



Smarter paydays

—
Harnessing the power
of payroll to build
financial resilience



BlackRock



**Money &
Pensions
Service**

About this report

This research is part of a wider programme considering the role that the workplace can play in supporting financial wellbeing. nestinsight.org.uk/research-projects/workplace-emergency-savings

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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

Research collaboration



PayCaptain is a cloud payroll solution designed to transform the payroll experience for companies and their employees. Intelligent, automated and backed by 24/7 expertise, PayCaptain aims to be the most helpful payroll system on the planet.

For more information visit paycaptain.com

This research was funded as part of our broader emergency savings work via programme partner grants. We worked with PayCaptain to understand and explore innovations that are possible or emerging in this area and as a route to recruiting some of our research participants. PayCaptain have not funded or influenced the work.

About Nest Insight’s strategic partner

BlackRock

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 well-being. 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

Programme partners

BlackRock

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

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Quick Read

There's a big opportunity for payday to be about more than getting paid. It's a high engagement moment, experienced by all employees, many of whom pay close attention to their payslip. That means that payroll has the potential to deliver greater value as a touchpoint for supporting employee financial wellbeing – giving people the information they need for decision making in real time, connecting a fragmented landscape of financial solutions and overcoming behavioural barriers to action. Digital integration and smart technology could transform the role that payroll plays by making more of the payday moment, supporting millions more employees towards financial security.

Financial security: a foundation for productivity

Being financially insecure can negatively impact employee wellbeing and performance. Supporting employees' financial wellbeing can be beneficial for both the employer and employee and starts by paying employees a fair wage, accurately and on time. But there is more employers can do, and in this research we wanted to explore the opportunities for payroll to play a greater role in supporting financial wellbeing.

Approach

We conducted qualitative research with employees and payroll professionals to understand experiences of payroll today and the interaction it can have with financial wellbeing.

Payday today: high engagement, unrealised potential

- › People on variable pay actively check their payslips.
- › Whilst pay is high engagement, employees can't always get the information they need when they need it.
- › Although most payslips show employee pension contributions, many employees are not aware of how much they are saving for later life.
- › Where employee benefits are in place they are often underused.
- › Payroll software frequently relies on legacy technology which can be cumbersome for administrators and users.



If our payslip is our most looked at doc we should care about it... the payslip is our golden bullet. If it could plug into your bank account and make suggestions... I think it's excellent. It's intervention at the right time with really helpful insight. If you add the insight on top it's just game changing. – Employer

This is sort of thing that's at the forefront of your mind, isn't it? Pay? Whereas this is the few apps that offer those kind of different things – you just lose track of them. But if it was all rolled into one, I probably would use it more.” – Employee



The opportunity: supporting financial resilience in the moment

Because low- and moderate-income employees are often frequently engaging with their payslip, this touchpoint could be ideally placed to support financial wellbeing. Whilst there is some innovation in this space, experiences are mixed depending on payroll provider and employer.

Payroll could:

1. Improve visibility and clarity of pay to support budgeting and money management
2. Integrate and connect pay with other benefits and support
3. Give personalised and timely behavioural nudges.

Smarter, more connected payroll could provide a stronger foundation for employees' money management and help them to build greater financial resilience.

Section 1

Background and approach

Financial insecurity can negatively impact employee wellbeing and performance. Supporting employees' financial wellbeing can benefit both the employer and employee. In this research we wanted to explore the opportunities for payroll to play a greater role in this.

Financial security: a foundation for productivity and retention

Almost half of UK workers experience financial difficulties.¹ It's a problem that affects employees across the income distribution but is particularly difficult for employees on low incomes with little capacity to absorb financial shocks.

People with variable and unpredictable incomes are also more likely to be impacted by poor financial wellbeing as they try to manage a mismatch in timing between income and expenditure.²

The intersection of low and variable pay is particularly challenging. Women, people from ethnic minority backgrounds, single parents and disabled people are more likely to experience low and variable pay.

Managing low income and high unpredictability can increase the cognitive load associated with managing money and reduce financial resilience. This can affect engagement and productivity at work. It's estimated that financial worries cost small organisations more than £4,500 per year in absenteeism and presenteeism from financial distress and close to £325,000 per year for larger organisations.³

Being more financially secure has individual benefits, including reducing problem debt, supporting people to plan and save for the future and improving mental health and broader wellbeing. Supporting employee financial security also has business benefits for the employer:

- › **Better performance** – Research suggests that between up to 8 in 10 employees say money worries affect their ability to do their job.⁴ Being more financially secure reduces anxiety, allowing employees to be more focused at work.
- › **Cost savings** – Poor financial wellbeing can cost employers the equivalent of 17% of salary costs.⁵ Supporting financial wellbeing can therefore provide a boost to business. SUEZ recycling and recovery UK estimate that the implementation of a programme to support employees to build financial resilience resulted in a £1.3 million saving (over 10 months) as a direct result of reduced employee absence.⁶
- › **Employee engagement** – 9 in 10 people said that targeted financial benefits would make them feel more invested in their work.⁷ Supporting financial wellbeing can support employee engagement and retention.
- › **Improved labour market appeal** – More than 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.⁸ 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

¹ CIPD (2023). [Good Work Index](#)

² Nest Insight (2024). [Why understanding volatility matters](#)

³ Centre for Economics and Business Research (2021). [Financial wellbeing and productivity in the workplace](#)

⁴ Close Brothers (2019). [The Financial Wellbeing Index](#)

⁵ The Money and Pensions Service (2024). [How can we improve financial wellbeing in the workplace?](#)

⁶ CIPD (2022). [Case study: SUEZ payroll autosaving](#)

⁷ Morgan Stanley (2023). [State of the Workplace Study 2023](#)

⁸ PwC (2023). [Employee Financial Wellness Survey](#)

⁹ CIPD (2022). [Reward Management Survey](#)

The role of payroll

Paying employees a fair, liveable wage is clearly the foundation without which financial security is not possible. But pay isn't the only thing that contributes to financial wellbeing. Much investment is put into employee benefits, including workplace pension schemes and associated employer contributions. There is an evolving landscape of financial wellbeing support connected to payroll, allowing employees to pay back loans and make savings deposits direct from pay.

In recent years Nest Insight's real-world workplace savings trials have identified the transformative impact that well-designed payroll savings schemes can play in supporting people to build financial security.¹⁰ We've conducted exploratory research looking at workplace loans and earned wage access models.¹¹ And in our Real Accounts programme we've explored households' lived experiences of managing on variable pay, identifying some of the challenges people face.¹² Over this period, we've spoken to hundreds of employees about their experience of managing money, and a common theme has been the impact that payroll can have – for better or worse – on employees' experience.

In this research, we wanted to further explore the role of payroll in supporting financial wellbeing, stepping back to understand the current experiences of both employees and payroll professionals, and to identify opportunities where positive innovation is happening, or could happen in future.

We asked:

- › What is the current experience of payroll for employees and employers?
- › What role do current employee financial wellbeing solutions and benefits play? How well do they connect to payroll and income?
- › Are there opportunities for payroll to better support employee financial wellbeing? What could that look and feel like?

Research approach

To answer these questions we explored both how things are today, and how they could be in future in research with both employees and employer payroll professionals. As part of this we worked with PayCaptain – an innovative payroll solution that integrates money management tools and guidance into the experience of getting paid. PayCaptain offers many features to support employees' financial wellbeing including via its behaviourally designed SmartPay solution.¹³ This research collaboration allowed us to explore new and emerging technology, including smart nudges and personalised suggestions of positive actions an employee could take with their money at meaningful points in the employment journey.

Between June 2023 and March 2024, we spoke to 14 employees who are paid via PayCaptain from nine different organisations, as well as four payroll professionals whose organisations use PayCaptain.

We also spoke to a further eight employees who are paid via different systems and two additional payroll experts.

In total we spoke to:

- › **6 payroll professionals in individual interviews**
- › **22 employees in individual interviews and discussion groups**
 - Almost all on low to moderate incomes, many with income that varied month to month
 - All working in hospitality, retail and health and social care
 - An even gender split (11 male, 11 female)
 - Working for 17 different employers.

We also worked with the Chartered Institute of Payroll Professionals (CIPP) and the Money and Pensions Service (MaPS) to understand the views and experiences of payroll professionals in their Payslip Statistics Survey, conducted in February and March 2024.¹⁴

¹⁰ Nest Insight (2024). [Workplace emergency savings](#)

¹¹ Nest Insight (2023). [Bridging financial gaps for workers](#)

¹² Nest Insight (2024). [Real Accounts](#)

¹³ PayCaptain and Behavioural Insights Team (2023). [Using behavioural insights to improve employee financial resilience](#)

¹⁴ CIPP, (2024) [Payslip Statistics Survey Report](#)

Section 2

Payday today: high engagement, unrealised potential

Employees with variable pay are likely to check every payslip to see how much they have been paid, making this a high-engagement touchpoint. But most payslips have limited information and don't connect to other workplace benefits or other money management support.

In this research we've focused on low- and moderate-income employees, including those working in retail, hospitality, care and transport. According to research from the Resolution Foundation, four out of five low-income earners in the UK have volatile pay, and so do two thirds of those on more moderate incomes.¹⁵ Variable income is the norm, rather than the exception.

Variability can be driven by different factors, including variable hours and shift patterns, '4/4/5' pay periods with a varying number of weeks paid per month, and systems in which different hours are paid at different rates, for example because of overtime rates or tips.

We've seen in Nest Insight's in-depth, longitudinal household research, **Real Accounts**, that managing irregular income within a system that is often designed around regular monthly pay can be challenging and burdensome. Without being able to rely on automatic monthly payments, getting money into the right place at the right time to pay bills takes up a lot of time and energy and can be fraught.

We heard again in this research how difficult and overwhelming this can be, particularly in recent months when living costs have quickly increased at an extraordinary rate:

“Overwhelmed. I feel like from the second I get paid I'm thinking ‘What needs to go where?’ And then for the rest of the month, I'm sort of thinking about how, from my last pay I'm going to make that manage for the rest of the month sort of thing. and how I should be managing that. I feel like it's just nonstop.” – Employee

“I always seem to forget that there's a bill due. Whether it's you know the car, insurance or whatever. There's always one every month, and it's never the same one. Suddenly, it's like, Bang! And I'm like, Oh, God, I've forgotten all about that.” – Employee

Most of the workers we spoke to were necessarily focused on actively managing money day to day, with little capacity to think or plan ahead. Some were excluded from basic financial products like savings accounts, loans and insurance. In many cases they were relying on, or providing, informal financial support to family and friends.

People on variable pay actively check their payslips

This context means that most employees we spoke to were actively checking their payslips every payday, usually to find out how much pay would be, and to check that the amount was correct:

“I just check that it's of an amount that I am expecting it to be you know, if I have done a few extra hours on, just making sure they're put on. I get paid more money to drive the delivery van than I do when I'm working in the shop. I'm just checking that that's been put on correctly.” – Employee

Only at the point when pay is known is it possible to budget and make decisions about expenditure:

“As soon as I get it I'm trying to figure out how much percentage wise and all of that. I work everything out. I don't use any like financial apps or anything, it's just kind of in my head and then I start budgeting out what I can spend, what I can't spend.” – Employee

Payroll professionals understand the importance of the pay moment for employees – being paid the right amount, on time, is fundamental to employee financial wellbeing, as well as to a positive relationship between employer and employee:

“Pay is the most important thing to our teams. It's important they can see their money and have control and understanding” – Employer

¹⁵ Resolution Foundation, (2018). [Irregular Payments: Assessing the breadth and depth of month to month earnings volatility](#)

Whilst pay is high engagement, employees can't always get the information they need when they need it

Despite this active engagement, research suggests that quite a high proportion (38%) of employees don't understand their payslip.¹⁶ Employees often told us that they check their take home pay, but don't find it easy to look at the other information, such as tax and National Insurance paid and pensions contributions made.

Traditional payroll systems can be clunky and difficult to update and change, which can be frustrating to payroll professionals who are trying to support their colleagues:

“A lot of payroll systems have not moved on. Classic payslips just show ins and outs and net pay. There's nothing inspirational or even explanatory.” – Employer

“We designed a beautiful payslip and no one could implement it. It looked beautiful, it had the right messaging, directed you to your pension via a click...” – Employer

For employees with variable pay it can be difficult to anticipate how much they will be paid in their next pay check. Some of them were trying to keep track of their hours and likely pay themselves, for example on paper or in notes on their phone. Not knowing how much pay will be makes planning and budgeting more challenging:

“I would like to have that information before I get paid. So I can think about when I get paid what I'm going to move where and what I'm going to give myself to spend.” – Employee

“You don't actually know what you're getting paid until you actually get paid on your payday which is quite annoying. We've got the service charge and all of that. It doesn't show exactly what your final pay will be until you get your payslip which is like three hours before you get paid. You don't know what you're getting taxed. You don't know what your service charge is going to be which makes a big portion of our pay.” – Employee

Although most payslips show pension contributions, many employees are not aware of how much they are saving

Some employees told us that they look at their pension contributions on their payslips, but many did not, and most don't know how much they are saving into their pension.

Employer contributions are rarely shown on payslips. Employees can't easily see what they receive from their employer and tax relief towards their pension even though it will be a boost of at least 4% of their pay (or qualifying earnings) at minimum contribution levels if they are eligible.¹⁷ Pension contributions are a significant cost for employers, so it is a shame if contributing employees are not given this information at this high-engagement touchpoint.

Payslips are currently often a missed opportunity to link employees to their workplace pension and support engagement in retirement saving. Auto enrolment has supported employees to start saving for their retirement, but without building a better connection between workers and their workplace pensions, all too often people don't know how to find or log into their pension pot, or even know they have one:

“I didn't do anything about it. So honestly, I'm not too sure if I'm automatically enrolled or not.” – Employee

“I did actually find it really difficult a couple of months ago, when I was looking because I couldn't remember the company that sends me things to do with my pension, but then this time I did actually care, and I it took me ages to figure it out. It was like the whole evening, just trying to find out.” – Employee

Making the workplace pension more visible alongside pay could support workers to more actively engage with their retirement saving, for example checking their account, editing their contribution levels and setting beneficiaries.

¹⁶ Zellis (2019). [Do employees understand their payslip?](#)

¹⁷ Made up of the minimum 3% of qualifying earnings from employer contribution and 1% of tax relief from own contributions

Where employee benefits are in place they are often underused

A growing number of employers offer some form of benefit that can support financial wellbeing. For example, pension matches, signposting to guidance, and sick pay can all impact employees' financial outcomes. There is growing implementation of financial wellbeing benefits such as workplace savings schemes and loans, retail discount schemes, financial coaching, education and guidance.

Yet many employees aren't aware what their employer offers. Four out of five workers in one survey thought employers should help employees to understand how to maximise the benefits they do offer.¹⁸

Employees usually have to find out what's available and then go through a process to sign up to each on different platforms and apps. This complexity and fragmentation can make it difficult to navigate options and consumes time and energy. For individuals low in financial confidence, this can make financial wellbeing solutions harder to access and off-putting.

There is potential for payroll to be the connector between employees and the benefits, support and guidance they are eligible for.

“With the standalone products they are all just looking at finance from their own perspective. A pensions provider is going to say put all your money in pensions. Savings will want you to put it in savings. They all have their own agendas, even if they are well-meaning. If you are offering employees five different things it could get confusing. Something holistic would be much better.”

– Employer

¹⁸ Morgan Stanley (2023). [State of the Workplace Study 2023](#)

Section 3

The opportunity: supporting financial resilience in the moment

There's a big opportunity for payday to be about more than getting paid. Smarter, more connected payroll solutions could provide a stronger foundation for employees' money management and help to build greater financial resilience.

Because low- and moderate-income employees are often actively and frequently engaging with their payslip, this touchpoint could be ideally placed to support employee financial wellbeing. Whilst there is some innovation in this space, experiences are mixed depending on payroll provider and employer. Some employee benefits providers are also working with and around payroll systems to provide services and solutions designed to support employee financial wellbeing.

Payslips are experienced in a variety of ways, including being received as attachments to an email, needing to log into a portal or accessing the information through an app. In the CIPP's recent survey, a quarter of respondents said they are still emailing payslips and 14% are still printing them. The report identifies an opportunity to bring employee's experience of payroll more in line with other aspects of their lives in which they are accustomed to digital journeys. For frontline workers in non-desk-based roles, accessing pay information via an app on a phone is becoming more common though, and there is growing innovation in this space.

A growing proportion of payroll professionals believe that payroll should assist with employee financial wellbeing. In the CIPP's research 44% said that it should (up from 40% in 2023). However, only 19% are using the payslip to communicate additional messaging and barriers to offering payroll-based financial wellbeing solutions include time (42%), cost (34%), limitations of the payroll software or system (31%) and lack of 'plug and play' solutions available from payroll providers (11%).

A growing proportion of payroll professionals believe payroll should support employee financial wellbeing

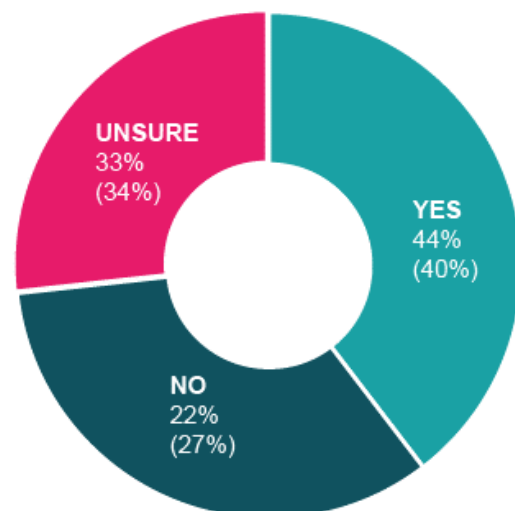
Within this research we spoke to payroll professionals running and using more advanced, integrated payroll solutions and those whose systems were more limited and gave little scope for improvement. We've tried here to draw together learnings from across these different examples and experiences into a blueprint for what payroll could look like to better support employees to be more financially secure and able to do their best work for their employers. We also share some 'what if' examples of the role that payroll could play if innovation was more widespread and barriers to adoption were reduced.

1. Improving visibility and clarity of pay

The first and most fundamental way to support employees to feel in control and better able to manage money is to ensure that the information they need is available and clear.

Even simple changes can make a difference to the clarity of payroll information – for example some payslips are graphical and interactive, displaying links to personalised explainer text to help employees understand how their take-home pay is

Should payroll assist with employee financial wellbeing?



CIPP Payslip Statistics Report 2024.

Figures in brackets are from 2023 the survey
Figures don't sum to 100% because of rounding.

The opportunity: supporting financial resilience in the moment

calculated and interpret deductions.¹⁹ Using plain language and more user-friendly design also supports understanding and helps employees to check their pay is right. In addition to the interactive payslip, PayCaptain worked with Plain Numbers to design a payslip to help employees with maths anxiety or low numeracy to understand their payslip and some of the benefits they receive more clearly.²⁰

Martin Campbell
PayCaptain

Your take home pay is **£1,886.05** for 28 February 2024
This payment relates to the hours you worked in February 2024

If you would like some help with your payslip please [click here](#)

This is what your pay is made up of...		This has been paid out for you...	
Salary	£2,083.34	PAYE Tax	£239.40
Overtime of 12 hours @£20 per hour	£240.00	National Insurance	£119.72
Pension Contribution	-£78.17	Total	£359.12
Total	£2,245.17		

This means your net pay is **£1,886.05**

Good news - your employer has also paid **£46.90** into your **Pension Fund** this period, making a total of **£125.07**

Plain Numbers
Certified ✓✓✓
PVC060803117

To see a more detailed version of your payslip [click here](#)

PayCaptain's Plain Numbers certified payslip

Employees often go to payroll colleagues if they have questions on their pay. Clarity of information can therefore unlock efficiencies in payroll time and resources:

“The visibility is so important - it makes everything difficult if someone comes in and says my pay's wrong if they are just looking at net pay in bank account - it's hard to work out what might be wrong” – Employer

There are also some good examples of integration of time and shift information with payroll. For employees with variable pay, bringing this information together in one place makes it easier to plan ahead and budget:

“We get all our shifts put onto there, and then it calculates hours for us so we don't have to keep a track of anything. And then that's what goes over to payroll. And then we get sent our payslips back onto on the app. So it's easy to keep a track of.” – Employee

“You can see how many hours you worked, and how much the pay is on average. So that's how I know how much I'll get paid because I can already see it after my shift, or at the end of the week it will update.” – Employee

Not all systems are this joined up and there's scope to improve the user experience to give employees greater control and predictability of their income.

¹⁹ For example, see PayCaptain (2024). [PayCaptain create the first ever Plain Numbers Certified payslip](#)

²⁰ PayCaptain (2023) [What are the benefits of making payslips easier to understand?](#)

2. Integrating and connecting pay with other benefits and support

The real potential of payroll though lies in the opportunity to join up all of the tools, resources and information related to workplace benefits in one place, meeting people where they are.

Providing resources and tools alongside the payslip is likely to have higher engagement than providing the same resources at a different time of month and in a different place. Employees described how resources are more salient to them in this moment. They also told us that it can be difficult to know what tools and support are available in a fragmented landscape. They said that they would welcome consolidation of different tools in one touchpoint:

“This is sort of thing that's at the forefront of your mind, isn't it? Pay? Whereas this is the few apps that offer those kind of different things – you just lose track of them. But if it was all rolled into one, I probably would use it more.” – Employee

Banks are well-placed to support day-to-day personal finances and increasingly offer support with money management within current accounts, including budgeting and saving tools. But for employees, payroll is uniquely situated at the interface of income and workplace benefits and can therefore be additive to existing functionality that is available in the wider market.

Bringing different solutions together and better integrating them could reduce friction and remove barriers to access. For employers, better integration could boost awareness and engagement, maximising return on investment in both mandatory and discretionary benefits. Employers also made the business case for this, linking it to recruitment, retention and performance, and employees described how being more supported in this way could make them better workers:

“People can log onto an app and see how much they've earned. They can see their pension pot and move it. They can access emergency money. It gives you more transparency - just explains things in a way that is more digestible and people understand it. It will reduce turnover I think” – Employer

“You're spending a lot of time at work. And they're paying you, but for me, who finds finances quite overwhelming, I think it'd be very handy, like it would make you a better worker. You're not worrying about finances.” – Employee

3. Personalisation and timely behavioural nudges

Beyond better integration and connection between resources, payroll is uniquely positioned to provide smarter inputs to individual employees to support them to build resilience. Payroll has real-time information that banks don't have and can facilitate money flows out of income before it is 'felt' in take-home pay.

Because the pay moment is high engagement and directly linked to money, payroll could be designed to overcome behavioural barriers including overwhelm and present bias. Research shows that prompting financial decision making at personally relevant, timely moments is more effective than generic support. The regular nature of interaction with payslips would make it possible to break down goals and actions into more manageable steps, and to reduce the gap between intention and action.

The employers and employees we spoke to were excited about how effective this kind of solution could be:

“I think it would probably prompt me to have more control of my finances, cause I wouldn't have to think on it myself, which is maybe the biggest barrier to me actually taking more control.” – Employee

“If our payslip is our most looked at document we should care about it... the payslip is our golden bullet. If it could plug into your bank account and make suggestions... I think it's excellent. It's intervention at the right time with really helpful insight. If you add the insight on top it's just game changing.” – Employer

What if payroll...



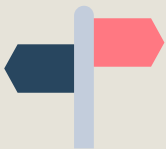
...Gave greater visibility and control

Problem: Payslips can be static and be difficult to interpret. It can be hard to keep track and know how much the next pay cheque will be, and as a result to budget and make financial decisions. This is particularly true for employees who have variable pay. Variability with **un**predictability is a greater issue for many than variability with predictability, so greater visibility can help - even if pay remains variable. Moving jobs and managing changes in tax codes and benefits eligibility can also be challenging.

Opportunity: Use connected real-time information and prediction to give an up-to-date picture of future take-home pay that an employee can check at any time.

Employees welcomed being able to see ahead to the money they would receive. They might use this information to adapt and course correct between pay periods. For example they could decide whether they could pay a bill or if they should take an additional shift. This is particularly relevant in industries where filling shifts is more challenging, for example some parts of health and social care, hospitality and retail.

“Just monitoring how much you're going to get paid at the end of month, like I've got like a week left, maybe I want to do another extra to one or two shifts. I can plan it in my head. Okay, I've but I made this much maybe I can work a few extra shifts, and I'll have this much like, you know what you're getting.” – Employee



...Boosted take up of financial and other support

Problem: In the UK, £22.7 billion a year of income related benefits and social tariffs go unclaimed.²¹ Sign up rates for the government's Help to Save scheme which has a generous savings boost are also well below eligibility. People often don't access information and guidance or seek help when they are struggling.

Opportunity: Nudge people towards relevant support at the payroll moment. Integrate benefits eligibility checkers and calculators into pay apps. Reduce friction by pre-populating information that is already held such as income.

Employees said they often find it difficult to navigate information about benefits and support that is available. Meeting them where they are already engaged, and supporting them to access the benefits and support schemes they're entitled to, could make a huge difference to their financial wellbeing, maximising income and supporting saving.

“I wouldn't know where to go to if I was in debt, or whatever to get help to be honest. It would be good to have it next door to your pay.” – Employee



...Provided timely and personalised nudges

Problem: People often lack the time and headspace to engage with information and guidance provided by their employer and others. Evidence suggests that if financial education and guidance is to be effective it needs to be 'just in time' and personalised as far as possible to individual contexts.

²¹ Policy in Practice (2024). [Missing out 2024: £23 billion of support is unclaimed each year](#)

Opportunity: Present personally relevant resources and nudges in the moment, for example helping people to save when their pay is higher, or connecting them to information about managing money when you have a family when they take parental leave.

Employees told us that they felt education and guidance resources can often be too generic and distant and that they would welcome more personalised support. They described the gap between intention and action that often happens when it comes to managing money and felt that nudges in the moment could reduce this gap.

“Rather than a general idea about finances, it could give me an idea of my goals. Not everyone has the same goals, when it comes to saving and stuff like that.” – Employee

“It would be handy to be like, oh, well, actually, ‘You’ve been paid more. Do you want to overpay on this?’ rather than constantly thinking, oh, I’ve got extra money. I think it would probably prompt me to have more control of my finances, cause I wouldn’t have to think on it myself, which is maybe the biggest barrier to me, actually taking more control.” – Employee

“I think you know, if you could get that working correctly, to make good suggestions and to say, ‘Look, you know you’ve done well this month these are your options etc’, this could be a way forward, you know. I’d be all for it.” – Employee



...Connected employees to their workplace benefits

Problem: Employees are often not aware of the workplace benefits their employer offers, or don’t get around to signing up/

Opportunity: Bring access to all employee workplace benefits together alongside payroll – a high frequency touchpoint which employees are already checking regularly. This could raise awareness and make it much easier for them to access and engage with what’s on offer. Reducing friction in signing up to and using benefits through single sign on and pulling through data would further enhance take up and engagement.

People spoke of the frustration of retail discounts being offered in one place, pension in another, savings in another and earned wage access in another making it difficult to access the different support available. Because employees are often having to work very hard to manage scarcity and unpredictability, they have limited bandwidth left to seek out workplace benefits. Meeting them where they are and making it easier would reduce the distance and allow more of them to use what they have available.

“I think that’d be super helpful because a lot of these work benefits, you don’t know about them till someone mentions it to you through word of mouth, or there’s a newsletter or something, and you’re like, ‘oh, I had all these benefits the whole time!’, so if it was in the pay app you just get from your very first pay then probably be you’d be aware of it, and then that’d be very handy for controlling your finances.” – Employee

“Little things like holiday entitlement. I forget sometimes and I think that should be added to the pay slip. So you’ve taken so many days off in a month. It should say you know what you’ve taken off and what your balance is.” – Employee



...Helped people manage a mismatch between income patterns and payments

Problem: Payrolls that are weekly or four-weekly are out of sync with monthly bill payments. Employees work hard to manage this but it can be challenging to have money in the right place at the right time and not miss a payment. Additionally, when pay is variable, workers may be more able to pay or overpay some months and struggle to pay in others.

Opportunity: Better align bill and loan payments to pay periods and variable pay. Facilitate payments directly from pay where possible. Support employees to access their earned wages more flexibly if it helps them manage their money.

A growing number of employees are accessing their earned wages ahead of payday where this is available at their organisation, often to manage an expense that is mis-timed against their pay. Some more innovative providers are facilitating variable recurring payments or payment direct from pay and timed to paydays rather than monthly. This is a real pain point for many workers and supporting them in ways that meet their needs and contexts could free up valuable energy and headspace.

“[My employer] pays on a four weekly basis as opposed to at the end of each month, so I will occasionally [access earned wages using flexible pay] just because I’ve got a cost coming up that is out of sync with the pay cycle.” – Employee



...Helped people plan and save for retirement

Problem: Many employees are currently disconnected from their workplace pension, sticking with default settings and losing track of their pension pots when they move jobs. People find it difficult to know where they stand and whether they are saving enough for an adequate retirement income. Pensions are often displayed as deductions from pay which can make it seem as if the money no longer belongs to the employee.

Opportunity: Connect workplace pension saving more directly with pay – supporting people to more seamlessly and easily see how much they are saving, whether they are on track and make additional contributions. Where employees opt-out or cease contributions support them to build accessible savings and restart their pension contributions when they are able to. When pensions dashboards are introduced, linking these to payroll to support people to get a full picture of what they have.

Employees welcomed greater integration and visibility of their workplace pension to make planning and saving for later life more immediate. Any reduction in the barriers that get in the way of engagement and action would make a positive difference.

“Employees can go through to their pension [from their payslip] which is useful for a generation that aren’t engaged” – Employer

“It might be handy if you could go into like pensions and see multiple pensions. Like my pension now is with Nest. I do have a previous one with the NHS, which is two separate places that I have to go to, and so logins and things like that, so it might be handy for people like me to have them in one place.” – Employee



...Reduced exclusion from basic products and services

Problem: Some people don’t have access to basic products like savings, loans and insurance to help them manage financial ups and downs. This may be because of a lack of trust, confidence, awareness or because of formal or informal exclusion.

Opportunity: Connect employees who are currently financially excluded to high-quality solutions that meet their needs including affordable, accessible credit, automatic emergency savings and discounted insurance. Support payments and deposits via payroll to help people pay off loans and build savings. Where possible offer payroll savings via opt-out approaches to reduce the barriers to getting started with saving and support

appropriate take-up. When implemented optimally, saving through payroll can support as many as 7 in 10 employees to save, and financial buffers can be built quickly.

Employees say that their employer putting ethical, trustworthy solutions in place makes it easier for them to access financial products. Moving money directly from payroll can help an employee build up savings or pay off loans automatically before the money “touches their pocket” making it psychologically easier and supporting persistency.

“I don’t actually have a savings account, but it’s just like I have money left over at the end of the month.” – Employee

“I would be totally for that. It’s like something I’ve thought about, but not been able to enact. So an app doing it for me would make put that into action.” – Employee



...Found saveable sums of money and made it easy to save them

Problem: In the context of low pay and high inflation many employees struggle to build up a savings buffer to deal with financial shocks. Some people never get started with saving because it doesn’t seem affordable.

Opportunity: Understand employee savings goals and support people to achieve them against a context of constraint. Use information held to identify ‘found money’ – new and unexpected funds that an employee could save – and make it easy for people to save them. For example, employees could be prompted to save money from shopping discount schemes, overtime, tips, a newly claimed benefit or at a moment when a pay rise or changes to the tax and National Insurance system give a boost to income.

Additionally, in situations where employers have unfilled shifts, connecting extra hours to savings or debt repayment goals could motivate shift take up at the same time as supporting employees towards their goals.

Employees felt that being better able to visualise their goals and see a route to achieving them would give them greater control over their money and help them overcome affordability barriers to saving.

“To make the most out of your income, to give you the opportunity to save and set some money aside, and hopefully get away from that paycheck to paycheck type of situation.” – Employee

“To have it there in black and white might be a bit more of a, you know, like you’ve got this spare money like. If I saw I could go and save it, I probably would be more inclined to rather than it just sitting in my bank and not thinking about it.” – Employee

“I think that would be really helpful if the hours are available, because it’s once, once you can actually visualize something, it’s easier to do it. If I knew that if I work more like I could actually see that number, like, if you work a lot of hours, you know, for the next 2 months, you can make £x. If I actually see that number, it will motivate me to do it.” – Employee

Case study: prompts and nudges for a digitally excluded workforce

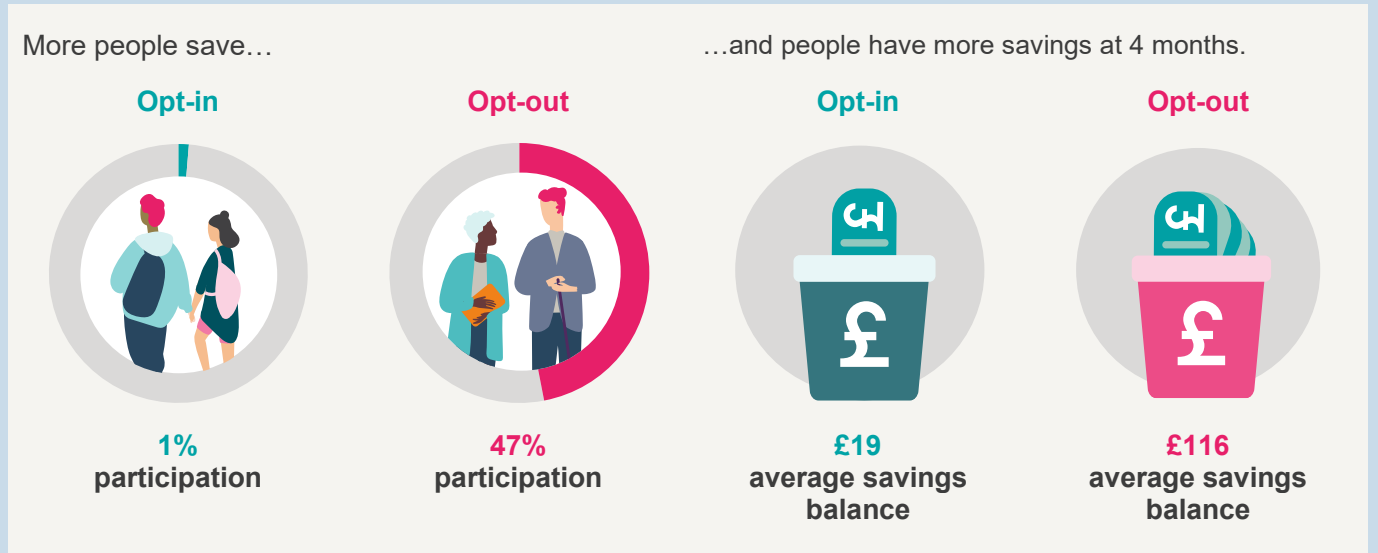
SUEZ recycling and recovery UK has nearly 6500 employees. 65% of the workforce are in frontline 'manual' roles, collecting and processing waste and generating energy. Many employees do not have a work email address and so employee communication can be challenging. Some of these workers are more broadly digitally and financially excluded when they join SUEZ.

SUEZ uses its own app to manage payroll – me.suez. As well as giving employees their pay information, the app is a key touchpoint for communicating with them and supporting their wellbeing.

For example, employees have the ability to submit their own variable payment claims, such as overtime, and these flow into the approving manager's workstream. The employee can see when their claim has been approved or rejected for whatever reason. Employees are also prompted to take up benefits they are entitled to, such as dental care, eye tests and health and wellbeing support services and can see how they can get access to up to 30% of already earned salary before pay day if they want to. They also have access to the digital AgeWage tool which shows them how SUEZ's workplace pension scheme is performing against the benchmark.

SUEZ also recognises that saving and borrowing via payroll can be powerful and has an ongoing partnership with TransaveUK credit union to offer accessible payroll loans and savings. From November 2021, SUEZ began running an opt-out workplace payroll saving scheme for new joiners– to the company, working with Nest Insight to pilot this innovative approach and evaluate the impact. The results have been striking, with participation in workplace savings rising from 1% to 47% of eligible employees in the fourth month of employment. The average savings balance at four months increased from around £20 to nearly £120.

SUEZ's pilot of an opt-out approach to payroll saving has supported many more employees to get started with saving

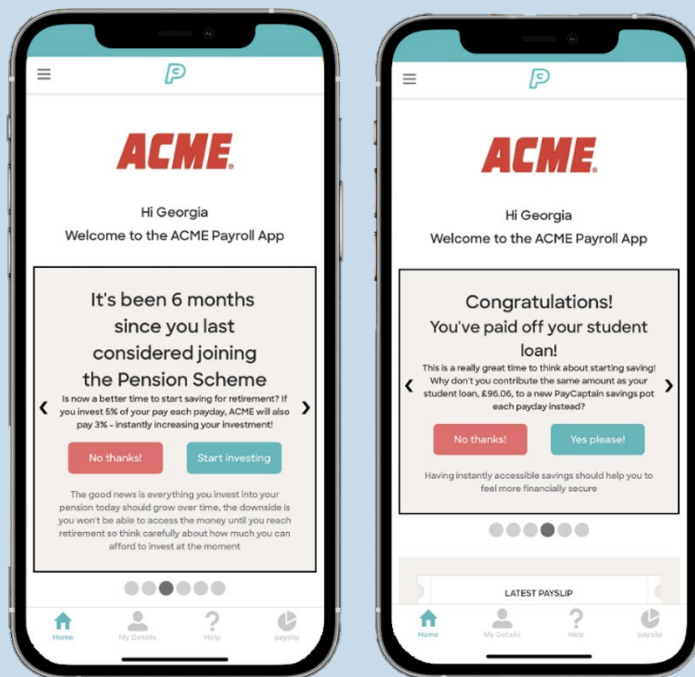


Case study: maximising the impact of payroll for employees

PayCaptain is an innovative payroll software provider. Its app is designed to improve understanding, give employees greater control over their pay and how they receive it, and to support them to build greater financial resilience. Current functionality includes:

- › **Interactive payslips** – graphical payslips which break down payments and deductions for employees. Employees can click on 'Help' icons for more personalised information on how their pay has been worked out.
- › **On demand pay** – employees have free access to emergency cash and weekly advances from their pay before payday.
- › **Payment splitting** – employees can make payments direct from their net pay to family members, landlords, loans, credit cards etc, reducing the risk of missing an important payment
- › **Savings** - employees can pre-plan an amount to save and this is automatically transferred from net pay into a savings pot each pay day.
- › **Money planning tool** – employees can create a personal budget, track spending and access financial guidance when they need it.
- › **Access to basic banking** – PayCaptain can create a fully functional account for any employees without access to a bank account of their own, or for anyone who wants to keep some funds separated from their main/joint accounts. Employees can choose to have a Visa Debit card for this account.
- › **Pensions** – employees have access to pensions dashboards to view their pension pots side by side. They can easily view all contributions and can increase their own contribution through the app too.

SmartPay by PayCaptain – is a version of payroll that includes personalised and timely behavioural nudges. PayCaptain's SmartPay features are explored in a joint study with the Behavioural Insights Team: [Using behavioural insights to improve employee financial resilience](#). Seven in ten survey respondents said they would use the SmartPay app if it were offered by their employer, suggesting that employees will use tools to improve financial resilience if employers provide them.



Section 5

Considerations and next steps

It's clear that the pay moment could work harder for both employees and their employers. In order to realise this potential this research also raised some important watch outs and considerations for design and implementation. As more innovative payroll solutions develop and scale we are keen to robustly evaluate their impact.

Employers and employees highlighted some key considerations for effective solution design:

› Privacy and trust

It's important to provide reassurances to employees that their employer won't have access to information about their personal finances or other personal data. Whilst payroll is a good route for reaching people with support for financial security and inclusion, there needs to be clear separation between work and personal if people are to trust the solution. This was particularly important where employees are asked for additional sensitive information to better personalise support, for example whether they are in debt or claim state benefits.

"I don't know if I'd want my employer like involved as such... I feel like how I manage my finances is personal and wouldn't want my employer involved in that, if you know what I mean" – Employee

› Tone

Many people who are struggling financially lack confidence and have high levels of anxiety about money. Some have had bad experiences in the past and are low in trust. Employees felt strongly that getting the right tone for any support that is offered will be key to its effectiveness. Personalisation is an important part of this. If materials are too generic employees may be put off or discouraged. For example, frequent reminders to save after someone has previously stated an inability to save may be stressful and annoying.

"I feel like something like that could make somebody feel like, 'Oh, I wasn't planning on doing that. Should I be doing that?' And then, instead of being helpful it can just create more stress, more confusion." – Employee

› Relevance

Employees who were already financially secure and felt confident wanted to be able to opt out of support options and functions that were not relevant to them.

"To be honest, I feel like I'm okay doing that myself, anyway. So I wouldn't. I wouldn't need you know, to come directly out my pay, because I would just get paid and do that myself, anyway" – Employee

Supporting employers to support their employees

For some employers, the cost of introducing enhanced payroll functionality may be prohibitively expensive.

"What does it cost the employer? Even if there's the willingness to be supportive and help employees, we as a business also need to be financially resilient." – Employer

Some support can be implemented at low cost (for example, linking to Money Helper alongside payslips) but there may also be some efficiencies made that mean investing in payroll could pay for itself. The use of automation and technology can help reduce the time spent on repetitive or manual payroll tasks to free up time and resources.

For example, one employer we spoke to reduced payroll cycles from weekly to monthly and used the time and cost savings to implement a new payroll system which had integrated smart nudges, benefit calculators, pay transparency, earned wage access and financial education.

Considerations and next steps

Another alternative is to look at salary sacrifice arrangements, particularly on workplace pensions. Implementation of a salary sacrifice arrangement can result in the generation of 'found' money for both the employer and employee.²² For the employer this saving could be reinvested in payroll technology.

However some employers, particularly the small employers with less than 50 employees which employ nearly half of all UK employees,²³ are unlikely to have resources to overcome cost and administrative barriers in order to optimise their payroll. Support for smaller employers could therefore help them to support their employees.

Additionally, some employers are seeking guidance and reassurance that putting in place support for employees does not stray into regulated activity.

Building evidence, developing the business case

Payroll has the potential to harness the power of payday for employees. It plays a strategic role in supporting employees and can deliver demonstrable business impact.

The opportunities identified by those we spoke to are just some of the ways payroll could support workers. If you've introduced a policy, tool, or payroll system to support financial wellbeing in your organisation then we'd love to hear more about it, or if you would like to partner with Nest Insight on real-world trials to build evidence and understanding please get in touch. You can email us at insight@nestcorporation.org.uk

²² This may have implications for National Minimum Wage.

²³ Gov.UK (2022). [Business population estimates for the UK and regions 2022: Statistical release](#)

Other relevant Nest Insight work



Workplace emergency savings

Nest Insight's real-world research programme has demonstrated the potential of workplace emergency saving via payroll. To find out more about how workplace savings schemes can support employees to build financial security, visit nestinsight.org.uk/research-projects/workplace-emergency-savings/



Real Accounts

Our long-term programme works with real households across the UK to learn how financial volatility affects people's lives. To learn more, visit nestinsight.org.uk/research-projects/real-accounts/

Contact us:

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To find out more, visit our website:

nestinsight.org.uk

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