Getting employees started with saving

Nest Insight employers' guide – Implementing opt-out payroll autosave for employees

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About this employers' guide

This guide is part of Nest Insight's evolving workplace emergency saving research programme. For more information and other reports visit **nestinsight.org.uk/research-projects/workplace-emergency-savings**

You may also be interested in our summary of the legislative and regulatory considerations around developing opt-out workplace saving models, our practical guide to communicating with employees about the savings approach and our paper sharing insights into the perspectives of employers and savings providers. For more information, visit **nestinsight.org.uk**

About Nest Insight

Nest Insight is a public-benefit research and innovation centre. Our mission is to find ways to support people to be financially secure, both today and into retirement. We conduct rigorous, cutting-edge research, working collaboratively with industry and academic partners to understand the financial challenges facing low- and moderate-income households. We use these data-driven insights to identify and test practical, real-world solutions. Our findings are shared widely and freely so that people around the world can benefit from our work. For more information, visit **nestinsight.org.uk**

About Nest Insight's strategic partner

BlackRock is a global investment manager serving the UK market for more than 30 years with a purpose to help more and more people experience financial wellbeing. BlackRock's Emergency Savings Initiative is made possible through philanthropic support from the BlackRock Foundation and the BlackRock Charitable Gift Fund. The initiative brings together partner companies and non-profit financial health experts to make saving easier and more accessible for low- to moderate-income people across the US and UK, ultimately helping more people to establish an important financial safety net. For more information, visit **blackrock.com/corporate/about-us/social-impact**

About our programme partners

Our strategic partner, BlackRock, provides support for our workplace emergency savings research as well as the wider Nest Insight programme.

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**

Contents

The quick read

Many employers are offering ways to save through payroll as a benefit to employees. Opt-out payroll autosave could help to support your employees' financial security and wellbeing.

Who is this guide for?

You may be interested in this guide if you're an employer looking to support your employees' financial wellbeing, whether you already have a workplace saving offer or are thinking about putting one in place. The learnings from these pilot programmes may also be relevant to providers of benefits, workplace savings and payroll services.

Payroll saving approaches like the ones described in this guide have been shown to benefit employees at all income levels and can be particularly important for those on low to moderate incomes.

What is opt-out payroll saving?

Taking an opt-out autosave approach to payroll saving means that employees automatically start saving into their own accessible savings account through payroll contributions unless they choose not to. If they want to start saving, they don't need to do anything. Everything is done for them. Only people who don't want to save have to take action.

An opt-out autosave approach preserves individual choice while also making it easier for people to get started with short-term saving. It can be offered alongside auto enrolment in a pension.

Why is an opt-out approach to payroll saving needed?

Having an emergency savings buffer improves employee financial wellbeing. When people have a pot of savings they can draw on, it can reduce levels of problem debt and anxiety and build financial resilience and confidence.

Employees who are more financially secure are more able to concentrate on their work. Employer support for financial wellbeing can improve productivity, retention and recruitment.

However, even when there is a good workplace saving offer in place, take-up is usually quite low if employees must actively sign up to save. Most people say they need and want to save more, but few get around to setting up their workplace savings account. Inertia, a lack of time and headspace, and low confidence all get in the way.

Once they start saving through payroll, they're likely to save persistently – they often just need a little more support to take the first step.

What impact could it have?

Putting in place an opt-out approach can turbo charge your workplace saving offer, ensuring both employers and employees get the best value out of the plan:

- Employers who have implemented an opt-out approach to payroll saving have seen dramatic increases in employee take-up.
- Employees are very positive about the opt-out approach, with many saying they feel more loyal to their employer and wish all employers supported saving in this way.
- Early evidence suggests that not only do more people save but, as of tenure month four, they also save substantially more than employees in plans which require actively choosing to save.

I think it's a shame a lot more companies don't offer it because… It's not something that they're forcing upon you. There's so much support, it comes across as they want to help, they want people to succeed.

SUEZ employee

How easy is it to implement?

In this guide we share three examples of how employers have implemented an opt-out approach to their payroll autosave offer.

Each model addresses the regulatory considerations around setting up saving on behalf of your employees and has been designed to ensure that employees feel well informed and in control.

The level of implementation and administration work varies across the approaches, depending on how much of the communication with employees is done by the employer and how much by the savings provider. In each of these pilot programmes, the employers have felt the level of investment to set up their offer was modest in comparison with the significant benefits to employees and the business.

> **Now I have savings, I've never had savings before, that's a nice feeling, my financial situation is improving…**
> **I thought it was a good idea. I never would have sorted it out myself. I didn't have to do anything, that all came through the post and in emails – it was all done for me.**
>
> SUEZ employee

While the employers currently implementing opt-out payroll saving are large – with more than 250 employees – we expect their approach to opt-out payroll saving for employees to be transferable to smaller organisations. If you're a smaller employer looking to offer opt-out autosave, we'd love to hear from you.

Where can I go for more information?

You can find more information about our opt-out payroll autosave research, including our papers on regulatory considerations and how to communicate with employees about autosave, in the Nest Insight research library: **nestinsight.org.uk/research-library-emergency-savings**

There is further information about workplace saving options on the UK Money and Pensions Service website: **moneyandpensionsservice.org.uk/financial-wellbeing-in-the-workplace/payroll-deducted-saving-schemes**

Section 1

The benefits of supporting employees to save

Providing support for workplace saving has short- and longer-term benefits for both employees and employers.

An emergency savings buffer can provide a safety net when an unexpected expense arises. Having a few hundred pounds available if the boiler breaks, a car needs an urgent repair or a child has a school trip can greatly help to improve your employees' financial security and wellbeing.

Emergency savings are critical, but many UK households don't have this kind of buffer, and this has a big impact:

- **1 in 3 people** in the UK wouldn't be able to pay an unexpected but necessary expense of £850.[1]
- **1 in 5 people** often borrow money, use a credit card or use an overdraft to pay for essentials like food and heating.[2]
- **3x more likely** to report very low levels of happiness among people who have no savings buffers compared with those who do.[3]

Having even a small emergency savings buffer can:

- **Reduce problem debt** – If a household has £1,000 in quickly accessible savings, it reduces, on average, the chance of getting into problem debt by 44%.[4]
- **Boost wellbeing** – Having savings can have considerable benefits to wellbeing, with just under half (46%) of those not saving regularly reporting feeling anxious with regard to money.[5]
- **Support retirement saving** – Having and using emergency savings accounts can make households financially more secure, and thus able to save more for their retirement. A study of saving among UK workers in their 30s and 40s found that financial resilience was the strongest predictor of discretionary retirement saving.[6] Research in the US has shown that people with emergency savings are 70% more likely to contribute to their defined contribution (DC) retirement plan.[7]

Improving the financial wellbeing of the workforce has a number of benefits for employers too. More financially resilient workforces have on average:

- **Better performers** – Over 1 in 4 employees say money worries affect their ability to do their job.[8] Having a financial buffer can provide some peace of mind, allowing employees to be more focused at work.
- **Improved labour market appeal** – Over 3 in 4 employees say they would be attracted to move to another employer if they perceive it to care more about their financial wellbeing. About 2 in 3 think it's important for an employer they're interviewing with to have a policy in place to improve employees' financial wellbeing.[9]

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1. Office for National Statistics (ONS), 'Impact of increased cost of living on adults across Great Britain: November 2021 to March 2022' (March 2022), **ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/impactofincreasedcostoflivingonadultsacrossgreatbritain/november2021tomarch2022**
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3. Resolution Foundation, 'ISA ISA baby: Assessing the government's policies to encourage household saving' (January 2023), **resolutionfoundation.org/publications/isa-isa-baby**
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6. Ellie Suh, 'Can't save or won't save: Financial resilience and discretionary retirement saving among British adults in their thirties and forties', *Ageing & Society*, vol. 42, no. 12 (April 2021), pages 2940–67, **doi.org/10.1017/S0144686X21000337**
7. Commonwealth and the DCIIA (Defined Contribution Institutional Investment Association) Retirement Research Center, 'Emergency savings features that work for employees earning low to moderate incomes' (August 2022), **dciia.org/resource/resmgr/resource_library/Emergency_Savings_Features_T.pdf**
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Section 2

What does a good workplace accessible savings offer look like?

Short-term accessible savings are designed to be used when needed – to smooth cash flow, manage money month to month and cover unexpected costs.

This means that 'traditional' saving solutions, which are designed with the idea that the balance builds steadily over time to meet a saving goal, may not serve all savers well.[10]

Where savings are designated for emergencies, your employees may be more likely to 'build, use, rebuild' their account, with part or all of their balance withdrawn periodically, perhaps once or twice a year. If they see their savings as money set aside for higher, ad hoc essential expenses such as energy and other bills, food and other shopping, transport or being able to participate in a social event such as a family wedding or work drinks, they may make even more frequent withdrawals of smaller amounts, with their balance cycling up and down but overall staying quite flat over time.

Being able to save for emergencies or ad hoc expenses will support your employees' financial wellbeing.[11] These kinds of short-term saving are different to, but will also support, longer-term goal-based saving.

It's important to consider the needs of the low- to moderate-income earners in your workforce when putting in place a saving offer, as these may be different from what the key decision makers in your organisation look for when picking a savings account for themselves. For example, ease of use and instant availability may be more important to employees with low financial resilience than some of the common features of goal-based saving solutions, such as rewarding higher balances with a better interest rate.

[10] Aspen Institute Financial Security Program, 'The cycle of savings: What we gain when we understand savings as a dynamic process' (2020), **aspeninstitute.org/publications/the-cycle-of-savings**

[11] Nest Insight, 'Payroll saving behaviours: Learnings from the UK sidecar savings trial' (May 2022), **nestinsight.org.uk/wp-content/uploads/2022/05/Payroll-saving-behaviours-learnings-from-the-UK-sidecar-savings-trial.pdf**

Key design elements

Your employees will have a variety of saving support needs. In general, however, we've observed that workplace saving offers that meet the financial security needs of low- to moderate-income earners are designed to be:

Simple	The account structure needs to be straightforward and communications should be jargon-free. Employees with low financial literacy and confidence can be put off by complex conditions, thresholds and percentages.
Flexible	Employees value the ability to change, pause and stop their contributions at any time. They should be able to do this quickly and easily.
Payroll-linked	Employees are able to save consistently and automatically, with money moved into their savings account through your payroll before it's felt in people's pockets.
Partitioned	Savings are set aside from an employee's everyday money in a pot or account in their name that is ringfenced for saving.
Protected	Employees feel reassured that their money is safe, even if the provider were to go out of business.
Fee-free	There are no fees for account management or set-up, ensuring any savings aren't eroded.
Instant-access	Savings can be accessed quickly and easily when needed.
Conditions-free for withdrawals	There are no conditions on taking money out of their account. Employees are free to access their money when they need it, as frequently as they need to.
Adaptable	Employees are free to save and access their money for whatever reasons they choose. While your workplace saving plan might be introduced with the aim of helping your employees save for emergencies, some employees may instead use it for shorter-term goals like Christmas gift purchases, a holiday or a school trip. Ultimately, accessible savings will be used for a wide range of things. Communicating too specifically about the account being earmarked for emergencies can be off-putting to some who need and want to save.

Section 3

What is an opt-out approach, and why use it to support payroll saving?

Opt-out autosave joining mechanisms are designed to support employees who want to get started with saving without restricting employees' choices about what they do with their money.

We know people see the value in saving, want to save and, more often than not, have the potential to save more. Nevertheless, a lot of people just don't get around to it. There are many challenges – from a lack of time to a lack of confidence in selecting a provider, and more – which get in the way of starting to save, even when employees have the choice to save directly through their employer's payroll.[12] Many employers that have workplace saving offers where employees have to sign up to save have been disappointed with participation rates, despite actively communicating that the benefit is available.

So how can you help your employees benefit from payroll saving, where they want to save? One possible solution is to change from an opt-in to an opt-out autosave approach to workplace saving plans. Opt-out autosave has the potential to overcome the barriers preventing those who want – and need – to save from getting started, without making anyone save who doesn't want to.

In an opt-out autosave offer, an employee is enrolled into payroll saving without having to do anything themselves. Once enrolled, employees can change their saving amount, withdraw money, make additional contributions outside payroll or even close their savings account. If an employee doesn't want to save in this way, they don't have to. They can ask you to stop their savings contributions, simply and quickly, at any time.

Opt-out autosave preserves the choices offered in typical workplace saving offers – to save or not to save – but arguably has a much better alignment between employees' needs and default settings. Those who are least likely to have savings, who are under more financial pressure and who may benefit the most, are also those least likely to make an active choice to sign up to save, because they often have limited time for financial decision-making and lower levels of financial confidence. In the opt-out autosave model, an employee only needs to act if they don't need or want to save, possibly because they're already saving elsewhere.

What's the impact of opt-out autosave programmes?

In one employee population, we found that…

More people save… …and people save more.

1.3% participation	48% participation	£23.20 average savings balance	£117.49 average savings balance
Opt-in	Opt-out	Opt-in	Opt-out

12 Nest Insight, 'Does payroll autosave support employees to get started with saving?: Preliminary results from a trial of an opt-out approach to workplace saving' (September 2022), **nestinsight.org.uk/wp-content/uploads/2022/09/Does-payroll-autosave-support-employees-to-get-started-with-saving.pdf**

Section 4

Designing an opt-out autosave approach for your employees

Every employer has a unique workplace culture, policies and systems, and you'll need to develop an opt-out autosave approach that works for your organisation. These key steps can help you on the journey.

Choosing a provider

There are many providers of payroll-linked short-term savings accounts to choose from. Some providers already offer opt-out approaches, while others may offer them in the future or be able to tailor their existing approaches if you ask them to. Nest Insight cannot advise on which provider an employer should choose, but some options we are aware of include:

Credit unions	Credit unions are a responsible alternative option for consumer savings and loans. They offer a range of savings account types and the flexibility to save as little or as much as an employee can afford. Credit unions are run for the benefit of their members, and so they often pay an annual dividend that could help boost employees' savings. Some credit unions offer other benefits, like prizes on saving, bereavement funds and discounts at local retailers. Many credit unions we have spoken to are interested in designing opt-out approaches to saving for their employer clients. You can find a credit union to cover your organisation at **findyourcreditunion.co.uk** Some building societies, including Yorkshire Building Society, also offer workplace savings.
Benefit providers	Some employee benefits providers already offer opt-out payroll autosave to employers who want to support their employees' financial wellbeing alongside their flexible pay, loan, investment and other financial wellbeing offerings. In this **Section 5's case studies**, we include examples run by **Wagestream** (**case 2**) and **Cushon** (**case 3**).
Payroll	In the future, it's possible that payroll providers will integrate opt-out payroll autosave into their products, making it easier for organisations of all sizes to offer this approach to their employees. If you're talking to your payroll provider about offering opt-out autosave to your employees, we'd love to hear about your organisation's experience.

Setting a default saving amount

In an opt-out payroll autosave offer, the initial default saving amount is set by the employer. Your employees can move away from this amount if they want to when their savings account is created.

Why do you need to set a default for your employees? Having a default in place makes it easier for your employees to get started with saving – if they are happy with the default saving amount, they can just start saving without having to do anything. Choosing how much to save may seem like a quick thing to decide, but from our research, we know that when we ask people to choose a saving amount as part of an active sign-up process for workplace saving, this creates cognitive load and friction. Many people drop out at this point in the journey.

We also know defaults are sticky, so it's important to choose an amount that will work well for most of your employees. Setting the default too low risks making no meaningful change to your employees' financial resilience while setting it too high risks putting off new savers and those on lower incomes.

For example, £5 per month may be affordable for many of your employees, but a total savings of £60 after one year won't be enough of a buffer against the cost to repair a broken boiler or car in an emergency. On the other hand, £100 per month would build savings of £1,200 after a year – a good buffer, but a level of saving that may not be affordable for many.

It's important to strike a good balance between meaningfulness and affordability for your workforce. Consider:

- What are the mean (average) and median (middle) pay of your workforce?
- What is the lowest salary paid?
- How many people work on zero hours contracts or work primarily bank shifts?
- How variable is pay between pay periods?
- Do you pay monthly, 4 weekly, weekly or in another pattern?
- If you already have an opt-in payroll saving offer, what is the average saving amount?
- If you offer flexible pay or earned wage access, what is the average advance?

You can then consider different default saving amount options and how they might fit with your workforce's characteristics. Some organisations use 2% of gross pay as a starting point. For those earning £19,000, this would be about £30 per month.

There is no right or wrong default level to set. Talking to employees can be a good way to get feedback on your default saving amount, but be aware that employees may under-estimate how much they can save. In the two Nest Insight autosave pilots described in Section 5 – the trial run by **SUEZ** and **TransaveUK** (**case 1**) and the one run by **Wagestream** (**case 2**) – the default saving amount has been set at either £10 per week or £40 a month, with employees generally saying these are good amounts.

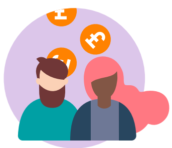
> **I think £40 is probably the right amount that, you know, you set as the entry level. I think higher and it would be difficult for some people… it might deter people. You know, it's £10 a week or less if you break it down for a month. So, I think that's fair.**
>
> SUEZ employee

You may also want to consider a percentage of pay rather than a set amount. In the **University of Lincoln** and **Cushon** example (**case 3**) in Section 5, workers' highly variable pay week to week, as well as the employer's desire to match workers' saving contributions, led the employer to choose 3% of pay as their default worker saving amount.

It's important to bear in mind though that it may be more difficult for your employees to gauge the affordability and relevance to them of a percentage amount unless you give them a personalised calculation in pounds, like £30 per month being 2% of an annual salary of £19,000.

Communicating an opt-out autosave approach to employees

Whatever approach an employer takes to implementing opt-out payroll autosave, there are some common communication principles. At every stage of the communications journey, employees want to feel:



Confident –

"I understand how payroll autosave works, what to do if I don't want to save and what will happen to my money if I do. I have confidence in the motives of my employer and the provider, and I know that if I save, my money is safe.

In control –

"I can make a choice that's right for me. If I decide to save, I know I can flex the account to meet my needs and access my money at any time I need to.

Key messages for your employees

Although the language and exact wording will need to be adapted to your workforce, effective communications includes six key messages:

Message	Example language for employee communications
1 Saving can give you peace of mind.	
Explain why you as an employer or provider are offering an autosave programme and the benefits.	'Regularly putting money aside can help you to build financial security and feel more prepared, which can also improve your wellbeing.'
2 It's your choice.	
Include clear opt-out instructions with a simple one-click email or website opt-out.	'You can easily opt out now if you want to, by emailing…'
3 It's easy.	
Give clear simple information suited to low levels of financial literacy and confidence. Be clear that no action is required to start saving.	'Even if you've never saved before, you can start saving easily now.' 'You don't need to do anything – it's all taken care of.' 'Your account will be set up for you and you will save regularly automatically.'
4 It's flexible.	
Provide reassurance that default settings can be changed easily and at any point.	'You can change the amount you save, either up or down.' 'You can pause or stop saving at any time.' 'You can take some or all of your money out at any time, for any reason.'
5 Your money is safe.	
Explain who the provider is and give proof points for why it can be trusted. Where appropriate, provide links to the provider, Financial Services Compensation Scheme (FSCS) and account terms and conditions.	'Our provider is regulated and trustworthy.' 'Your savings are protected so there's no risk of losing your money.'
6 There's no cost.	
Provide reassurance that there's no catch, and the offer is set up to be in employees' interests.	'There are no fees for using the product.' 'There are no penalties for withdrawing your money.'

There is more detail on these key messages, and some communications traps to avoid, in Nest Insight's practical guide **Talking about payroll autosave with employees** (PDF).

Implementing an opt-out autosave mechanism

There are several ways you could offer opt-out payroll autosave to your employees. Which one is right for your organisation will depend on the financial wellbeing benefits you already make available and your organisational size, culture, systems and processes.

An opt-out mechanism could be implemented at several key moments, including:

- **New employee onboarding** – The employer covers the necessary regulation and legislation – both for itself and the savings account provider – during the onboarding process for new joiners. When employees start at the organisation, they are reminded that they can opt out of saving. It's the employer that primarily manages the process. While this approach covers all new joiners, it doesn't support opt-out saving for existing employees.
- **New employee benefit app sign-ups** – A benefits provider covers the necessary regulation and legislation in their terms of service when introducing a new benefits app to employees at the employer. The provider communicates and manages the opt-out process for saving. This approach only covers employees who sign up to the benefits provider's service.
- **New employment contract** – The regulatory considerations can be met through employees' employment contracts rather than consent. Communications could then be handled by the employer, a provider or a combination of the two. It's possible to use the contracting approach with all employees if a global contract change is made. However, some employers suggested that it may be easier to use this approach only with new employees, when a new individual contract is being signed. A new employee employment contract is the approach taken in the new employment contract case we review in the next section of this guide.

Each of these approaches addresses the criteria set out in relevant regulatory and legislative frameworks. In December 2021, Nest Insight published a paper on these considerations for employers and providers who want to implement a payroll autosave mechanism. You can read this paper at **nestinsight.org.uk/wp-content/uploads/2021/12/Opt-out-payroll-saving-the-regulatory-considerations.pdf**

In the next section, we look at each of these implementation approaches in action through three case studies.

Section 5

Case studies

Here we share top-level learnings on how three organisations implemented opt-out payroll autosave, using the three different approaches – new employee onboarding, new employee benefit app sign-ups and new employee employment contract.

We also talked to leaders who were, to our knowledge, the first to implement each of these approaches in the UK, about how they went about setting up the offer and their experience of communicating it to their workforce.

Case 1. New employee onboarding – SUEZ and TransaveUK

A Nest Insight pilot

Overview

During a new employee onboarding process, individuals are typically asked to sign their employment contract along with any paperwork that might apply to their new role, such as policies regarding health and safety, data privacy, expenses and the employee code of conduct. The employer's opt-out payroll autosave policy can be included at this point in the onboarding journey, providing the necessary consent information about the autosave offer as well as their future savings account's terms and conditions, before a new joiner starts work.

Then, on the employee's first day working with the organisation, the employer would communicate all the information they need to decide whether to opt out or start saving with their first payroll.

Background

SUEZ recycling and recovery UK has long recognised the vital role it plays in helping its 5,800 employees build financial resilience. Among its portfolio of financial wellbeing benefits are financial education, retail discounts, emergency loans, earned wage access and payroll saving. SUEZ has also partnered with the credit union TransaveUK, which offers payroll savings and loans to employees.

Until recently, SUEZ employees needed to actively sign up to save with TransaveUK through payroll. Understanding the importance that a financial buffer can have on employees' wellbeing, SUEZ was looking for a way to make it easier for its employees to save for emergencies. Opt-out payroll saving ticked all the boxes and SUEZ managers were keen to work with Nest Insight to pilot and evaluate the new approach.

In November 2021, SUEZ started offering opt-out payroll saving to new employees. The launch followed months of careful consideration of the regulatory hurdles, drawing on legal, Financial Conduct Authority and industry guidance. Based on this, SUEZ developed a user journey to inform employees about the saving mechanism and produced transparent communications designed to ensure employees were fully aware of their options.

> **"We did a lot of promotion of payroll saving before we tried the autosave approach. Transave went to site… we've got wellbeing ambassadors, we do a lot of promotion and word-of-mouth, it's in the SUEZ magazine but we still weren't getting a huge uptake. But then we tried autosave… now we've got over 1,000 savers in just a few months.**
>
> Michelle Sutton, Head of Compensation and Reward, SUEZ

Key features

New joiners are able to complete the necessary consent steps as part of their onboarding process, alongside signing their employment contract and other policies. For employees wanting to save, the sign-up journey is drastically simplified compared to opt-in saving. In their first weeks of employment, employees receive a series of communications and reminders with information about the saving offer.

Opting out is easy. There are no complicated forms to complete or processes to follow. The employee simply emails a general payroll email account, which is managed daily, to notify SUEZ that they wish to withdraw from the saving programme.

For those who remain in the saving programme, SUEZ provides TransaveUK the information needed to set up a savings account in the employee's name and starts diverting a default £40 per month from their pay into it. Even if an employee were to start saving by accident, they can access their money immediately or close their account at any time if they want to.

It's easy for employees to change the amount being saved, move money to alternative TransaveUK savings accounts or make additional contributions. This means employees retain all of the flexibility of payroll saving with far less effort to get started than required under an opt-in approach.

> **It's offered to you, and it's also made very simple… and comes directly out of your account and you get a handy little app, which shows you how much your savings come up to, and you're able to change this amount, and you're able to withdraw it as and when needed, or leave it there.**
>
> SUEZ employee

Results

Early indications are positive, with payroll saving participation up to 50 percentage points higher under opt-out conditions than previously.[13] Early evidence also suggests that not only do more people save but, as of tenure month four, they also save substantially more than their opt-in counterparts.

While this process happens at the same time as employees' auto enrolment into pensions, we have seen no impact on pension saving.

> **I personally think it's a really good idea, the only thing you have to do is opt out – leaving it on there is effortless, you don't have to put in your bank details or anything – you don't have to do anything, to me it's a no brainer. You can adjust it, it doesn't have to be £40… it could be £10. It's an amount you might not notice and then you have that in however many months' time if you need it.**
>
> SUEZ employee

We'll publish the latest findings on participation, saving balances and contributions in spring 2023, along with insights into other financial behaviours, like use of credit union loans and earned wage access. For our latest research, visit **nestinsight.org.uk/research-library-emergency-savings**

13 nestinsight.org.uk/wp-content/uploads/2022/09/Does-payroll-autosave-support-employees-to-get-started-with-saving.pdf

Case 2. New employee benefit app sign-ups – Wagestream

A Nest Insight pilot

Overview

Using this approach, the employee benefits provider communicates and manages the opt-out process for payroll saving, including covering the necessary regulation and legislation in their terms of service with employees.

The employer will likely to need to share data with the benefits provider for opt-out payroll saving to be possible. However, employers often already share much of this data with their benefits provider to enable their employees to use other tools, for example, flexible pay. The exact requirements will vary depending on the provider.

It's important to remember that this approach involves only employees who sign up to the benefits provider's service. The more employees who are enrolled with your provider, the better the savings impact across your workforce is likely to be.

Background

Wagestream, an employee benefits app, provides employees with the ability to flexibly access some of their earned pay before their designated pay day, for a small fee. It also provides employees with access to a savings pot, budget management tools and certified financial coaches. Wagestream's employer clients tend to have employees on lower to middle incomes that may be volatile due to varying shift patterns. This means tools to help manage money are particularly beneficial. There is high app take-up in many Wagestream client workforces.

Wagestream has a longstanding commitment to improving the financial wellbeing of its clients' employees and has engaged frequently in research. Aware of the benefits that a savings buffer can have for both employees and employers, it was keen to set up autosave in a way that could maximise support for employees with minimal effort from their employer clients. Working with Nest Insight, it designed a pilot which could be observed to understand the impact of opt-out autosave compared to an approach where employees have to choose to save.

> **"Wagestream already had a payroll savings proposition in place and it was already fairly well used, but the more we dug into it, the more we thought autosave is something that we want to get involved in, particularly because our clients tend to have large frontline workforces, which are often low- to middle-income earners. Helping people get started with saving feels like the right thing to do – we're Wagestream, it's part of our ethos to support financial wellbeing.**
>
> Emily Trant, Head of Impact and Inclusion, Wagestream

To date, two employers have been involved in the pilot. They were motivated to offer opt-out autosave through Wagestream following conversations with their employees. The autosave pilots were aligned with the employers' desire to support wellbeing in their organisations.

> **"The last 12 months we've focused on colleague financial wellbeing, understanding their situation, understanding the stresses and strains they face. We know saving is a huge challenge. From the evidence we've seen, autosave seems to be the only thing that can make a really significant difference to the savings rates of our colleagues.**
>
> Alex Henley, Wellbeing Manager, Co-op

> **As a purpose-led employer who invests significantly in physical, mental and financial wellness, we have a number of savings vehicles as part of our financial health offering. However, active participation is low. Many of our lower earners are excluded from mainstream financial products as they are considered subprime banking customers. What we have learned through our existing portfolio is the life-changing impact of a simple savings pot: the positive mindset shift and sense of inclusion an employee with stressed finances has through a modest cushion. As a participating employer we have a unique and privileged position to overcome the inertia and friction…**
>
> Employer A, which has offered opt-out autosave to employees through Wagestream

Key features

In October 2022, Wagestream launched the first provider-led opt-out mechanism for short-term saving for employees in the UK.[14] It developed a multi-touchpoint communication journey to notify autosave employees about the benefit and provide them with time to opt out, should they wish to. Employees start to save £40 per month into their Wagestream pot unless they opt out, and can instantly access their savings, change their contribution amount or close their savings pot at any time without penalty.

> **'The choice is always yours', that was a really key message. 'We've done this for you, but you can view, change, cancel, withdraw anytime you like.' And we repeated that 'change, cancel, withdraw' message throughout the communication. It's the same number of clicks to opt out as it would be to opt in.**
>
> Emily Trant, Head of Impact and Inclusion, Wagestream

In this pilot, we, together with Wagestream and some of its employer clients, have also been exploring another approach to supporting savings, known as 'active choice'.[15] We know that people often follow the default choice. In the case of opt-in saving, the default choice is **not** saving while for opt-out saving the default choice is saving.

In active choice, the default is removed entirely. Instead, employees are asked to make an active decision in response to the question: **Do you want to save?** If they answer yes, they set up an account in the same way they would have if they opted in. If they say no, then no account is created at that time, but the option is always available. This approach may increase saving participation compared with an opt-in approach but is unlikely to be as supportive of saving as an opt-out approach.

Results

Early data from the trial suggests that the opt-out autosave mechanism is the best way to get people saving, with active choice being little better than opt in.

[14] In doing this, Wagestream, Nest Insight and the team of academics we're working with launched, to our knowledge, the first randomised controlled trial (RCT) exploring a payroll autosave mechanism in the UK.

[15] Punam Anand Keller, Bari Harlam, George Loewenstein and Kevin G. Volpp, 'Enhanced active choice: A new method to motivate behavior change', *Journal of Consumer Psychology*, vol. 21, no. 4 (October 2011), pages 376–83, **doi.org/10.1016/j.jcps.2011.06.003**

We'll be publishing the first research findings from this trial later in 2023 and will update this guide with summary data about participation. You can sign up to Nest Insight's **mailing list** to receive these updates and other research in your inbox.

> **"They made it very clear to begin with what it was and how it works and how it gives you the options to opt out… I found it all quite straightforward, and they made everything very clear to me.**
>
> Wagestream member

Case 3. New employee employment contract – University of Lincoln and Cushon

A saving scheme for student workers

Overview

The regulatory considerations around opt-out payroll autosave can be met through contracting rather than consent, using the employee's employment contract. Here employee communications can be handled by the benefits provider, the employer or a combination of the two.

It's possible to use the contracting approach with all employees if a global contract change is made. However, some employers suggested that it may be easier to introduce opt-out autosave in this way only with new employees, when a new individual employment contract is being signed. The University of Lincoln uses this approach only with new employees.

Background

Campus Jobs, the University of Lincoln's in-house student employment agency, has for several years been offering jobs to students, giving them the opportunity to earn money alongside financial education and employability skills. Like all university employees, students working for Campus Jobs are entitled to pensions auto enrolment, and the employer pension contribution that comes with this, if they are eligible. However, the vast majority of these student workers earn less than the pensions auto enrolment threshold of £10,000 a year or are under the qualifying age of 22, and so are ineligible for this benefit. While the University of Lincoln offers opt-out payroll saving to student workers who are ineligible for pensions auto enrolment, this approach can be used alongside auto enrolment too.

> **"We've got some money that's there to support an individual and we want to support younger and more casual workers to save, and to help them build a saving habit before they go into full employment.**
>
> Ian Hodson, Head of Reward, University of Lincoln

Rather than simply accepting that most student workers will miss out on the employer pension contribution, the university decided to work with Cushon, its workplace pension provider, to offer an equivalent employer contribution into an Individual Savings Account (ISA) for those workers who are not eligible for, or don't want to be part of, pensions auto enrolment.

The university decided to offer this ISA plan on an opt-out basis to ensure that student workers didn't miss out on the chance to save and get contributions from their employer because of inertia and the effort involved in having to sign up for a benefit.

Key features

To be able to adopt an opt-out approach to payroll saving, in November 2021 the University of Lincoln made a universal contract change for all students working for Campus Jobs.

When a worker starts a Campus Jobs role they are automatically put into the Cushon workplace saving offer – by default, a cash account – and start saving 3% of their pay, with an additional 6% contributed to their savings by the university.

From there they choose an appropriate product and decide whether to continue to save into cash or invest their money. They can choose from a Stocks and Shares ISA (with a cash option), Lifetime ISA, Junior ISA or General Investment Account (GIA). They can also choose to increase their monthly savings amount, with an escalating match available from the university in line with the pension scheme contributions matching structure, up to a maximum employer contribution of 8%.

Workers can opt out of saving at any point by emailing payroll services. Money can be withdrawn from ISAs or GIAs at any time using the Cushon app.

> **We do a lot of research around workplace savings and every piece of research that we've done indicates an intention gap. It's the same old problem of inertia: people want to save but just don't get around to it. So, let's take away all the friction and effort and get more people saving and more financially resilient. That's the power of an opt-out model in a nutshell.**
>
> Steve Watson, Director of Policy and Research, Cushon

Results

The University of Lincoln and Cushon estimate that 92% of eligible students remain in the saving plan and nearly half of these workers (46%) were saving for the first time.

Because all student workers have been enrolled in the opt-out autosave programme, there is no control group against which to measure increased saving.

> **I'm glad that I'm in it [the automatic saving plan], I don't think I would have opted into it because of the issue of not knowing about it, so the communication side of things. I would have wanted to opt in however whether or not I would have is another story.**
>
> University of Lincoln student worker

Section 6

Choosing the best method for your workforce

Regardless of the method chosen, all three options have the potential to cause a step change in employee saving and improve employees' financial wellbeing.

You should choose an option that fits your workforce, payroll processes, organisational systems, budget and size. The table below may help you to think about which approach would best support your employees and business:

	New employee onboarding	New employee benefits app sign-up	New employment contract
Implementation considerations	Only works for new employees.	Only works for those who join the employee benefits provider (a subset of the workforce).	Could work for all employees if a global contract change is rolled out, but so far we're only aware of this being used with new joiners.
	Employer is likely to manage the opt-out process.	The savings provider is likely to manage the opt-out process.	Either the employer or the savings provider could manage the opt-out process.
Communication considerations	The mechanism is introduced pre-employment but opt-out decisions can only be made when an employee starts working. Communicating this clearly is important to avoid unnecessary admin.	Employees can opt out as soon as they are told that an account has been set up for them.	The mechanism is introduced pre-employment but opt-out decisions can only be made when an employee starts working. Communicating this clearly is important to avoid unnecessary admin.
	It should be made clear that an employer cannot see information about employees' savings.	Individuals likely interact with app notifications and pop-ups differently than emails to their work account. A consideration of this is needed when designing a user journey to make sure employees are aware of their choices.	It should be made clear that the employer cannot see information about employees' savings. Having autosave appear in the employment contract may give the perception that it's mandatory to set up an account. It should be made clear that this isn't the case.
	Ongoing communications to existing employees to encourage them to save are still needed.	Ongoing communications to existing employees to encourage them to save are still needed.	Ongoing communications to existing employees to encourage them to save may still be needed.
		May work well for very large employers as all queries are managed by the provider rather than the employer.	

> **We're a diverse business, but in terms of actual implementation of this, we've been able to keep the focus within our people function… because we've delivered this working with Wagestream. So we didn't need a lot of IT support; we didn't need a lot of legal support, procurement. For now, that makes this method the best for our organisation.**
>
> Alex Henley, Wellbeing Manager, Co-op

If you're running an opt-out payroll autosave mechanism in your organisation, or you're looking to start using one, we'd love to speak with you about your approach to implementation. We're also looking to understand the specific opportunities and challenges for smaller employers and explore ways to make it easier to introduce and improve the feasibility of opt-out autosave benefits offers within all organisations.

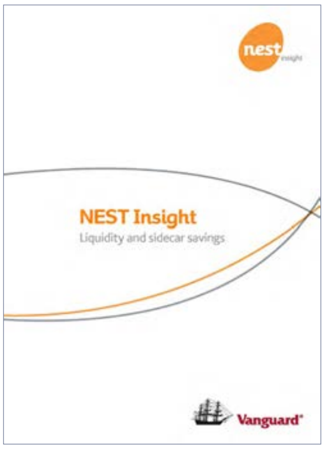
If you'd like to be part of this research programme, either by sharing your thoughts on the opt-out autosave approaches in this briefing paper or by becoming involved in a pilot, then please get in touch at **insight@nestcorporation.org.uk**

Our research in this area

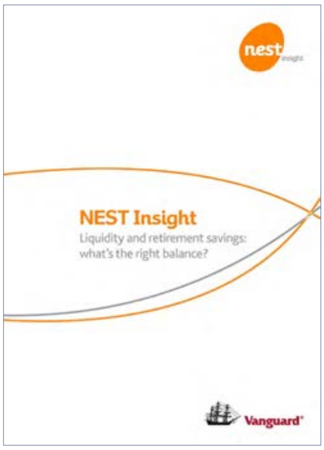
This employers' guide is part of our evolving workplace emergency saving research programme.

Some of these pilots are ongoing. For our most up-to-date learnings, please visit **nestinsight.org.uk/research-projects/workplace-emergency-savings**

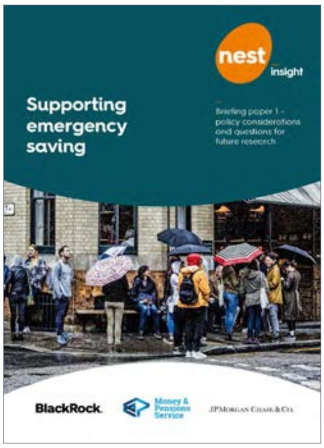
Liquidity and sidecar savings
(November 2017)



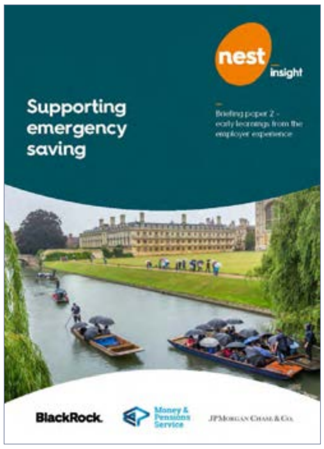
Liquidity and retirement savings:
What's the right balance?
(March 2018)



Supporting emergency saving:
Briefing paper 1 – policy considerations and questions for future research
(October 2020)

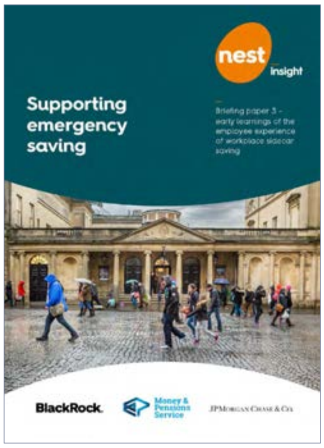


Supporting emergency saving:
Briefing paper 2 – early learnings from the employer experience
(December 2020)

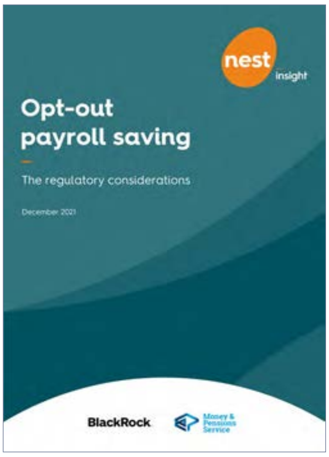


Workplace emergency saving:
A landscape review of existing evidence
(July 2021)

Supporting emergency saving:
Briefing paper 3 – early learnings of the employee experience of sidecar saving
(July 2021)

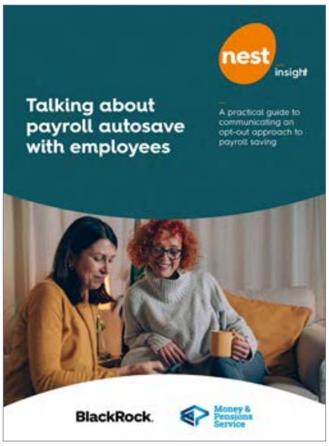


Opt-out payroll saving: The regulatory considerations (December 2021)

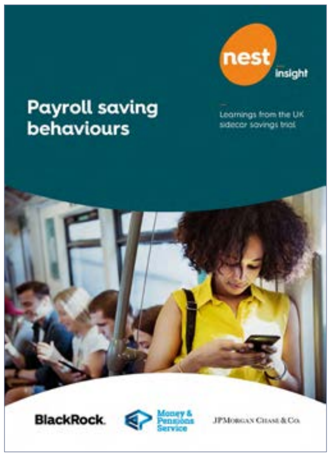


Opt-out payroll savings: A new way to support financial wellbeing in the UK? Industry and employer perspectives (March 2022)

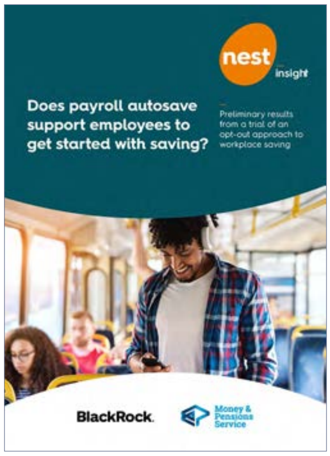
Talking about payroll autosave with employees: A practical guide to communicating an opt-out approach to payroll saving (May 2022)



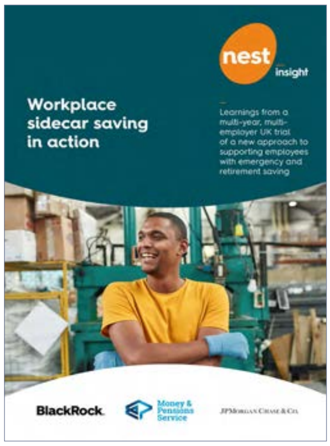
Payroll saving behaviours: Learnings from the UK sidecar savings trial (May 2022)



Does payroll autosave support employees to get started with saving?: Preliminary results from a trial of an opt-out approach to workplace saving (September 2022)



Workplace sidecar saving in action: Learnings from a multi-year, multi-employer UK trial of a new approach to supporting employees with emergency and retirement saving (April 2023)



Our full programme of research reports, including our research on opt-out workplace savings solutions, supporting self-employed people and other under-served groups in pension saving, saving engagement, workplace pensions auto enrolment in action and more, visit the **Nest Insight research library online**.

Contact us:

insight@nestcorporation.org.uk

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April 2023