broader strategy to encourage employees to engage with their pension.

Early learning 3

Employers feel the salary deduction mechanism designed into Jars is, in principle, a very effective way to initiate a savings habit among those who previously have struggled to save for a variety of reasons. Payroll-based hybrid savings tools are perceived to be a good idea for a wide range of different types of employer organisation and types of employees.

There is a strong sense that Jars could be a highly effective way to help people save who are not already doing so because it is payroll-based. Employers and stakeholders alike feel that deducting savings straight from an employee's salary has three key strengths:

1. **It removes a temptation to spend disposable income since the Jars user never sees the savings contribution in their current account.**

   There is a belief that most people find it more difficult to save from disposable income if it is accessible for other uses. By making deposits directly to a savings account through payroll deduction, Jars creates a situation where people never see or 'feel' this money as being available for consumption:

> It doesn't even hit their bank. I guess on the wage slip it would say Jars £50 or whatever. Straight away it has gone. They never see it in their bank account. I think that would really work.
>
> **Jars employer**

2 It reduces the time and effort required to choose and set up a savings account.

Shopping around for a savings account, and then setting up the account and a direct debit for making regular contributions to it, can be time-consuming. Many people don't get around to it, despite their best intentions. As designed, Jars allows users to sign up online through a quick and easy interface. The savings account is already in place as part of the tool, and the link to payroll removes the need for a direct debit. This means set-up is less onerous on the user:

> I really think it can [help people save]. My colleagues might be fed up with me saying this, but ease of access is much underestimated. If colleagues can quickly enrol, tick a couple of boxes and then it comes straight out of payroll, it's done… there's a lot to be said for that. You could go and open a savings account, set up direct debit, but that involves quite a bit of effort. That ease of access adds real value.

Jars employer

3 It establishes an 'unconscious' saving habit.

Employers note that saving through payroll deductions is more likely than other savings tools to establish a persistent savings habit by being 'out of sight, out of mind'. People are not only less likely to 'miss' the money, they may even forget that money is being deducted from their salary each month:

> The thing is, it's out of the wages before they get paid. That's a fabulous way of doing things because you forget you're even doing it.

Jars employer

Jars is perceived to be a particularly useful tool for those who have never saved before, and for employees on a low income who have less financial resilience and may not have engaged with savings products previously or felt saving was for them. In our interviews, one employer noted that building financial resilience is also important for employees who may have relatively high but variable incomes, such as those relying on commission for a significant proportion of their income.

Some employers and stakeholders feel that younger employees in particular may benefit from the availability of a workplace savings tool. This is because younger employees may not yet have built a savings habit and can have relatively low incomes at the beginning of their career. Employers with a younger workforce on average felt that Jars would be particularly relevant for them:

> For me, there are two buckets: [There are] those who are on lower incomes and say [they] cannot afford to save massive amounts, like the Help to Save scheme. The other is younger graduates, starting out in [their] career. They don't really get what pensions are, maybe? And this product can get them early.

provider stakeholder

A hybrid savings tool like Jars appears to have relevance for employers across a range of different workplace settings and with different types of workforces. Within this trial, Jars is being offered across different employment sectors to a broad range of employees, including people working in contact centres, shops, field-based roles or offices.

Early learning 4

Despite the positive employer response to the design of Jars, there is some concern around whether the mechanisms will be enough to overcome the barriers to saving that employees face.

Employers recognise that overcoming barriers to saving is challenging. Despite the personal and social desirability of saving, many people continue to fail to save due to inertia. In our interviews, employers and stakeholders suggested that Jars could go some way to overcome this inertia, but said it is a strong force:

> I think it's a good idea, but does it work? In the end, it's for the individual to take the product. How many will actually use the benefit? How successful will they be with saving?

Jars employer

Employers also recognise that affordability is a barrier to saving. They felt that some of their employees genuinely do not have extra money to save each month, particularly if they also have debts to pay off first:

> In my role, I speak to people [who] are really struggling for money. I speak to people who have real issues and I don't know if this would work for them.

Jars employer

There is a strong sense that barriers to saving have been exacerbated by the Covid-19 crisis and feelings of economic uncertainty, with some people at this time wanting to ensure their income remains completely liquid and accessible. Even though Jars has been designed so the savings account is liquid and can be accessed immediately, it leverages 'mental accounting' to separate the savings account as a pot labelled 'for emergencies'. In the current context, some employers expressed the view that their employees may want to be able to see and access all of their income easily. People also might be reluctant to have some of their income separated out, especially if, once they hit their emergency savings target, the money is automatically rolled over into their pension pot, which they won't be able to access before age 55.

Regardless of the Covid-19 context, employers and stakeholders perceive a general lack of impetus to save. Being on a low income is a particularly difficult barrier to overcome when encouraging people to begin saving for the first time. This has led some employers to question how effective Jars will be, however optimal the design of the tool, in changing already entrenched behaviours, especially if users are still required to actively choose to save and set up an account.

Section 4

Employer decision-making around offering Jars

Employers generally did not have many questions or concerns about the concept or design of Jars. They were more focused on the implementation process, and how Jars would fit within their broader package of employee benefits, when deciding whether to offer Jars or not.

The culture as well as the strategic and operational commitments of an organisation were key factors in decision-making around offering Jars. On balance employers seemed to be inclined to offer a tool to their employees to help improve their financial resilience. At the same time, resource pressures, some caused by the pandemic, posed challenges.

Early learning 5

An organisation's existing culture is an important driver for offering a workplace hybrid savings tool. Many employers already take an active interest in supporting their employees' financial wellbeing and Jars fits well with this strategic objective.

In our interviews with Jars and non-Jars employers, a key driver in considering the hybrid savings tool was the desire to support employees' financial resilience and wellbeing, with recognition that financial difficulties can also have a negative impact on employees mental health and general wellbeing.

Benefits decision-makers exhibit a strong desire to act as a responsible employer and many say they have a 'duty of care' to their employees that extends beyond health and safety regulations. Helping employees to build financial resilience and secure their personal finances is considered an important part of supporting employee wellbeing:

> Financial wellbeing is part of broader employee wellbeing piece. Most organisations have got now some sort of wellbeing strategy in place. Jars definitely supports that.

Jars employer

Several employers in our interviews reported they were in the process of expanding or refreshing their benefits offering. As part of this, they were looking to develop a holistic package to support employees with their personal finances, including financial education, loans and savings. These employers said Jars could sit well within this broader benefits package.

The non-Jars employers we spoke to tended to be at an earlier stage of developing their benefits strategy relating to financial wellbeing. They indicated an intention to support their employees' financial resilience and felt Jars could sit well within this objective. However, they did not yet consider themselves to be in a position to launch Jars or another sidecar-like savings tool in the workplace.

One employer noted that their organisation has an established financial benefits package that ranges from day-to-day perks to help with expenses, such as discounts and vouchers, to more significant financial support, such as employer loans and salary advances. However, this employer did not currently offer a tool to help their employees to build up emergency savings. The employer reflected that Jars would fill a gap in their benefits offering.

Early learning 6

Offering a benefit that can support employees with their financial wellbeing is felt to demonstrate that an employer is responsible and forward-thinking.

As noted above, supporting employee financial wellbeing is seen by employers to be an important facet of acting as a responsible employer. This was felt to be particularly important as employers develop their recovery programme in response to the Covid-19 crisis. Employers said the strategic benefits were:

1. improving employee–employer relations and ultimately reducing employee churn
2. helping organisations differentiate their employer brand in the marketplace to retain talent and attract new talent

Some employers note that offering innovative benefits such as a hybrid savings tool like Jars can lead to improved employee perceptions of the organisation, even among employees who do not actively take up the benefit:

> Take-up is one indication of how successful a benefit is, but a bit like maternity and paternity [leave], some benefits don't apply to [a] vast majority of colleagues. Just knowing the benefits are there makes you feel better about your organisation for providing good benefits.

Jars employer

Employers also recognise that improving employees' financial resilience can improve productivity, since employees with fewer financial worries tend to be more productive in the workplace. This in turn can deliver greater financial returns for the business as a whole:

> We wanted to introduce something around financial wellbeing. This is because of research, it's all there – there's a huge population that don't have any savings at all. That's bad for both the employee and ourselves. People with no money are worried. What if we had a reliable employee and now they're unreliable and have absence issues because of money? Any wellbeing is important to us, and mental and physical health are stresses.

Jars employer

Early learning 7

Some employers cited concerns about the resource requirement or timing of implementation and roll-out as barriers to offering Jars. Such barriers have been exacerbated by pressures caused by the pandemic.

Employers who decided not to offer Jars to their employees often cited the practicalities and resource implications of offering a new benefit as reasons for not going ahead with a launch, rather than any specific concerns with the design of Jars.

Some employers talked about a 'window of opportunity' where benefits can be launched, since planning cycles can occur a year or two in advance of offering a new benefit to employees. The Jars pilot timeline simply didn't fit into the planning window for some organisations:

> We have a reward strategy, it's a three-year strategy and everything is pinned around that. We don't search for new benefits outside of that. Jars came in sideways. It wasn't in the strategy or plan.

non-Jars employer

Integrating review and approval of a new benefit into a wider employee benefits strategy is essential for gaining buy-in at the executive and board level. Some individuals presenting the Jars tool for internal reviews believed they would be more likely to gain sign-off to offer Jars if the tool is presented as part of wider financial benefits package rather than as a new benefit considered outside the usual benefits planning cycle:

> When we talk about it next year to the senior team, as part of a bigger financial piece, no one would bat an eye.

non-Jars employer

Several non-Jars employers noted that their decision not to offer Jars often came down to the staffing resource required to set up and launch Jars. For some, this wasn't an active decision around what to invest their resource in, but rather that Jars 'fell by the wayside' in the context of other competing time pressures.

These pressures have been intensified during the Covid-19 crisis, with many employers reluctant to launch new projects requiring additional staff time to implement.

In our interviews, several employers felt that offering a benefit to encourage saving was potentially insensitive at a time when some businesses have had to make redundancies and furlough employees. There were concerns that offering a savings tool could be misconstrued as trying to put the onus on employees to manage their own financial difficulties in a time of great uncertainty:

> Covid affected lots of people financially. Virtually all team members have been furloughed at some point and were earning 80% of their usual wage. It's a hard time for everyone, and people will be less inclined to save at the moment. I don't think we'd offer it at this time, but that doesn't change our plans for offering it in the future. As we move into next year, I hope we'll be moving back to business as usual.

non-Jars employer

However, some employers noted that supporting employees to build up a savings safety net could reduce the need for employers to provide financial assistance to employees, such as through employer loans and salary advances. They indicated that making arrangements for employees to access this type of financial support can be time-consuming. For these reasons, a hybrid savings tool like Jars could actually help to enhance business productivity:

> Everyone knows a staff member who has asked for an advance. You can see how it affects staff member themselves. I need them on their 'A' game. I need them not worrying about money… Also, if someone needs a salary loan, it takes time out to set that up. It's good if they have something stashed away so if they have a rubbish month [from commission], they can draw on their own money.

non-Jars employer

Early learning 8

Employers don't necessarily feel qualified to evaluate if Jars is the optimal savings product to offer. It may be useful to establish a set of quality criteria for emergency savings accounts to help employers evaluate workplace savings tools.

Many employers say the interest rate of the savings account in Jars is an important consideration when deciding whether to offer Jars or not. This is perhaps not surprising, as interest rates are the normal comparison measure for savings accounts in the press and comparison tables. While there is recognition that current interest rates are generally low across the board, a few employers commented that they felt the interest rate of the Jars savings account were perhaps not as high as might be found elsewhere[6]. They believed this could impact take-up among more financially savvy employees who may be inclined to seek a savings product with better returns or special new-customer offers.

It's certainly true that higher rates of interest are available, but to secure these, savers often need to agree to not withdraw money for a defined notice period or limit the number of withdrawals they can make each year. Both of these restrictions significantly limit or prevent using the money in the savings account in the case of a truly unexpected financial expense, such as a broken-down boiler or a higher-than-usual bill. These are the sorts of financial emergency that Jars has specifically been designed to protect against.

In our interviews, many employers said they had balanced the interest rate of the Jars account with other measures for evaluating the product, including, most importantly, the impact it could have on their employees' savings behaviours and financial wellbeing. For example, some felt it was more important to consider accessibility of savings when assessing a tool for getting people into the habit of saving and building an emergency savings buffer. Some said the ease of having the savings account provider already in place and the account set up for the employee was key:

> If I went into the market [to find a saving product], I might get a bit more interest, but then you've got to go out, find an account and set it all up yourself.

Jars employer

6 The interest rate on the Jars savings account is variable. As at 31 October 2020, it was 0.2%. This is comparable to other instant access savings accounts and is benchmarked quarterly against the market.

To some extent how employers evaluate Jars or another hybrid savings tool may depend on how the employer envisages their employees using it.

In our first briefing paper on early learnings from our sidecar savings trial[7], we reviewed how an emergency savings account may need to have different features compared with a savings account designed for more goal-based savings such as saving for a flat or house deposit, an upcoming event like the arrival of a new child or the purchase of a 'big ticket' item like a car or holiday. Much goal-based saving is tied to an event months in the future, with some flexibility perhaps about when money needs to be accessed. Trading off immediate access to savings for a higher interest rate makes sense if a person is saving for such a goal. If the reason for saving is to provide a buffer against unexpected expenses or financial shocks, then instant access to the money is much more important.

It may therefore be useful to establish a set of quality criteria for emergency savings accounts to help employers evaluate workplace savings tools and push beyond the norm of looking at interest rates in isolation. The US-based not-for-profit organisation Commonwealth has shared a checklist for the features that ensure a high-quality emergency savings product. These include liquidity, transparency and low or no fee. Commonwealth does not consider interest rates to be a core consideration[8].

Early learning 9

The pilot Jars design is currently compatible only with 'relief at source' workplace pension schemes, which take contributions from the employee's net pay.

Jars is designed as a sidecar savings tool with auto rollover to pension saving. Currently, it is compatible only with 'relief at source' pension schemes, which take contributions from the employee's net pay. It has been piloted in this manner because this allows contributions to be treated in the same way by payroll, without having to consider whether all or part of a given month's contribution is going into the employee's emergency savings account or is being rolled over into their pension pot, making it eligible for tax relief[9].

This design meant that at least one employer did not feel able to offer Jars, despite wanting to, because the pension scheme they have in place is a salary sacrifice scheme, where the employee takes some of their salary in the form of a direct contribution to their pension before taxes and National Insurance (NI) contributions are paid. Employers with a salary sacrifice scheme felt Jars would create complexity either for their payroll staff or for employees who would need to claim tax relief on rollover pension contributions and might miss out on reductions in NI contributions they received under salary sacrifice:

> There's better ways of saving into your pension, because this way [with Jars] you don't get tax relief on it.

non-Jars employer

> It'd be inconvenient for high-rate taxpayers – they would have to claim it back through their tax return. And also individuals wouldn't get the NI saving, so they would be 10% worse off on contributions.

non-Jars employer

7 **nestinsight.org.uk/wp-content/uploads/2020/10/Supporting-emergency-saving-policy-considerations-and-questions-for-future-research.pdf**

8 Commonwealth, Rethinking employer-sponsored savings accounts: how employers can partner with record keepers to reach financially vulnerable employees (July 2020), **buildcommonwealth.org/blog/post/rethinking-employer-sponsored-savings-accounts**

9 For more information on the design of this two-pot model, please see our first briefing paper, **nestinsight.org.uk/wp-content/uploads/2020/10/Supporting-emergency-saving-policy-considerations-and-questions-for-future-research.pdf**

Section 5

Implementation of Jars and employee engagement

Employers found Jars to be no more complicated to set up than other new benefits. The bigger challenge so far has been in building awareness and interest in Jars among employees, particularly in the context of the pandemic.

Once the decision to offer Jars has been made, setting it up seems to be relatively straightforward. Then, engaging employees becomes key. Unlike with auto enrolment in pensions, where the default is saving and employees must actively opt out, with Jars and similar sidecar savings models, employees currently need to actively sign up to start saving.

Early learning 10

The employer implementation experience is aligned with expectations. It is no more complex than implementing other benefits.

Employers accept that offering a new benefit, particularly one that requires changes to payroll, involves planning and resource. In addition, most employers anticipate some teething problems when offering a new benefit through a third party. Overall, Jars employers reported that the implementation and launch of the tool had proceeded fairly smoothly and in line with their expectations:

> Jars was very easy to set up, as all the technology and most of the administration is provided by Salary Finance. No special training was needed. Payroll staff just need to process the file provided by Salary Finance each month and make the necessary payment.

Jars employer

They emphasised the value of testing carried out during the pre-launch stage to identify and resolve some implementation issues ahead of the wider roll-out:

> Overall, implementation went OK. It’s not unusual in those types of processes for there to be some problems. It was a fairly good implementation though. Testing was where we had a few issues. But overall, there isn’t much to say.

Jars employer

Early learning 11

Building employee engagement in a new benefit can be challenging. Communications need to be timely, multi-channel and frequent.

Employers highlight the importance of effective communications and engagement with employees to drive successful introduction of any new benefit. In our interviews, some employers identified communications challenges that they feel may have negatively impacted take-up of Jars, including:

- **The need to balance competing communication needs:** Employers have lots of different issues and information to communicate to employees, and some report employees complaining about the volume of emails they receive. Given the amount of information in the workplace, engaging employees on a benefit which some may not consider relevant to them can be particularly challenging.
- **The need to prioritise communications about the pandemic:** Employers noted that they've had more communications with employees this year because of the pandemic, such as the need to share revised and evolving guidance on Covid-secure working practices. They were concerned that communications about Jars would be lost or feel inappropriate in this mix. Consequently, some Jars employers broadly halted communications about Jars for the time being.
- **The technical nature of Jars:** Though the employers we interviewed found the concept and design of Jars to be easy to understand, there was some concern that the pensions saving rollover element is more technical and could be confusing for employees. Some employers felt communications about Jars should be led by the short-term savings component, with later communications building on users' familiarity to talk about the pensions savings benefit:

> Although it was sold as way to top-up your pension, I don't think that's how we would have sold it to employees. We would position it as saving money regularly from your pay so you can access it.

non-Jars employer

> I think the pension thing confuses people – is it a saving scheme for now or when you retire? I think it's a good dual product, but from a communication perspective, I struggle with it a bit.

Jars employer

Solutions to overcome some of these challenges could include:

- **Creating a 'critical mass' of interest:** Successful communication around employee policies and offerings is often seen to happen via line managers, internal champions and word-of-mouth among employees. Interest and uptake of Jars needs to reach a 'tipping point' within the organisation before this word-of-mouth communication can effectively support formal communications. It may be more difficult to build this momentum in the current context, with more employees working from home (WFH) or maintaining social distancing in the workplace.
- **Getting the framing right:** Some employers feel it is important to refer to Jars as an 'emergency savings tool'. Others feel that 'emergency saving' isn't motivating to employees and suggested more goal-orientated communications. Tailoring communications for each workplace or employee's perspective may help to increase take-up.

In our interviews, employers reflected that successful benefit launches involve multiple lines of communication with employees, including posts on company intranets, regular newsletters and emails, to ensure information reaches employees who work in different ways and to reinforce the message. They also felt that informal channels such as word-of-mouth recommendations from colleagues and advice from managers is integral to normalising the use of a new benefit, and therefore increasing take-up. Encouraging workplace champions and word-of-mouth advocacy is likely to support an employer's formal communications plan.

Section 6

Conclusions and next steps

There is interest and appetite for developing hybrid savings tools which can be offered by employers as part of a financial wellbeing benefits package. The early learnings from Jars point to ways to optimise sidecar savings for employers.

It will be some time until we are in a position to complete a full evaluation of this sidecar savings trial, but we are conscious that policymakers, employers and benefits providers are already considering how to build on early learnings from our and others' research. There is also interest in how to scale the concept beyond the employers already participating in our pilot. For these reasons, we have drawn together our learnings so far into some first thoughts on optimising the sidecar savings model and roll-out approach for employers.

Sidecar concept and design considerations

While the design and concept of Jars is felt to offer great potential in supporting employees to save, there is some concern over whether it will be enough to drive true behaviour change. To help encourage employee participation and overcome inertia:

- Could workplace-based sidecar and sidecar-like savings tools be designed to include incentives, such as a contribution being made by the employer to the employee's savings account, when an employee signs up?
- Alternative joining mechanisms, such as auto enrolment or active choice enrolment, could go some way towards addressing these barriers. Should they be considered?

For employers, the value of Jars is primarily viewed as being able to support employees to begin to save and build up an emergency financial buffer, which is seen to help improve both productivity and wellbeing. The function of encouraging people to contribute more to their pension pot is viewed as an important but secondary, more peripheral goal. To help encourage employer buy-in and adoption:

- Should sidecar and sidecar-like savings tools be positioned more as helping to build emergency savings, with a communications approach where employees are given details about the pension rollover component, perhaps even as an option to sign up for (or opt out of), only after the savings habit has been established and the employee's emergency savings target is nearly reached?

Employers felt that for some employees, the priority will be to pay off debts before they turn to saving. To help improve people's overall financial resilience:

- Could a hybrid workplace savings model include debt-to-savings pathways, where a saver can pre-commit to turning loan payments into savings contributions once their loan term comes to an end?

Employer decision-making considerations

Beyond this pilot, hybrid savings tools could be more effectively promoted to employers as one component of a holistic financial wellbeing benefits package. To do this, other stakeholders will need to be enlisted:

- What role could savings providers and employee benefits consultants play in helping organisations to build sidecar savings into their employee financial wellbeing strategy, particularly for employers who are less advanced in the journey?

Sidecar and sidecar-like savings models are perceived to have the potential to reduce costs and build value for employers. Employers report that Jars could reduce the need for them to offer additional types of financial support, including loans and salary advances, that can require more intensive administration. At least as important, greater employee wellbeing has been shown to increase productivity and employee loyalty[10]. Offering an innovative savings tool is also seen as a way to build employer brand differentiation.

- Building the evidence for the impact of Jars could help employer decision-makers make the business case for offering a sidecar savings tool.
- Sharing feedback and case studies from employers who have already launched a sidecar savings tool could also help.

Although there is no charge to employers or employees for Jars, concerns about timings and resource implications can be key barriers to employers deciding to offer it.

- What role could payroll providers play in increasing the availability of sidecar savings tools at employers of different sizes and in different sectors?
- Developing a tool that fits into employers' existing benefits planning cycles and packages, and providing additional resource for implementation, potentially from providers or industry or government bodies, could also help expand appeal.

10 Centre for Economics and Business Research (Cebr), Financial wellbeing and productivity: a study into the financial wellbeing of UK employees and its impact on productivity (October 2018), **aegon.co.uk/content/dam/ukpaw/documents/financial-wellbeing-and-productivity.pdf**

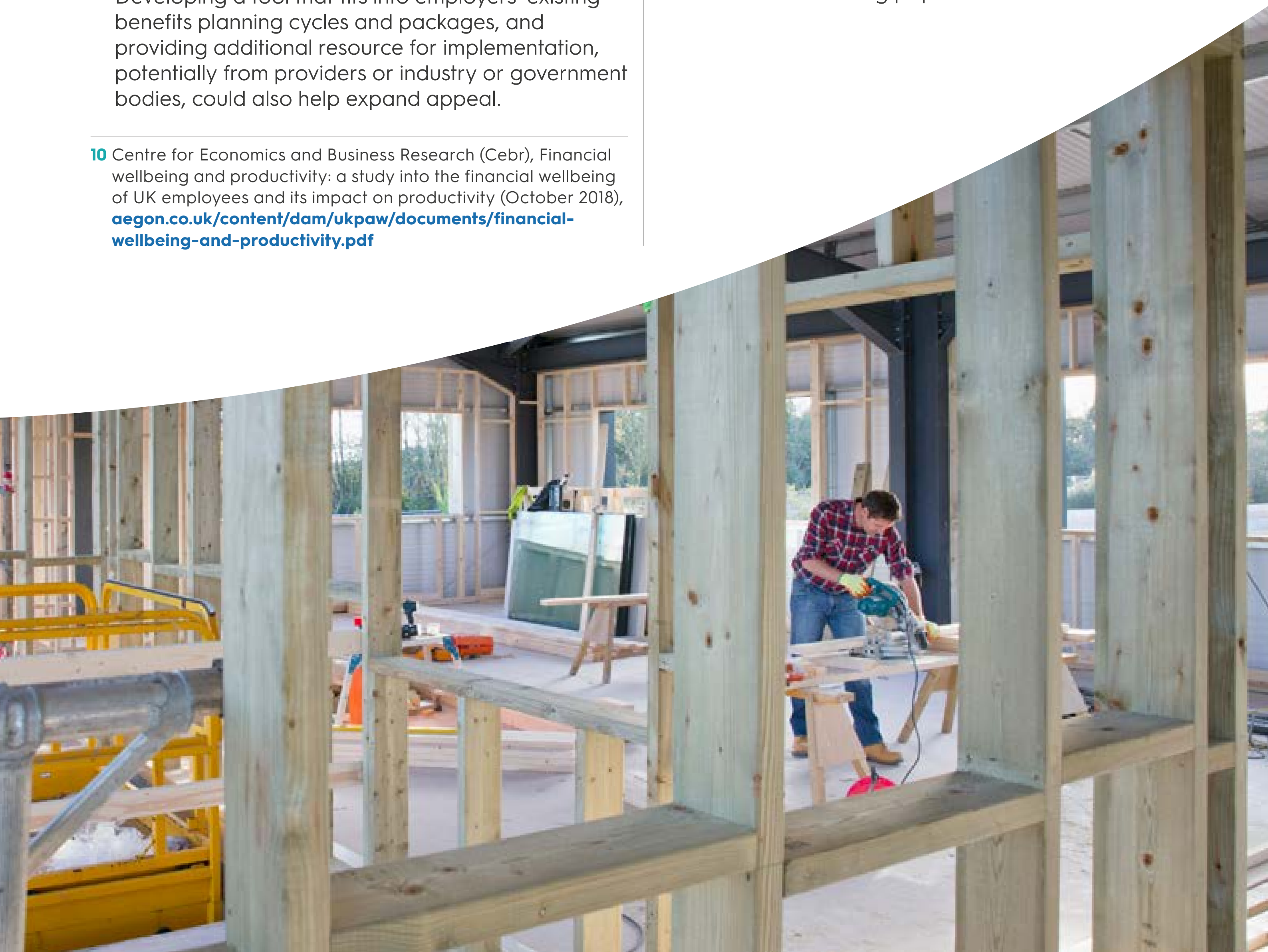
Implementation and employee engagement considerations

In the Covid-19 context, employers are particularly concerned about the resource implications of implementing a new benefit and the sensitivity of promoting a savings tool to employees during a period of redundancies and other cost-cutting. This has meant that some campaigns to support the roll-out of Jars were put on hold. At the same time, employers acknowledge that, no matter the context, new benefits take time to become embedded, and engagement can be challenging.

- An effective communications strategy, delivered across multiple touchpoints and reinforced over time, is integral to driving uptake among employees. What message frames will employees find most appealing and most engaging?

These are all points and questions we plan to explore in future research during the remainder of the sidecar savings trial.

In the meantime, we look forward to sharing our early learnings on the experience of employees in the Jars trial in the third briefing paper in this series.



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