

Business case



A popular, powerful and proven way to support employee financial resilience

What is payroll saving?

Payroll saving, also known as a workplace saving scheme, allows employees to put money aside automatically into their own savings account each pay period before their pay hits their pocket.

Financial worry costs employers thousands in:

- **Lost productivity.** Presenteeism¹ as a result of financial worries costs UK employers an estimated £6.6 billion. Saving for emergencies² has been associated with a 7% increase in self-reported job performance.
- **Absenteeism.** Absenteeism³ due to financial worries is estimated to cost UK employers £3.7 billion annually.
- **Employee turnover.** Over 3 in 4 employees⁴ say they would be attracted to move to another employer if they perceive it to care more about their financial wellbeing.
- **Health and safety accidents.** Reduced financial worry can improve focus leading to fewer accidents. In the US financial worry made truck drivers 50% more likely to have a preventable accidents at work.⁵

1 CEBR (2023). [Financial wellbeing and productivity in the workplace.](#)

2 AARP (2024). [Does saving for emergencies improve productivity at work?](#)

3 CEBR (2023). [Financial wellbeing and productivity in the workplace.](#)

4 CIPD (2023). [Employee financial wellbeing.](#)

5 Pitt Ohio (2016). [Rainy Day Fund.](#)

6 MaPS (2022). [One in six UK adults have no savings.](#)

7 MaPS (2023). [One in three people have missed payments on vital bills already this year.](#)

8 StepChange Debt Charity (2015). [Becoming a nation of savers.](#)

Why should you support employees' financial resilience through payroll saving?

There are lots of reasons to support employees' financial resilience through workplace saving.

A quarter of UK adults have less than £100 in savings.⁶

In the UK, the financial resilience of employees is low, across the income spectrum, but particularly among those on low, moderate and/or variable incomes.



1/4 UK adults

have less than £100 in savings

Supporting employees to build even a small financial buffer can also:

- **Reduce stress and worry.** One in three people have missed payments on vital bills in 2023⁷ (that's 16 million people).
- **Contribute to lower levels of 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%.⁸
- **Support long-term retirement saving.** A study of saving among UK workers in their 30s and 40s found that financial resilience was the strongest predictor of discretionary retirement saving.



1 in 3

have missed payments on vital bills in 2023

Why take an opt-out approach to payroll saving?

Typically, employees have to sign up to start saving. But low financial confidence, inertia and present bias mean that sign-up rates are often much lower than levels of interest or need.

Swapping the default so employees start saving unless they say they don't want to, also known as opt-out payroll saving, has been shown to better support people who want to save to get started. Employees are in full control of their money and can pause and stop saving at any time and withdraw their savings whenever they want to.

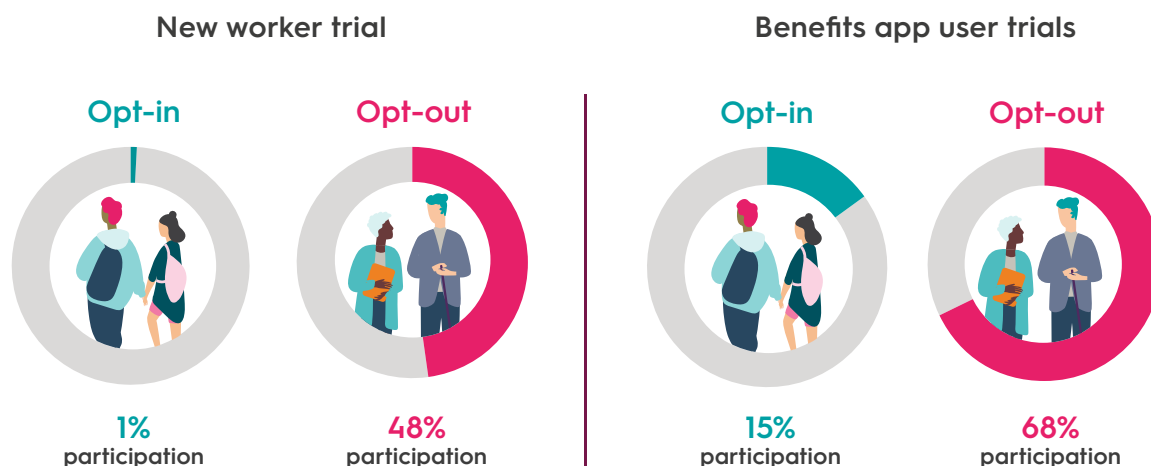
What impact does opt-out payroll saving have on financial resilience?

Opt-out payroll saving is a popular, powerful and proven way to support employee financial resilience and help people build up a financial buffer so they have greater peace of mind at work and at home.

Two trials of opt-out payroll saving have been conducted across three years in three different employers – SUEZ recycling and recovery UK, Bupa Care Services, and the Co-op. These trials, covering over 70,000 employees, have created a robust evidence base to demonstrate that opt-out payroll saving:

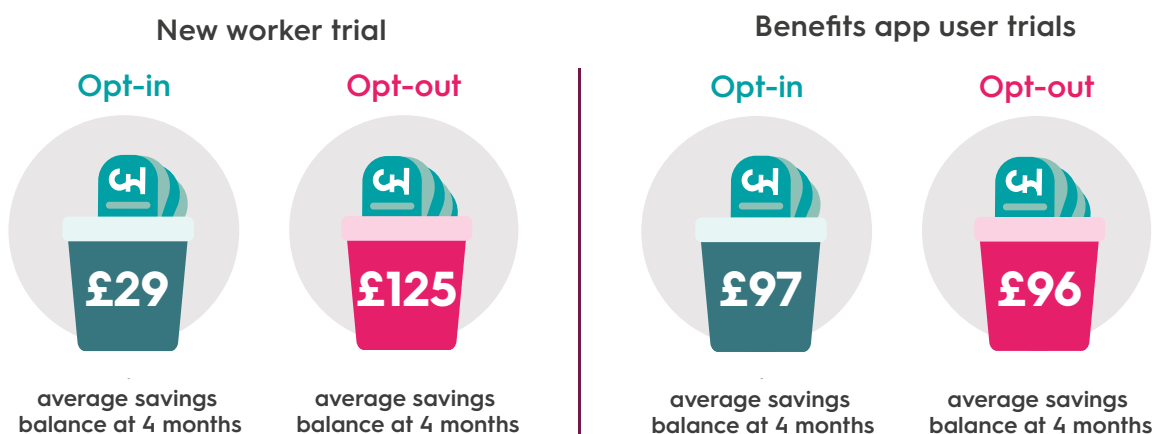
1 Supports people who want to save to do so.

In our payroll savings trials we see a game-changing boost to savings participation as a result of the opt-out mechanism. Up to 7 in 10 employees start saving in this way.



2 Can help people build meaningful balances and weather unexpected costs and month-to-month expenses.

Within just a few months, savers have, on average, built up an £100 saving buffer.

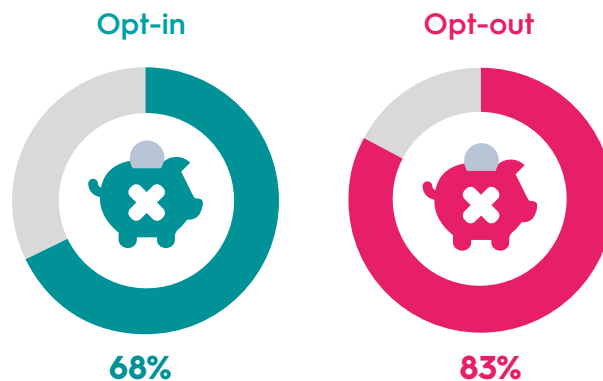


Around 25% of employees don't build up a buffer over time. We know from speaking to people that this is often because they are actively using their money to manage within or between month expenditures. The accounts are just as valuable to them as those building a balance, if not more so.

3 Reaches the people who want and need savings most.

Levels of saving participation do not differ by gender, role, pay tercile, income volatility, or age. It also reaches more people without previous savings and those who are low in financial confidence.

Percentage of savers who had less than
£1,000 in savings before the pilot



4 Is popular amongst employees.

We asked employees whether they were happy with the opt-out payroll scheme they were offered. Nine in 10 were happy or neutral.



5 Doesn't impact on retirement saving.

Employees save for the short-term in addition to retirement saving.

Pension participation is the same
when people experience the opt-out approach



If you're thinking about introducing opt-out payroll saving in your organisation. There are lots of resources available on our website: nestinsight.org.uk.

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.

Programme partners

The
BlackRock
Foundation



Money &
Pensions
Service

Strategic partners

The
BlackRock
Foundation



JPMorganChase