nest insight

Supporting emergency saving

Briefing paper 3 – early learnings of the employee experience of workplace sidecar saving

BlackRock

Money & Pensions Service

JPMorgan Chase & Co.

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About this series of briefing papers

Nest Insight is currently in the middle of its sidecar savings trial. The first four participating employers implemented the Jars tool by January 2021, starting 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 the first phase of the trial. 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'[1], was published in October 2020.

The second briefing paper 'Supporting emergency saving: briefing paper 2 – early learnings from the employer experience'[2], was published in December 2020.

This third paper explores some of our early learnings and emerging insights about the employee experience of having access to a payroll sidecar savings tool.

Further information on the UK auto enrolment system and an overview of this research programme, the trial partners and its design can be found in the **appendix**.

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

2 **nestinsight.org.uk/wp-content/uploads/2020/12/Supporting-emergency-saving-early-learnings-from-the-employer-experience.pdf**

Executive summary

These are very early insights from a research trial that is in progress, and are drawn from an extraordinary period of time during the Covid-19 crisis. This paper therefore presents a first exploration, rather than the robust evidence base the trial is designed to deliver by the end of our project timeline.

Early indications from the trial research are encouraging:

1 The sidecar saving concept appeals to many employees, particularly those who are currently struggling financially.

2 In particular, the payroll deduction mechanism and ease of getting started with saving are valued by employees.

3 Jars has brought people in the 'squeezed' and 'struggling' segments into saving.[3] These are target groups for emergency saving who may not have previously had a financial buffer in place to protect them from income and expenditure shocks.

4 Jars users are saving persistently once they have signed up and very few accounts have been closed.

5 Despite the effectiveness of the 'set and forget' payroll saving mechanism, Jars users are actively using their accounts. We see signs that some users are making withdrawals to manage financial shocks or smooth income. We also see users making changes to the amount they are saving, flexing both down and up.

6 Even though withdrawals from saving are being made, balances are still building on average over time. This suggests that a tool that helps people save for emergencies could also help them build savings over time and potentially also reach a point where they have got to their savings target and start to make additional contributions into their workplace pension.

7 There are early anecdotal indications of a positive impact of saving through Jars on financial wellbeing, resilience and confidence.

However, it's a challenge to raise awareness of a new workplace benefit and to overcome behavioural and structural barriers to sign up. Take-up of Jars is low, although in line with that of other opt-in payroll saving tools. Some employees may already be saving, or not able to save right now. In addition, the research suggests there is a group of employees who want to save and like the idea of payroll sidecar saving, but don't get around to signing up. If some of the barriers to participation could be reduced or overcome, potentially through an opt-out approach to joining a payroll saving scheme, then more widespread aggregate benefits for employees could potentially be realised.

As set out in Nest Insight's parallel landscape review paper,[4] the evidence base around the logic for why we think tools like Jars can have a positive impact is already strong, although there are some gaps in that understanding. We are pleased to be able to start to share data and insight from this trial, to fill out those parts of the picture where robust data has so far been lacking.

3 Please see **page 8** for a summary of the segment characteristics.

4 **nestinsight.org.uk/wp-content/uploads/2021/07/workplace-emergency-saving-a-landscape-review-of-existing-evidence.pdf**

The context to these learnings

Emergency savings and the target for Jars

The Jars savings tool is designed to help employees first build up emergency savings, before then building up additional retirement savings.

Emergency savings are a form of short-term savings that provide a buffer of protection against financial shocks, such as an unexpected appliance breakdown, car repair, higher than usual bill or out-of-the-ordinary charge. They may also be used to smooth uneven or precarious income.

For individuals and households living on low to moderate incomes with thin margins between income and expenditure in any pay period, even a small amount of savings set aside and mentally labelled as 'for emergencies' can protect against negative impacts from a financial shock. This could include having to borrow money, potentially getting into problem debt, anxiety, stress, and loss of productivity.

"

The ongoing act of building, using, and replenishing savings that strengthens financial resiliency

"

Research from StepChange found that if a household has £1,000 in savings, this reduces its chances of falling into problem debt by almost half.[5] However, we know that many UK households just do not have short-term accessible savings.

In October 2020, the Financial Lives study classified 14.2 million UK adults as having low financial resilience.[6] Nest Insight research shows that 1 in 4 UK adults would not be able to pay an unexpected bill of £300 from their own money.[7]

It is important to distinguish the goals and characteristics of emergency savings from other forms of saving. Emergency savings are for managing unexpected costs and ups and downs in income, rather than saving towards a goal. The savings act as a tool to build financial resilience - but like any tool, it only works if it is used. Measures of successful emergency saving are therefore likely to be different to the success factors of longer-term savings. For example, we need to look at withdrawals as well as balances to get a picture of whether the savings are 'doing their job'.

A consistently growing balance counts as 'success' for longer-term savings. However, a zero balance might be an indicator of success for emergency savings if one or more withdrawals have prevented the need to use a credit card or take out a payday loan. In their recent paper 'The Cycle of Savings', the Aspen Institute Financial Security Programme described this savings behaviour as 'the ongoing act of building, using, and replenishing savings that strengthens financial resiliency'.[8]

Therefore, in our analysis of data from the Jars sidecar savings trial, we will be particularly focussed on questions such as:

- whether Jars encourages people who did not previously have a savings buffer to start saving for the first time
- whether Jars users draw down their savings in times of need
- whether Jars users save persistently over time, even if their savings balance does not always grow

5 Step Change, Strengthening the saving safety net (July 2017) **https://www.stepchange.org/Portals/0/documents/media/reports/strengthening-the-saving-safety-net-stepchange-debt-charity-response-paper-to-the-pensions-policy-institute.pdf**

6 Financial Conduct Authority, Financial Lives (October 2020)

7 Q: [Primary method of paying] an unexpected bill of £300 Sidecar savings trial baseline surveys, comparison group data, n = 27,030

8 Aspen Institute, The Cycle of Savings: What we gain when we understand savings as a dynamic process (September 2020) **https://www.aspeninstitute.org/publications/the-cycle-of-savings/**

Trial status

This is an early learnings report from the middle of a multi-year research trial. Because of the high levels of interest in the trial and its current relevance to policy and industry considerations, we are sharing our first data and early thoughts as soon as we are able. However, this is very much a work-in-progress picture. Some employees have only had access to Jars since October 2020. There is one more employer joining the trial and launching Jars in June 2021.

Employer Jars launch timeline

- **A** Employer A – July 2019
- **B** Employer B – December 2019
- **C** Employer C – October 2020
- **D** Employer D – soft launch March 2020, relaunch October 2020
- **E** Employer E – June 2021 (not included in this early learnings paper)

This means that 8 in 10 Jars accounts have been open for only a year or less, and a quarter for less than six months.

The trial is designed to build an evidence base around the impact of having access to a sidecar savings tool over at least a two-year timeframe. Research questions include:

1. What levels of participation in sidecar savings are seen? Who is most likely to save?
2. What levels of saving are seen, and with what persistency? What are the balance accumulation and decumulation dynamics?
3. In a two-year timeframe, how does Jars affect:
   a. the short-term financial resilience of savers – their ability to weather negative income or consumption shocks?
   b. the longer-term financial prospects of savers – their retirement security?
   c. the financial wellbeing of savers – their money-related anxiety, satisfaction and confidence?
4. Who is most helped by the sidecar intervention?

Evidently it's too early to address these research questions comprehensively. In this paper we present a first update on the emerging signs and signals we are seeing from the early months of Jars usage. We look forward to updating this picture as the trial progresses.

Sources these early insights are drawn from

Available data

The trial research design brings together different methodologies in order to address the research questions comprehensively:

- Administrative data will be collected by Salary Finance and Yorkshire Building Society (YBS), allowing us to look at account usage including savings contributions, balances and withdrawals.
- Employees at each participating organisation are invited to complete a baseline survey, with follow-up surveys one and two years after the Jars launch. Each employee population will also have a corresponding UK adult comparison group, drawn from the Nest membership, which will complete surveys on the same schedule. This will allow us to track if and how self-reported financial wellbeing is changing over time.

These two data sources will be de-identified and merged, allowing analysis of individual account data matched to individual survey responses. This data merger will not take place until later in the trial, and therefore at this stage we are looking only at anonymised, aggregated administrative data and survey data separately.

Three main data sources are available at this stage and have been used in compiling the early learning included in this paper:

Administrative data

The primary data set analysed for this report by YBS comprises nearly 300 Jars accounts as at 30 April 2021. This includes analysis of over 2,000 deposits and over 1,000 withdrawals. It was possible to map Jars users to The Money and Pension Service's (MaPS's) segmentation of UK adults according to financial resilience by using existing YBS data integrations. A brief summary of this segmentation is given here:

The Money and Pensions Service segmentation of UK adults according to financial resilience[9]

Struggling	Squeezed	Cushioned
25% of the UK adult population Median household income: £16,500 Struggle to keep up with bills and payments and to build any form of savings buffer. The least financially resilient and the most likely to be over-indebted.	32% of the UK adult population Median household income: £22,500 Significant financial commitments but relatively little provision for coping with income shocks.	43% of the UK adult population Median household income: £32,500 The most financially resilient group with the highest levels of income and savings and the lowest proportion of over-indebtedness.

9 The Money and Pensions Service, Market Segmentation (May 2016) **https://moneyandpensionsservice.org.uk/wp-content/uploads/2021/03/market-segmentation-report-an-overview.pdf** Salary data is taken from an unpublished 2018 update.

Additional aggregate data on Jars savings amounts, targets and account status was provided by Salary Finance.

Survey data

All surveys include the following self-reported financial wellbeing metrics:

- satisfaction with and confidence levels in current financial situation - including money management and ability to save
- current spending, saving and money management behaviours
- financial resilience: the ability to keep up with bills and credit commitments
- engagement with money management

To help understand how attitudes and behaviours vary by audience, the following background information is also captured:

- personal and household income levels and sources
- employment status
- demographics including age, gender, ethnicity, education, living arrangements, lifestage, housing tenancy, marital status, region

All end of year one and two surveys will include additional questions relating to:

— the awareness of Jars

— the impact of Jars, if they're a user

— withdrawal behaviours and motivations, if they're a user

— relevance and consideration of Jars if they're not a user

It has been possible to include the following surveys in the analysis for this paper:

— May/June 2019: Baseline – Employer A and comparison group 1[10]

— October/November 2019: Baseline – Employer B and comparison group 2

— September 2020: Baseline – Employer C and comparison group 3

— October-December 2020: Baseline – comparison group 4

— November/December 2020: Year one – Employer B and comparison group 2

Qualitative research data

Between July and September 2020, independent research agency BritainThinks conducted 23 qualitative interviews with employees eligible for Jars, who were all working at the employers participating in the trial. This included 5 Jars users and 18 non-users. Of the 18 non-users, 9 had previously heard of Jars, and 9 were not aware of Jars and were therefore new to the sidecar savings concept.

Interviews lasted between 45 and 60 minutes and were conducted by telephone or video call. After an unprompted exploration, stimulus was shown to interviewees to describe and prompt recall of Jars, including screenshots of the sign-up process. Examples of communications were also shared to explore reactions to different ways of framing Jars.

As part of the recruitment process for the qualitative interviews, a preliminary survey was conducted with a sample of employees from Employers A and B who had given permission to be re-contacted following the baseline survey they completed. This survey was completed by 92 employees.

In this report, all employee quotations are from this qualitative research and are attributed either as 'Jars user' or as 'employee' for non-users.

10 The Employer A end-of-year-one survey was unfortunately cancelled because of the Covid pandemic.

Notes on interpretation and the limitations of the data

The employee populations included in this trial are not representative of all UK employees, and each has its own particular characteristics. There are some key income and demographic differences to be aware of:[11]

Employer A

Sector: retail

Size: approximately 4,500 eligible employees

Average earnings: 89% of surveyed employees self-reported personal annual gross income under £30,000, including all sources of income

Demographics: 96% of employees self-identified as white and 49% as female

Employer B

Sector: education

Size: approximately 1,500 eligible employees

Average earnings: 93% of surveyed employees self-reported personal annual gross income under £30,000, including all sources of income

Demographics: 91% of employees self-identified as white and 72% as female

Employer C

Sector: charity

Size: approximately 1,500 eligible employees

Average earnings: 73% of surveyed employees self-reported personal annual gross income under £30,000, including all sources of income

Demographics: 88% of employees self-identified as white and 63% as female

Employer D

Sector: communications

Size: approximately 66,000 eligible employees

Average earnings: average salary = £36,000

Demographics: Higher than average proportion of male employees – 74% of eligible employees are male

11 For Employers A, B and C data on average earnings and demographics is self-reported by survey respondents and so gives an indicative rather than a definitive view.

All surveys were completely voluntary, and not all individuals are equally likely to complete a financial wellbeing survey. The survey respondents are therefore not likely to be representative of the surveyed populations.

There are also differences in what data is available for each employee population at this stage in the trial. Only one 'end of year one' survey has been conducted so far. This was at Employer B, which means that data on responses to Jars is skewed to this employee population profile. We have not been able to look at any survey data for Employer D yet.

Finally, because Employer D is much larger in terms of the number of employees than the other participating employers, employees from Employer D currently account for the majority (just over 80%) of Jars users, and so account administrative data is skewed to this employee population profile.

Any data drawn from very small sample sizes[12] is marked with an asterisk (x%*) in this report and should be considered very indicative.

These preliminary results are likely to evolve as we receive additional data and continue our work.

The Covid-19 crisis

Whilst it will take more time to fully understand the impact of the Covid-19 crisis on the trial, at a very high level it's important to put the early learnings shared here in the context of the extraordinary 16 months preceding this publication.

The impacts of the Covid-19 crisis on the trial

The pandemic has presented significant implementation, communication and data collection challenges at a key stage of the trial.

Employers A and B had already launched Jars some months before the pandemic. Employer D soft-launched Jars to eligible employees just two weeks before the first national lockdown in March 2020, and then re-launched Jars towards the end of 2020. Three further employers with launch plans for the spring and summer months of 2020 had to delay their plans, with one of these employers eventually no longer being able to commit to the trial.

There were also limited opportunities to raise awareness of Jars as communications campaigns were postponed or cancelled to make room for more pressing employee communications, such as those around new health and safety measures or furlough scheme information.

12 n=50 or fewer observations in a single cell for survey data and n=25 or fewer users in administrative data.

Furthermore, our ability to conduct some of the planned surveys was impacted by scheduling difficulties and sensitivities around asking employees questions about their financial wellbeing at the time. This resulted in one planned survey being cancelled and lower-than-expected participation levels for another survey.

How the Covid-19 crisis impacted the financial wellbeing of employees eligible for Jars

Much recent research has shown that the Covid-19 crisis has unevenly impacted individual and household financial wellbeing, with those on lower incomes, women, those with dependent children, Black and Asian people and people with disabilities worse impacted. Nest Insight analysis of November 2020 comparison group data from the trial found that lower income groups were significantly more likely to report a reduction in household income relative to the middle-income groups.[13]

Employee populations covered in the trial have been well supported by their employers and many of those employees who were put on furlough had the 80% Coronavirus Job Retention Scheme payment topped up to 100% of pay by their employer. Nonetheless, some still saw reduced income - for example from the loss of sales-related pay, or negative impacts on other household members' income.

Amongst the employee populations with which we have conducted surveys during the crisis (in September 2020 at Employer C and December 2020 at Employer B):

- 67% said their household income remained about the same
- 17% said that their household income decreased
- 11% said that their household income increased[14]

13 Nest Insight, The impact of Covid-19 on low and moderate income savers (May 2021) **https://www.nestinsight.org.uk/impact-of-covid-19-blog-series/#easy-footnote-bottom-15-3799**

14 Q: [How] has the level of total combined income in your household changed, if at all, since the Covid-19 outbreak began in the UK? Baseline and year one survey data, employees, n=835. Does not sum to 100 because of 'don't knows' and 'prefer not to says'.

Some employees in the trial populations will have been less able to save because of the impacts of the Covid-19 crisis:

> I'm having to pay more rent as my younger sister lost her job. She used to work in [the] food industry. Now that I am paying more rent, I have less money for personal savings or my own interests. It has affected me quite a bit.

Employee

Others may have seen a positive impact. For example, lockdown measures may have reduced household expenditure, which may have led to new saving:

> It has made hardly any impact at all. If anything, I'm maybe even better off but I haven't really looked at it. But I haven't been going out for coffee and cake and things like that.

Employee

> I found that I did save during the crisis. I've managed to save, so I've proved I can save.

Employee

Although it remains to be seen whether savings habits change following the crisis, there are some indications that savings orientation has increased. A May 2021 UK survey found three quarters (74%) of those asked said the pandemic has made them want to save more.[15] The risk and uncertainty highlighted by Covid-19 may mean more people want to feel more protected by a financial buffer.

15 Ipsos Mori for Nationwide Building Society, End of consumer hedonism?, panel of 3,000 UK households (May 2021).

Section 1

Employee responses to the idea of payroll saving and the Jars model

Emergency saving is seen to be important by most employees

8 in 10 employees think emergency saving is important

Overwhelmingly, employees consider emergency saving to be important. 85% of employees[16] say it is very or fairly important to save money for an emergency. Only 7% say it is unimportant.[17]

The idea of savings may have become more salient for some employees because of recent experiences of uncertainty and financial insecurity that the pandemic context has highlighted. As one employee explained:

> I think it's made me realise just how quickly you can lose an income. It's shown me savings are more important than ever.

Employee

Jars is widely seen to be a helpful savings tool, particularly by those who are less financially secure

6 in 10 employees think that Jars could help them

This rises to 8 in 10 of those struggling with bills and commitments

We have been able to explore responses to Jars in the end of year one survey at Employer B. Respondents were shown the following description of Jars:

Jars is a simple way to save money, straight from your salary. Whether it's saving for something special, or to have a back-up for emergencies, Jars can help you get into a savings habit. Simply decide the amount you want to save and set yourself a savings target, and your savings will transfer across automatically to your Jars account when you get paid. Your savings account is instant access, so you can use your savings whenever you need. And if you reach your savings target, your contributions will transfer into your pension on top of your usual pension savings, helping you to save more for the long term too.

They were then asked if they thought Jars would help them meet their financial goals.

57% of eligible employees said they thought Jars would help them, although some of this group reported barriers to actually signing up to save. 32%* said they didn't think Jars would help them and 8%* were not sure.[18]

16 Q: 'How important, if at all, do you think it is to save money for an emergency?' Baseline survey data, Employer A, B and C, n=1819.

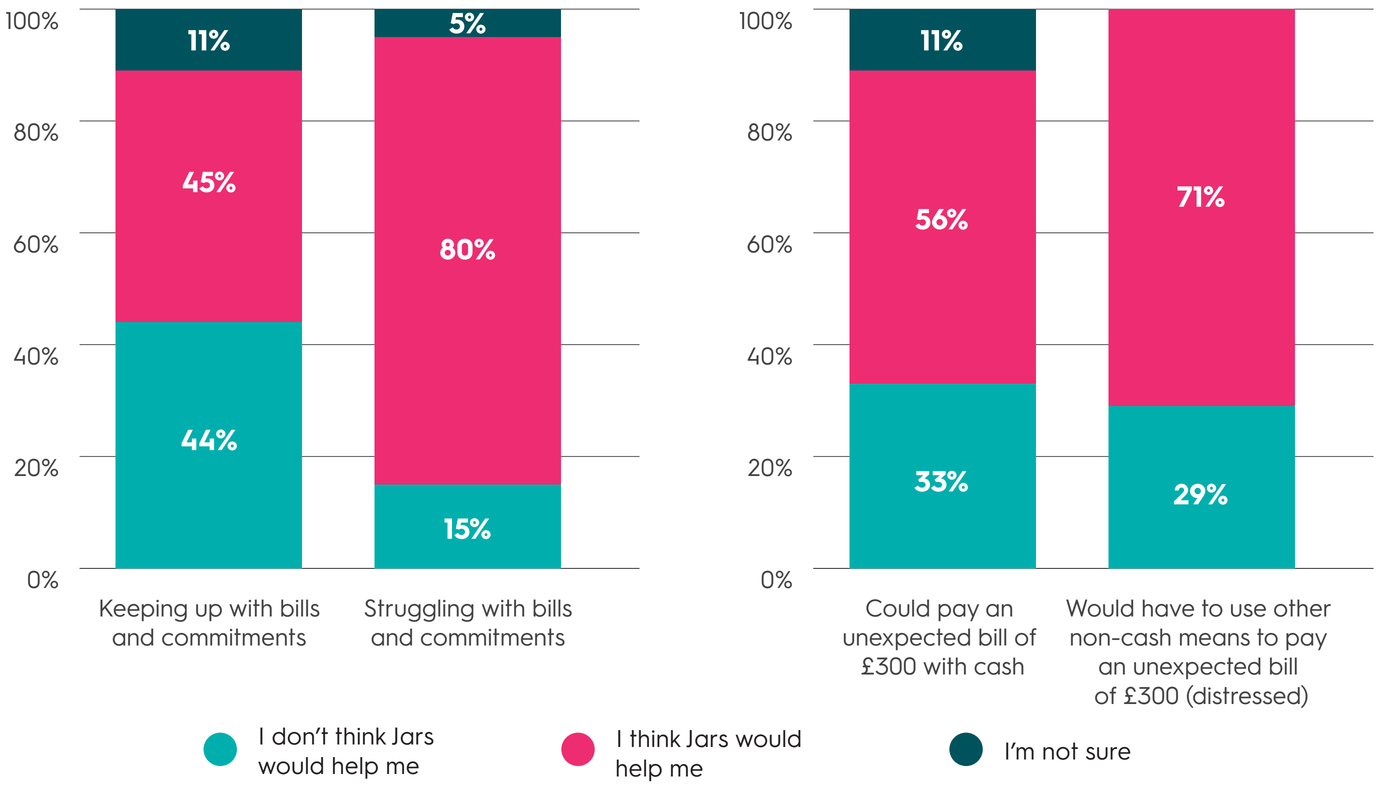
17 Percentages here do not sum to 100 as we are not reporting all the results.

18 Q: 'How likely are you to sign up to save with Jars in future' Year one survey data, Employer B, eligible employees only, n=155, December 2020.
Some response categories have been aggregated, and some respondents did not answer this question. See **page 17** for a chart of the full disaggregated responses.

As the charts below show, those who said they didn't think Jars would help them were more likely to show signs of being already financially secure and having savings in place. The Jars concept had high appeal amongst the target audience for whom supporting emergency savings is a priority, with 8 in 10 of those who are struggling with bills and commitments saying they thought Jars would help them and 7 in 10 of those who would struggle to pay an unexpected £300 bill with their own money saying it would help them.

These learnings are indicative only as they are based on a small sample size, and the picture may be updated when we have more analysable data on the appeal of Jars amongst different sub-groups.

Relevance of Jars by different measures of existing financial resilience at Employer B[19]



19 Q: 'How likely are you to sign up to save with Jars in future' and '[How well are you] keeping up with your bills and credit commitments at the moment?' / '[Primary method of paying] an unexpected bill of £300'
Year one survey data, Employer B, eligible employees only, n=155, December 2020. Sample sizes are small. Some response categories have been aggregated. Non answers have been excluded.

The payroll saving mechanism is highly valued

The convenience of being able to automatically save directly from salary is a key driver of Jars' appeal. The automation of savings contributions through payroll is seen by employees to remove some of the mental engagement needed to save. By saving through salary, employees explained that they could take their net-pay at face value, avoiding the need to actively account for money they were putting away, or feeling the 'loss' of the money after it has been 'in their pocket'.

You don't have to look at your wages, it's already gone. You do it without even thinking about it. It alleviates the stress and worry about financial situations. You know your net sum is your net sum, you don't have to worry about putting that money aside, it's one bill out the way.

Jars user

In this context, Jars is seen as an easy and simple way of saving. The payroll saving mechanism is seen to overcome key barriers to choosing and opening alternative savings vehicles separate from payroll.

> It was the sheer convenience of it. Didn't have to go through a bank. Just click on a few buttons and away it goes.
>
> **Jars user**

Savings accessibility is also a key benefit and may need to be reinforced

Employees felt reassured that any money saved into their Jars emergency savings account would be instantly accessible if they needed it. This is an important factor in its appeal, as there is less danger that they would have to turn to alternative sources such as getting into debt to pay for an emergency cost.

> If it's an emergency, it would be best if it could be accessed immediately. In my situation, I'm lucky that my partner's parents could help, but not everyone has that.
>
> **Jars user**

The qualitative interviews did find a small number of employees weren't aware of how instantly accessible savings in the Jars account are. For non-Jars users a misconception that the savings were not easily accessible could be a barrier to signing up. It is therefore important that the accessibility of the emergency savings account is clearly communicated.

It is possible that some Jars users may feel reluctant to use their emergency savings, even in times of need. This Jars user described finding it 'difficult to save' – although they are, in fact, saving regularly – because they are actively using that savings money to manage expenditure needs:

> We feel it's difficult to save. Even when we get to the end of the month with a bit extra, we think we will need it in a few months, so I find myself taking money out again.
>
> **Jars user**

Because the prevailing cultural norms around savings celebrate increasing balances and not 'touching' savings, it may be necessary to reinforce the idea that using emergency savings when needed is not 'failure', but could be considered success and something to be proud of. As our partners at the Aspen Institute Financial Security Program have observed, 'success should be understood as the ongoing behaviour of setting extra funds aside when possible and using these funds to weather income and expense shocks, invest in family goals and avoid material hardship and high-cost debt'.

The pension rollover is not seen to be a primary benefit, but is largely viewed positively

When discussing Jars, the liquid emergency savings component is top of mind for employees. The pension rollover component is often overlooked, although perceived by most employees to be a useful feature when prompted.

> I think it's a really good idea. [...] It's helping boost that finance for the later years in life.
>
> **Jars user**

This is partly because, as we know from other research, engagement with workplace pension saving for employees who have been automatically enrolled is low:

> I'm properly on the minimum [contribution], but I'm a bit head in the sand. I know I need to up my contribution on a monthly basis.
>
> **Employee**

> I've not sat down and thought about it, because I'm thinking about what is going on day to day, I'm not thinking about what will happen in 30 years' time. I'm thinking about immediate bills, immediate costs...I know at some point I will have to look at it closer.
>
> **Employee**

The Jars set-up allows people to pre-commit to saving more into their pension only after they have built up an emergency savings buffer. It is understandable that the emergency savings component is more salient to employees as it 'comes first' and has more immediate impact. This is central to the design of Jars, which is based on the hypothesis that people will be more comfortable with the idea of their pension contributions increasing in the future when they know their shorter-term finances are healthier. The pre-commitment mechanism allows people to sign up to saving more in future, rather than separately having to request changes to their contribution levels, which we hope will mean that more employees get around to saving above auto enrolment minimums. This is consistent with the ideas underpinning the successful 'Save More Tomorrow'[20] programme pioneered by Shlomo Benartzi and Richard Thaler, where employees pre-commit to future pension contribution increases that are aligned with pay rises, which helps people feel those increases will be affordable when they arrive.

However, some employees felt they were already doing enough to save for retirement, and would prefer to focus their use of Jars on the liquid savings account only:

> I'd rather just keep increasing the savings. I already pay into a pension, there's money going into there. With Jars I have the flexibility of passing it to my children and family, your pension can wait until you're 70.

Jars user

Given that many eligible employees in the Jars trial are earning lower incomes, this prioritisation may make sense. But the benefits of the Jars model in terms of retirement security are not limited to those whose pension contributions actually increase as a result of the rollover. An employee earning £18,000 per year, who is making auto enrolment minimum contributions to their workplace pension from early on in their working life, would have a relatively good income replacement ratio in retirement when their workplace pension savings are combined with the State Pension. But this pension income would be likely to go further if they were to reach retirement in a financially stable position, free from debt and in a secure housing situation. So there is a need to get the balance right between shorter-term savings and retirement saving for each individual's circumstances. In some cases, shorter-term savings can be a way to support longer-term financial security.

Jars gives employees the freedom to set their own target, or in some cases (dependent on employer) to skip setting a target. We will continue to explore how Jars users make use of this flexibility in practice as the trial progresses.

20 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**

Section 2

Communicating with employees about payroll sidecar saving

Awareness of Jars was driven by a range of sources. Word of mouth plays a key role.

The availability of the Jars savings tool has been communicated by employers through a variety of channels, including posts on company intranets and social media, regular employee newsletters, manager briefings and individual emails. All four employers have used multiple channels and touchpoints to raise awareness of the availability of Jars both at the launch, and later in the trial period. The fifth employer has only just launched Jars, so we are not reporting on their approach here.

Employee feedback in the qualitative interviews suggests this multi-pronged approach is necessary, as no single route or channel appeared to be most effective in promoting the tool. However, information passed on by word of mouth via managers and colleagues seemed particularly effective in building awareness and increasing consideration for some users.

> My manager brought it to me as she knew I didn't have many savings and thought I might like to try it.

Jars user

There are early signs that payroll and employer loans may provide a relevant touchpoint for raising awareness of Jars:

> I borrowed a bit of money from Salary Finance, I was just checking where I was, how much have I got to pay. I was looking at a settlement figure. Then I saw Jars, it seems like a fantastic idea.

Jars user

One employer has recently started contacting employees who are nearing the end of their loan period to make them aware of the possibility of turning their loan payment into a savings contribution through Jars when their loan is paid off – before they 'get used to the money' in their pocket again.[21]

Raising awareness of a new employee benefit can be challenging

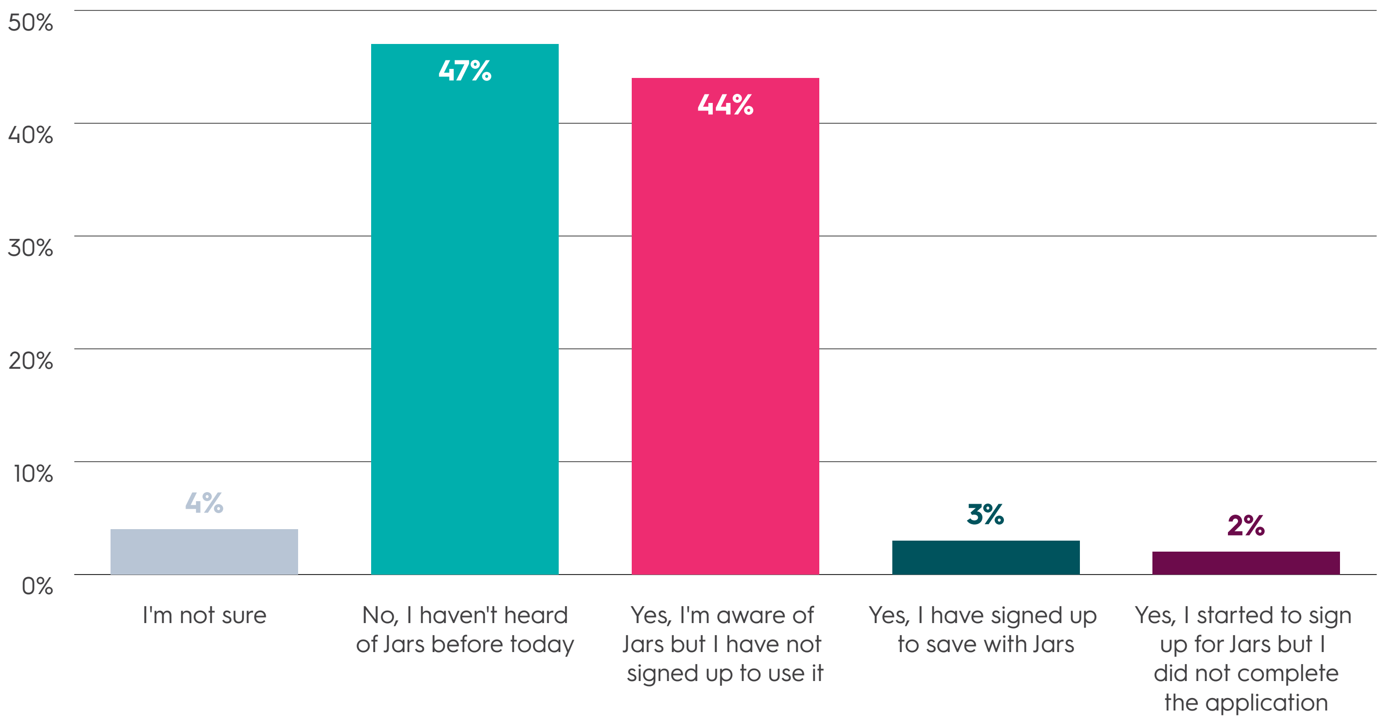
It's often acknowledged by reward and pension professionals that it can be difficult to raise employee awareness and take-up of the benefits that are on offer. Regular, sustained reminders over periods of time are needed to build up awareness of any new benefit.

As identified in the first section of this paper, there have been significant additional challenges to launching and communicating about Jars in workplaces over the past year. Alongside the pressures on employer internal communications, there has been less interaction between those colleagues who moved to home-working or went on furlough. It is also likely that many people will have had less time and 'headspace' to process new information.

Around half of eligible employees were aware of Jars at one employer a year after launch, and just under half said they 'hadn't heard of Jars before today':

21 It is an aspiration of Nest Insight's to test the efficacy of this kind of debt-to-savings pathway more broadly in future research.

Jars awareness one year after launch at Employer B[22]



22 Q: 'Have you heard of Jars?'
Year one survey data, Employer B, eligible employees only, n=155, December 2020. Sample sizes are small.

A month before the survey was conducted, Employer B sent an individual email to all eligible employees reminding them that Jars was available to them. The email included a URL link to both find out more and sign up to save. A second reminder email was sent to the same population a week later.

Employees from Employer A and Employer B who responded to a survey as part of the qualitative research recruitment process were also asked if they had heard of Jars. Here, awareness levels were lower. Of the 92 employees who responded to this survey, 67 (73%*) said that they had not heard of it.

This level of awareness only a year after launch in the recent context might indicate relatively high levels of engagement. However, there's a limit to how impactful any communications about Jars have been during this period and there is certainly room to increase awareness further.

Although Jars is designed to support emergency saving, this may not be the most motivating framing for the product

Emergency saving was just one of the saving goals employees mentioned in relation to Jars during the qualitative research interviews. Examples of other reasons given for saving with Jars included:

- starting a savings habit
- saving for gift-giving moments like Christmas presents and birthday presents
- saving for holidays and family outings
- long-term saving goals other than retirement, such as saving for their children's future
- providing a safety net to avoid breaking into longer-term savings

Some employees preferred to imagine using their savings for positive goals rather than focusing on emergency saving goals. However, these users talked about the benefit of also being able to use their Jars savings for emergencies if needed, as is evident from this description by an existing Jars user who had made a withdrawal when faced with an unexpected bill:

> It's nice to think you save for something good. If my boiler breaks, it's a grudge thing. I might use that money for my boiler in the end, but naturally, we want to think about happy stuff.
>
> **Jars user**

Although the Jars product is designed to support savers who don't have a savings buffer in place to improve their short-term financial resilience, it may be that the negative framing of saving for 'emergencies' or 'rainy days' is off-putting for some people.

The 'peace of mind' that comes from having savings is potentially a more resonant framing of Jars than talking about how savings could be spent

Over the period of the trial so far, communications about Jars have varied in their framing of the savings tool. This variety is partly a result of different employer preferences; tailoring to the different needs of employee populations; and evolving thinking about how best to position and explain the new sidecar savings concept. Different headlines on Jars communications materials have included:

- Save for peace of mind today and tomorrow.
- Save today, enjoy your tomorrow.
- Start saving. Achieve your Goals. Enjoy your tomorrow.

The qualitative research interviews explored different message framing around the practical and emotional benefits of Jars including:

- the 'peace of mind' derived from preparing for the unexpected things in life
- the 'ease' of the payroll saving mechanism as a hassle-free way to start saving
- the 'control' and 'flexibility' of building an emergency fund with the feature of a pension top-up to help save for the short and long term

The positive 'peace of mind' framing ('Save for peace of mind, today and tomorrow') resonated most strongly with employees who were interviewed. This is perhaps a particularly relevant framing in the context of the anxiety and uncertainty people have experienced during the Covid-19 crisis.

> No one knows what the future holds do they? Peace of mind is important.
>
> **Jars user**

> I like to be able to not worry and that's motivating.
>
> **Employee**

This framing was seen to recognise that everyone's circumstances and reasons for saving could be different, but still identifies a common emotional benefit of having savings, whatever their designated purpose.

While 'emergency fund' also resonated as a practical and important example of how Jars savings could be used, it had the potential to feel negative in tone.

> It needs to give the idea that you can save for whatever you want, not always an emergency. I don't like the emergency thing as much to be honest, I don't know why.
>
> **Employee**

Motivations for saving are complex and varied. Ultimately though, savers have peace of mind in knowing that money is available to be spent, however and wherever required, and whatever the original motivation for saving was.

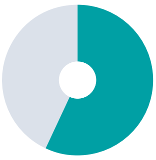
Section 3

Signing up to save

Although many employees think Jars would help them, there is a high drop-off between intention to save and action

Within one employee population Employer B:

Out of every 100 eligible employees:



57 say 'I think Jars would help me'

15 say 'I'm likely to sign up now or in the near future'

Just 1 follows through

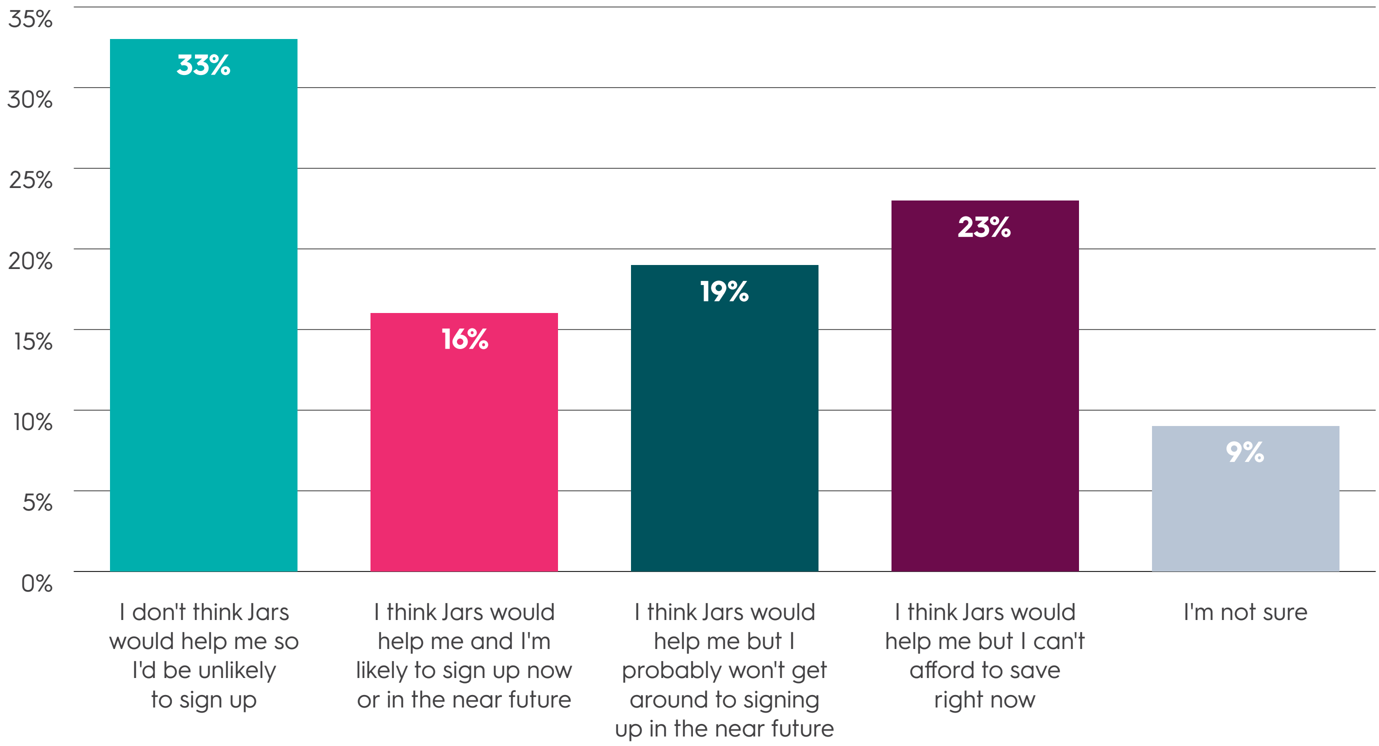
98% of people who say they think Jars will help them have not signed up to Jars[23]

As we saw earlier, within the employee population at Employer B (where we have been able to explore responses to Jars in the end of year one survey), Jars had high appeal, with 57% of eligible employees saying they thought that Jars would help them.

The group that said that Jars would help them can be further broken down as this measure is a composite of three different question answers. Only 15%* of all eligible employees said they were likely to sign up now or soon. A further 19%* said that they probably wouldn't get around to signing up and 23%* said they couldn't afford to save right now.

23 Analysis combines Year one survey data, Employer B, eligible employees only; Salary Finance administrative data; employer-reported size of eligible employee population.

Likelihood of signing up to save with Jars in future at Employer B[24]



24 Q: 'How likely are you to sign up to save with Jars in future?' Year one survey data, Employer B, eligible employees only, n=155, December 2020. Sample sizes are small. Non-answers have been excluded.

In practice, only just over 1% of eligible employees within this population have an active Jars account after 15 months of Jars being available. It therefore seems that there is a high drop-off between relevance and appeal of Jars and following through to saving.

It is too early to get an accurate picture of participation across the employer populations, as:

- Jars has not been available with some employers for long
- there have been many confounding factors as a result of the Covid-19 pandemic
- employers have used different approaches to communicate the availability of Jars

However, early indications show that we are likely to see participation in the region of 1% of an eligible employee population. It is difficult to get a benchmark for this against other voluntary payroll emergency saving schemes as there is little data available. From what we've been able to learn from anecdotal evidence given by providers and employers in the UK and US, most other payroll emergency savings schemes also see low take-up under voluntary opt-in conditions - usually under 5%.

It seems that sustained, well-targeted, multi-channel employee communications initiatives (of the kind that have been difficult to implement during the Covid-19 pandemic) can increase participation a little, but that even when these conditions are in place, low take-up is still seen.

There are a variety of barriers to participation in payroll saving that, in combination, may be driving low take-up rates.

> I considered going for it, I don't know why I didn't do it, I didn't get around to it.
>
> **Employee**

Under opt-in conditions, an employee needs to find out about Jars, weigh up whether Jars is a useful tool for them, sign up to save and, as part of the sign-up process, provide the necessary information to the provider to open a savings account. Several different barriers to participation could be contributing to low employee take-up of Jars have been identified so far, including:

1 Awareness

The first and most basic reason that employees may not sign up to Jars is if they are not aware that the savings tool is available to them. As seen in section 3, even after Jars has been available to employees for several months, and with active communication of its availability by employers, it seems that awareness levels remain moderate.

We know that it takes time and considerable effort to raise awareness amongst an employee population of any benefits that are available, and the past year has been a challenging time for getting cut through in workplace communications. Awareness is therefore the first hurdle to address in supporting employee participation in payroll savings.

2 Appropriateness

A second barrier to employee participation in payroll savings is appropriateness. Some employees may already be saving in other ways, or may not be able to save because saving is not affordable at the current time.

- **Already saving:** in the pre-qualitative research survey, out of the 19 employees at Employer A and B who said that they had heard of Jars but not signed up to use it, 9 said that the reason for this was that they were already saving in other ways, or didn't feel able to save more than they were currently.

  Clearly if employees are already saving, they may not need or want to use Jars. In some cases, there may be benefits to saving in other ways, such as, where eligible, taking advantage of the generous incentives in the Help to Save or Lifetime ISA schemes[25] if these savings vehicles are more suited to individual savings needs.

- **Can't afford to save:** 23%* of eligible employees at Employer B said that they thought Jars would help them, but they can't afford to save right now. Clearly, a proportion of any employee population will face affordability challenges that limit their ability to commit to saving regularly. As one employee said, 'I had to prioritise paying off my credit card and loan. Even if it was only £20 a month, that could have been going to my credit card'.

  For some employees, paying off debt is a greater priority than saving. In these instances, debt-to-saving pathways where employees pre-commit to turning a loan payment into a savings contribution when their loan is paid off, or making small savings contributions alongside loan payments, as in the model offered by many credit unions, could provide a route to saving even where affordability is a challenge.

3 Behavioural biases

Many behavioural barriers such as inertia, procrastination and forgetfulness prevent people following through on good intentions in all areas of life and signing up to save through payroll is no exception to this.

Employees are cognisant of these tendencies in themselves, with 19%* of all eligible employees at Employer B saying 'I think Jars would help me, but I probably won't get around to signing up in the near future'. This rises to 27%* of those with self-reported gross household income of under £30,000 and 31%* of those who say 'thinking about my financial situation makes me anxious'.

Although employees interviewed in the qualitative research expressed a strong interest in Jars, some explained that they simply had not got around to signing up to save, even though they understood the sign-up process to be straightforward. As one employee explained 'I considered going for it, I don't know why I didn't do it, I didn't get around to it'.

4 Friction in the sign-up journey

After employees have started to sign up to save with Jars, there are several steps to go through before they become an active saver. As would be expected with any sign-up journey, there is some drop off as people go through these steps. Drop off points include being asked to decide on an amount to save each pay period, to choose a savings target, or to enter information they may need to look up such as their payroll number.

25 See **https://www.gov.uk/get-help-savings-low-income** and **https://www.gov.uk/lifetime-isa** for information.

There are also some necessary checks that could create friction in the sign-up journey for a potential saver. For example, some individuals will be asked to provide additional documentation for the anti-money laundering Know Your Customer (KYC) checks required when a new account is opened in the UK. This could simply be because they have changed their name or moved address recently. Some people may also be flagged for validation, for example if the employee information they give is different to that held by the employer when validation checks take place. People recognise that these checks are required, and overall, those interviewed in the qualitative research found the sign-up journey to be relatively quick and easy:

> I saw a slideshow on how it would work and how easy it was to sign up to, so I decided to give it a go. I think I remember some of this, I just mainly remember I just had to give some personal details, which is as you'd expect. I also think I had to confirm my identity with a picture of my passport, but you do these days.

Jars user

However, any friction or interruptions in the sign-up journey may mean that people who start to sign up don't actually get to the point where they are saving, as the behavioural barriers identified above kick in again. Someone who intended to sign up and made a start could subsequently not get around to providing an identity document or forget to reply to an email requesting more information from them. This may also be truer of people who are signing up for a savings account for the first time and are therefore not familiar with the process. As at March 2021 there were 329 active Jars accounts, with a further 98 awaiting validation or KYC check approval. This data shows only a point in time and may not be representative but does show that the potential participation numbers are higher than are actually seen.

If the need and the intent to save is there, how could barriers to participation be overcome?

In response to these early learnings from the Jars trial and building on evidence and thinking from elsewhere, Nest Insight has begun to consider whether an opt-out joining mechanism could more successfully support people who want to save through payroll to start saving than a voluntary, opt-in approach.

Auto enrolment made a huge difference in participation rates for workplace pension saving in the UK, helping millions of people overcome inertia to get started with pension saving if they didn't choose to opt out. Could a similar joining mechanism be used to increase participation for people who want to save through payroll for the shorter-term, but don't get around to it? What if the default was switched so that employees began to save through payroll automatically unless they said they did not want to, rather than them automatically not saving unless they opted in?

An opt-out joining mechanism could overcome not just the barriers to starting to sign up to save, but also the friction in the sign-up journey identified above. If an appropriate legal and data-sharing framework could be put in place, we think that the employer could provide the information required to set up a savings account on behalf of the employee.

There are early indications that there is employee support for this kind of opt-out joining mechanism. In the qualitative research interviews, employees said they could see how an opt-out joining mechanism could overcome barriers to saving for both the short- and long-term future. Employees feel reassured that they would be able to opt out if they did not want to save, for example if they felt they could not afford to save. Some concerns were raised, including affordability and the need to be in control, emphasising the need for a clearly communicated and easy-to-access opt-out route for anyone who did not want to or could not save.

Nest Insight will be conducting further research in this area over the coming months. We have been accepted into the Financial Conduct Authority's regulatory sandbox programme to run a trial in 2021/22 of an 'opt-out' approach for payroll savings working, and are currently working to identify one or more employers and savings providers to collaborate with us on this. We will also be publishing a paper in collaboration with YBS later in 2021. This paper will review the regulatory situation and identify possible solutions to the barriers employers and savings providers might face if they wanted to support their employees to save in this way.

Section 4

Who is using Jars?

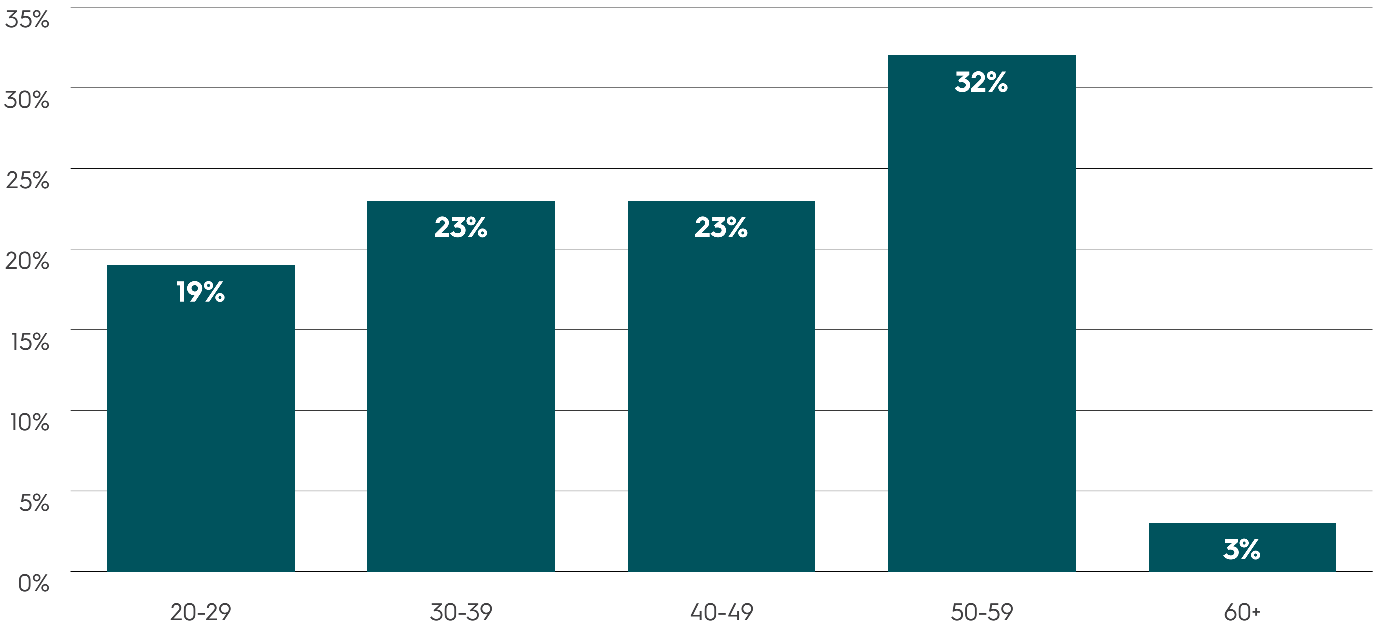
As the research trial progresses, we will be looking to understand who uses Jars. We are interested to know whether Jars supports non-savers to start saving and whether there are particular demographic groups that are more or less likely to sign up to save. At this stage, we have not done this analysis and are limited in what we can say about who uses Jars.

Anecdotal feedback from the participating employers and from the qualitative research indicates that Jars users are varied in nature, with both lower and higher earners represented as well as those who are new to saving and those who are already saving in other ways.

We can look at Jars users by age and MaPS segment from YBS account data.[26] Jars users are quite evenly spread across ages. Although there is a skew towards those in their 50s, this is likely just to reflect the workforce demographics of Employers A and D.

26 It is also possible to look at the YBS Jars user data by gender, but we have not reported that analysis here as it is skewed by the dominance in the current Jars user population of employees of Employer D, where the majority of employees are male.

Jars users by age[27]

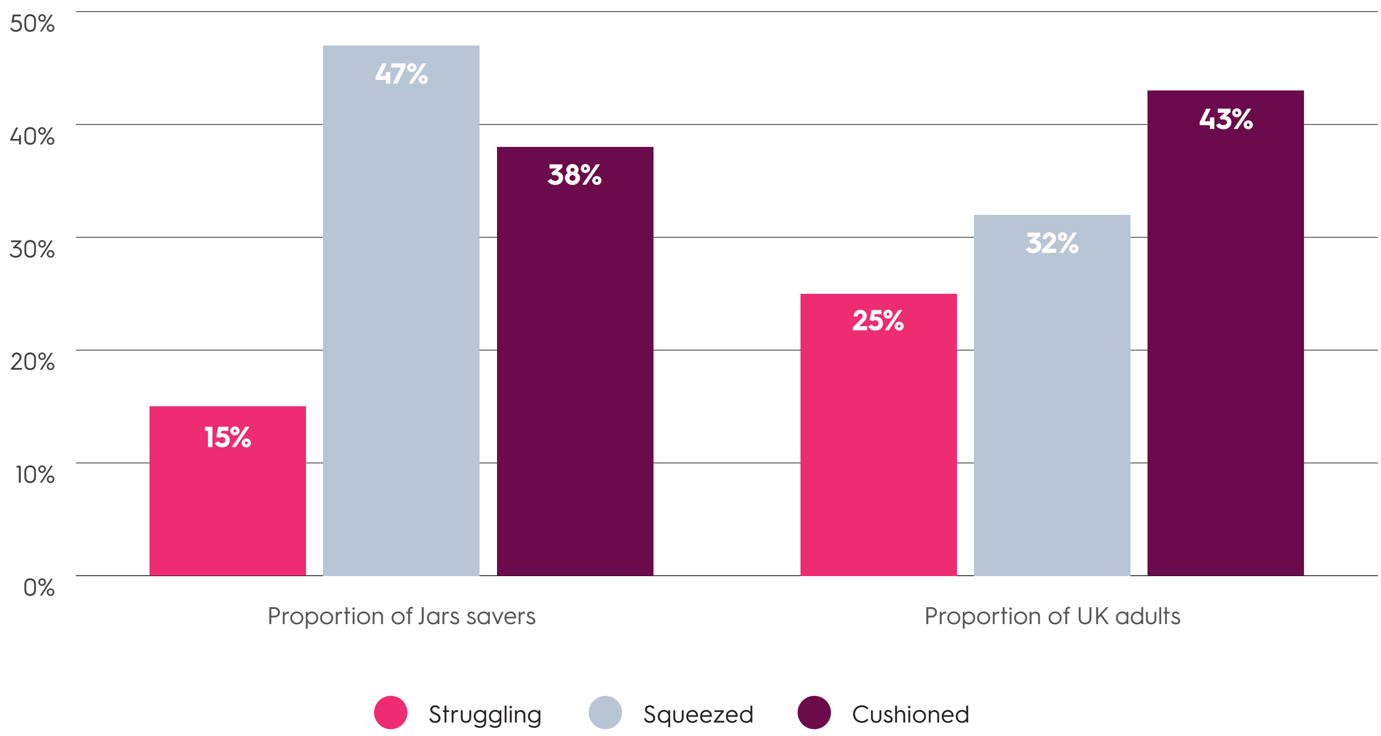


27 YBS Jars user data as at April 2021.

Almost half of the current Jars users fall within the MaPs ‘squeezed’ segment, with around two fifths from the ‘cushioned’ segment and 3 in 20 in the ‘struggling’ segment. As the ‘struggling’ segment is characterised by high levels of indebtedness it is unsurprising that this group is under-represented in the Jars user population. It is encouraging to see that the majority of users are in the ‘squeezed’ segment, as this group is higher earning and less indebted than the ‘struggling’ group but still characterised as having relatively little provision for coping with financial shocks.

It is also interesting that Jars seems to have some relevance with the ‘cushioned’ segment, even though this group is more likely to already be saving. This was also evidenced in the qualitative research interviews where some users were already engaged with saving before signing up to Jars. Whilst new savers saw Jars as a way to start saving, Jars appealed to existing savers because it seemed innovative and easy to use compared to other ways of saving.

Jars users by MaPS financial resilience segment[28]



28 YBS Jars user data as at April 2021.

Jars user case studies[29]

Case study: Sam

Withdrawing money from jars to pay for unexpected bills

Salary	£25-£35K
Savings amount	£50 per month
Savings target	Could not recall
Withdrawals	Several
Jars user since	A few months

Sam who is in his late 30s, is married and has two grown-up children.

Since signing up to Jars a few months ago, he has used money in his account to pay off unexpected bills rather than put the money on his credit card. He says he likes the fact that he can only withdraw money from a cash machine so that he is not tempted to use the card to pay for things in shops.[30]

Withdrawing the money from a cashpoint was easy and straightforward, but he did think twice about his withdrawal. The alternative of paying by credit card convinced him using his savings was the better option.

'It was just like "do I really need to go into it?" I know I've got some other bills still to pay and that money's sitting there so I'll just use that like it was set up for, if that unexpected car bill was to come out'.

'I'd rather … not [use my credit card] because obviously you've then got to pay that money back at some point, whereas obviously if it's your own savings money, you haven't got to put it back unless you wanted to'.

Jars has given him a sense of reassurance as he is building up savings in the background that he can easily tap into when needed.

'Jars has made it a lot easier knowing that I've put money aside for unexpected stuff or just to have in the future and that what's left is what's left. There's no worry about trying to find extra money for anything'.

29 Names have been changed to protect the identity of case study subjects.

30 It is also possible to transfer money from the Jars YBS account to another account, such as a current account via Faster Payments, or directly to a third party via the YBS website or app.

Case study: Sarah

Saving for the first time

Salary	£15-£25K
Savings amount	£50 per month
Savings target	£1,000
Withdrawals	One
Jars user since	A few months

Sarah is in her late 20s, and lives with her partner.

She feels stretched financially with mortgage payment commitments and two credit cards and never had any savings before. She has tried saving through an app that automatically transfers small amounts of money from her current account into savings but found that she would dip into these savings every month.

'I'm just not really great at saving, just not used to it and I'm too impulsive when it comes to spending'.

Jars appealed to her as it offered a straightforward way to begin saving without the money hitting her current account. She started by saving £50 a month.

'It means it's basically doing the work for you, putting a little bit of money aside from your salary before you know'.

She withdrew money from her account to go on a holiday, though she ended up using it to pay off her overdraft as her holiday was cancelled due to the pandemic.

She describes how Jars has helped her save successfully for the first time since moving out of her parents' house two years ago. Saving through Jars has made her feel that saving is easier than she had previously thought, and she feels reassured knowing that she has savings set aside to help her better manage her money.

'It does make you feel a little more comfortable to know that there's any kind of saving aside'.

Case study: Arjun

Saving in the background

Salary	£15-£25K
Savings amount	£100 per month
Savings target	Could not recall
Withdrawals	None
Jars user since	A few months

Arjun is in his late 30s, and lives with his partner.

Although he feels he manages his finances well and keeps a buffer at the end of each month to hand, he didn't have substantial savings in place prior to signing up to Jars. He sees Jars as a convenient, easy way to save without noticing it too much.

'It's there, it's happening, it's not really anything I need to do physically myself. I haven't really done anything to it to be fair. I set it up and I've forgotten about it'.

He doesn't think about Jars very much, doesn't know his current balance and loves that he doesn't see the savings taken out from his current account because they are made through payroll.

'Say for example you save £100 every month and by the end of the year you've got £1,200 and it's like oh god, I've got £1,200 basically free money. You haven't but it's that psychological thing'.

He isn't planning to make withdrawals, although he likes the idea of being able to access his savings if the need is there. He enjoys the flexible approach Jars offers and plans to continue saving into Jars for the longer term.

Section 5

Emerging impacts on saving behaviours

Although it is still early in the research process, we have been able to look at some of the aggregated account user data analysed by YBS and some high-level administrative data from Salary Finance.

It is very important to note that this view is somewhat skewed by the different launch dates and characteristics of the employee populations. Employer D accounts for the majority (just over 80%) of Jars users at the moment. Its employee profile is higher-earning and has a higher proportion of male employees compared to Employers A, B and C. The extent to which we are able to understand what lies beneath the aggregate data is limited. For example, in most cases we are not able to look at account user data by employer and we are not currently able to view data by self-reported income, although this will be possible later in the trial.

Therefore, what is presented in this section is a first glimpse of how the nearly 300 employees with active Jars accounts in the trial period so far are using the savings tool. More robust and detailed analysis will follow later in the trial period, which means that the picture we share here is likely to be updated in future.

Saving though payroll

The average savings contribution into Jars is around £100 a month

Savings amounts and savings targets set

When signing up to Jars, users are asked to set an amount of money to save each pay period – the ‘savings amount’, and a ‘savings target’. After this level is reached, any additional money saved goes into their workplace pension on top of their existing pension contributions.

The average savings contribution into Jars is around £100 a month.[31]

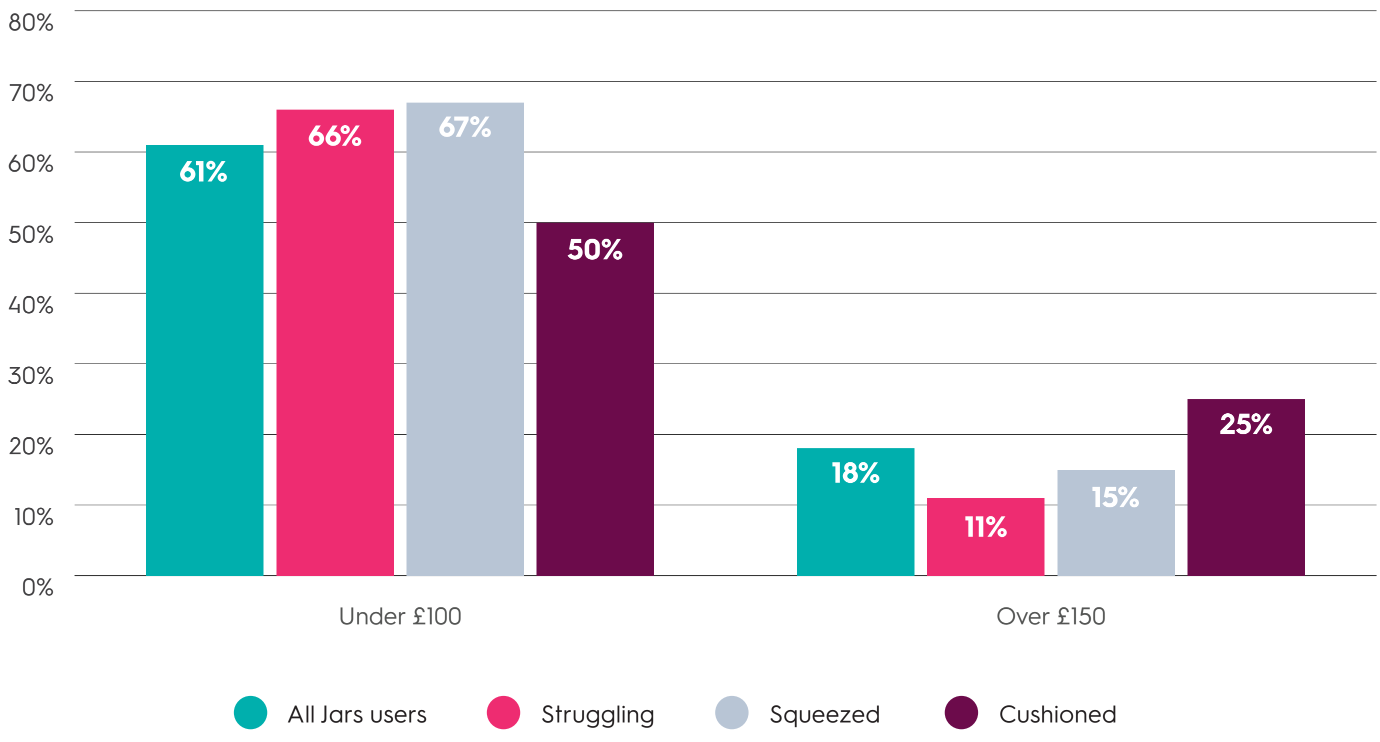
There is, however, quite a broad range of savings amounts:

- 22% of Jars users are saving less than £50 a month
- 39% are saving between £50 and £100 a month
- 20% are saving between £100 and £150 a month
- 18% are saving more than £150 a month, with 5%* saving over £300 a month

Although we are not able to analyse data by income at this stage, we can use the MaPS financial resilience segments as a proxy for this. Unsurprisingly, as the table below shows, the lower-earning ‘struggling’ and ‘squeezed’ segments are more likely than average to have set a savings amount under £100 a month. The higher-earning ‘cushioned’ segment is more likely than average to have set a savings amount above £150 a month, with 1 in 4 people in this segment having done so.

31 The mean of all contributions made into Jars over the trial period so far is £97.15. The mean of the mean contribution per account is £108.91.

Monthly savings amount – under £100, and over £150, by MaPS segment[32]



32 YBS Jars user data as at April 2021.

From Salary Finance data, we can also see that the higher-earning employee population at Employer D have set higher savings amounts and targets than employees at Employers A, B and C.

As part of the full trial research design, employees are randomly assigned to see a higher or a lower default savings amount and a higher or lower default savings target in the Jars sign-up journey. These are editable defaults – the text appears in the form field in grey and the employee must type something over the text in the box to proceed to the next stage (they cannot just 'go with' the number that is there unless they type it in themselves). The savings amount defaults were set with reference to average earnings and are higher for employees of Employer D than for the other employee populations.

At this very early stage, it looks as though Jars users are influenced by these 'soft' defaults – see table below. The median savings amount for Employers A, B and C is £50 and for Employer D it is £60. However, the higher-earning employees at Employer D are setting higher savings targets than employees at Employers A, B and C despite having seen the same savings target defaults.

Average savings amounts and savings targets by employer[33]

	Median savings amount p/m	Mean savings amount p/m	Higher / lower editable savings amount defaults seen	Median savings target (excluding those who did not set a target)	Mean savings target	Higher / lower editable savings target defaults seen
Employer A	£50	£55	£60/£20	£1,500*	£2,976	£1,500/£1,000
Employer B	£50	£78		£2,000*	£2,606	
Employer C	£50	£72		£1,500*	£1,982	
Employer D	£60	£122	£120/£40	£4,000	£7,471	

33 Salary Finance data from active Jars users as at March 2021.

In the qualitative research interviews, Jars users said they set their savings amount per month based on what they intuitively felt they could 'afford', settling on a figure they felt comfortable with rather than specifically calculating an amount. None reported thinking about this in much depth, especially as they felt it would be easy to alter at a later stage if needed.

The Jars users interviewed mostly said that they did not set their savings target with any particular financial goal in mind, and few could recall the specific amount they had set. In some cases, they had actually forgotten their contributions would roll into their pension once this target was achieved, and the savings target was not understood to have any consequence.

> To be honest I can't remember my amount, I think whatever the automatic amount is? £1,000 target maybe? But I would really need to double check.

Jars user

It should be noted that any Jars user who reaches their savings target will be notified by Salary Finance with a personalised email. This email includes a reminder message about the rollover to pension saving, explaining that they can access their pension savings from age 55 and reminding them that they can change their target or savings amount at any point.

Changes made to savings amounts

15% of Jars users have made a change to their regular payroll savings amount

Although Jars users can change their savings amount and savings target at any time, 85% of users have, so far, stuck with the amount they set at sign up. 10% have made one change to their savings amount, 2%* have made two changes, 2%* have made three changes and only one person so far has made four changes.

Of these changes, 76% were increases in the savings amount and 24%* were decreases.

The earliest a change was made to the savings amount was when the account was 53 days old. The median time a change was made to the savings amount was when the account was 122 days old.

Looking at the savings amounts by month amongst Jars users who have made changes gives a sense of patterns we may see in future when we are able to analyse a larger data set. One such pattern observed is where a Jars user makes one or two changes to their amount in the first 4-6 months of use, and then settles down to a regular savings amount. It is possible that these users are more actively managing their account as they get used to saving monthly, before finding a comfortable savings amount for them. Another pattern observed was a Jars user in the 'struggling' segment saving £30 a month for the first 3 months, then raising this to £40 a month for the next 4 months, then increasing again to £50 a month for the next 5 months, and then jumping up to £150 a month going into the second year of saving. This case study shows a Jars user steadily building the size of their regular saving amount over time.

Ad hoc deposits outside of payroll saving

Just over 1 in 4 Jars users have made an ad hoc deposit outside payroll

Jars users can make additional ad hoc deposits into their emergency savings account outside of payroll. Just over one quarter (27%) of Jars users have made at least one deposit into their account in addition to their payroll savings.

These ad hoc deposits are above the average regular monthly payroll savings amount level, with the mean value of a deposit at just over £300. This is higher for women, at just over £400, than for men at just over £275. Amongst the 77 Jars users who have made at least one additional deposit, the mean number of additional deposits per customer is 3.4.

Interestingly, Jars users in the 'struggling' segment are the most likely to have made a deposit outside of payroll, with around 2 in 5 of this segment having done so. However, the sample sizes are small so this observation warrants further investigation.

Looking across the year the amount deposited outside of payroll peaks in January and April, suggesting that this behaviour may concentrate around annual pay reviews, bonuses or tax year end. Again, this is an area to explore as the trial develops, and when we can better understand the difference between the different employee populations.

Savings persistency

Only 2% of Jars emergency savings accounts have been closed

Jars users have the option to pause their payroll saving by changing their savings amount to £0. As we have seen, most Jars users have not made a change to their savings amount and therefore save persistently at the regular savings amount they set when they signed up to Jars. YBS received a salary contribution in April 2021 for 93% of Jars accounts. The remaining 7% could have paused their payroll savings, or may just have hit their savings target so that their monthly savings are now flowing into their workplace pension rather than their emergency savings account. It is not possible at this stage to identify the reason. However, the dominant picture here is of the vast majority of employees saving persistently once they have signed up to Jars.

Jars users who leave employment with the employer which made Jars available to them can no longer save through payroll. However, the savings account that they set up through Jars is their account and is therefore portable beyond that employment.

Just 2% of the YBS accounts created by Jars users have been closed. The number of people logged by Salary Finance as having left their employer is higher than the number of savings accounts closed, which suggests that some Jars users take their savings account with them when they move on.

Withdrawals

4 in 10 Jars users have withdrawn money from their emergency savings account

The Jars emergency savings account is an online instant access account. To withdraw money, Jars users can transfer their savings to another account via Faster Payments (such as their current account), or directly to a third party via the YBS website or app. If they have requested a card for their account, they can also make a withdrawal from an ATM.

As outlined in the introduction to this paper, Jars is designed to help employees build up an emergency savings buffer so that they are better able to withstand financial shocks. There is a growing body of evidence that shows that the presence of even a small amount of savings can protect against problem debt and other coping strategies that put strain on individuals and households.[34] Jars will therefore only 'work' if employees who have saved are then able to turn to those savings and access them when they need the money.

Even at this early stage, it is encouraging to see that 40% of Jars users have made a withdrawal from their emergency savings account.

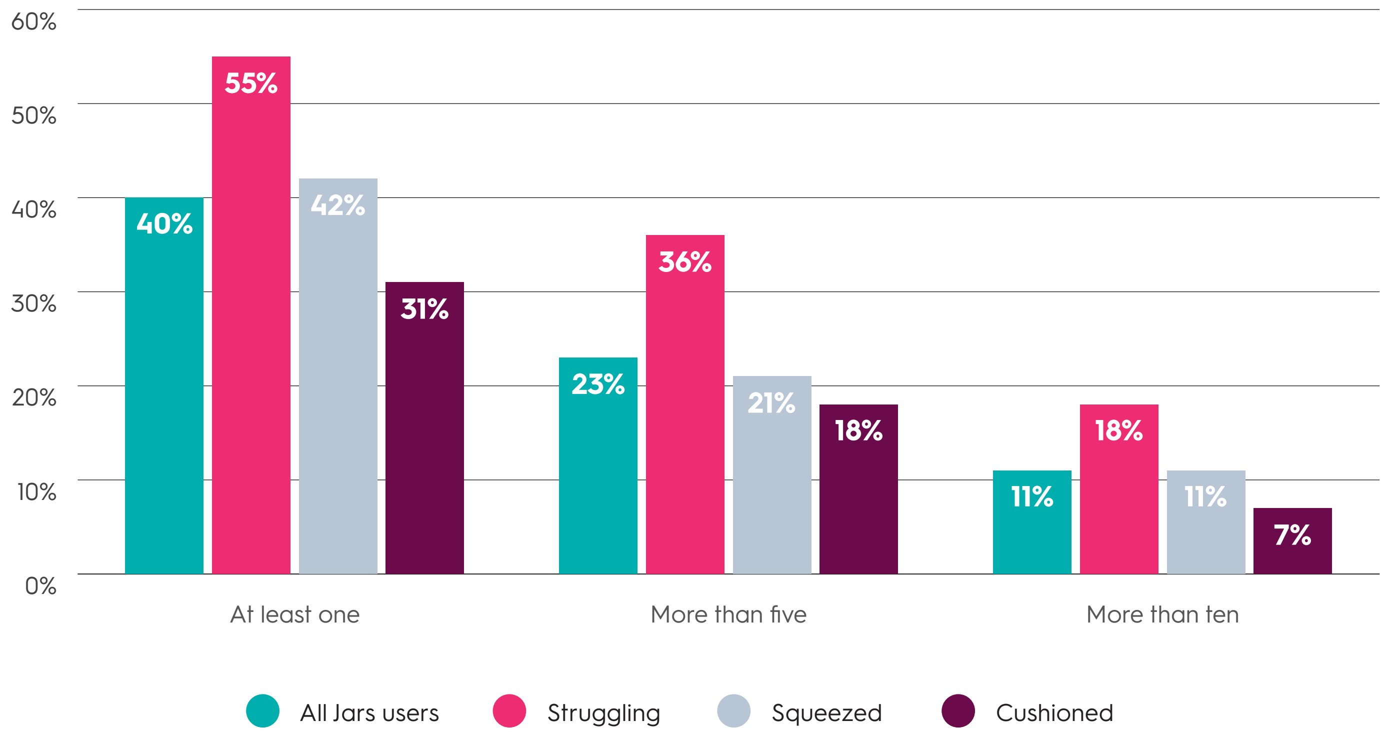
Men are slightly more likely to have made a withdrawal, with 43% having done so, compared with 35% of women.

As would be expected, 'struggling' Jars users are the most likely to have made at least one withdrawal (55%* have done so), followed by 'squeezed' Jars Users (42%), with the 'cushioned' segment the least likely to have made a withdrawal (31%).

'Struggling' Jars users are also the most likely group to have made multiple withdrawals, with 36%* of them having made 5 or more withdrawals, compared with 21% of the 'squeezed' segment and 18%* of the 'cushioned' segment.

34 **nestinsight.org.uk/wp-content/uploads/2021/07/workplace-emergency-saving-a-landscape-review-of-existing-evidence.pdf**

Jars user withdrawals from the emergency savings account[35]



35 YBS Jars user data as at April 2021.

It is possible that we are seeing different usage patterns here, which could include:

- **Emergency saving:** where withdrawals are made infrequently to pay for a financial shock
- **Income smoothing / budgeting:** where withdrawals are made more frequently to manage ups and downs in the individual or household balance sheet
- **Goal-based saving:** where no withdrawals are made until the goal is reached

The qualitative research interviews backed up the hypothesis that there are different patterns of savings usage. As demonstrated in the case studies included in this paper, reasons for making withdrawals differed even among the small sample of Jars users who took part in qualitative research interviews. Reasons included initially making a withdrawal to pay for a holiday then using this money to pay off an overdraft and withdrawals made to pay unexpected bills.

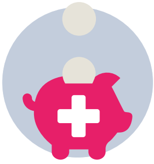
Jars users who make a withdrawal are on average taking out about half of their savings (the mean withdrawal is 54% of the balance, and the median 50%). Again, we think we may be starting to see different patterns of behaviour in withdrawals where a larger group of withdrawers make a small number of larger value withdrawals, and a smaller group of withdrawers make a greater number of smaller value withdrawals.

We will continue to explore whether Jars is being used for different kinds of savings and in different ways as the trial progresses.

The timing of withdrawals is quite well spread across account ages, with a concentration of withdrawals being made when accounts are 4-6 months old, based on data so far. This may be skewed by employer launch dates of the Jars scheme.

Age of account	Number of withdrawals	% of all withdrawals
0-3 months	202	19%
4-6 months	325	31%
7-9 months	175	17%
10-12 months	156	15%
13-15 months	87	8%
16+ months	101	10%

Savings balances and pension rollover



The average emergency savings account balance after one year is just over £550

Although many Jars users are using their emergency savings account quite actively and making withdrawals over time, account balances are also growing on average over time because the average withdrawal is only half of the account balance.

Looking at mean balances at three-month intervals for the 64 Jars users who have been saving for at least a year shows that the mean balance climbs quite steadily, to £336 after six months and £557 after one year.

Mean Jars emergency savings account balances over time[36]

36 YBS Jars user data as at April 2021

As is to be expected given the stage the trial is at, very few Jars users have hit their savings targets, after which point savings are made as additional contributions to their workplace pension rather than into their emergency savings account.

However, with balances generally climbing over time, it is likely that by the end of the trial we will be able to evaluate the effectiveness of the pension savings rollover mechanism and its impact on Jars users' confidence in their retirement plans and longer-term financial security.

Next steps

The major focus for Nest Insight and our collaborators going forward in our emergency savings research programme will be:

- continuing to maximise the insight value of these trials
- rolling Jars out to a fifth employee population
- focusing on supporting appropriate take-up in workplaces
- continuing to gather and analyse administrative and survey data to allow us to robustly evaluate the impact of having access to Jars on shorter and longer-term employee financial wellbeing
- considering additional approaches to overcome barriers to participation in workplace payroll saving, including further work to explore an opt-out version of the joining mechanism

We will continue to share emerging learnings throughout the trial period.

Appendix: trial background

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 enrolees 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[37] 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.[38] 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.

37 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**

38 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 the BlackRock Charitable Trust, 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 (YBS).

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?

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.

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