Savings for all

What works to support savings inclusion?

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About this paper

This paper is part of an ongoing programme of work looking at how to support more people to build financial resilience through workplace saving. See nestinsight.org.uk/research-projects/workplace-emergency-savings

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

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Executive summary

New evidence from real-world workplace trials shows that opt-out payroll savings approaches are not only extremely effective at boosting participation in savings, they are also very inclusive. This kind of behavioural support reaches many of those who are traditionally more vulnerable and excluded, helping to boost financial resilience and close savings gaps.

Millions of people in the UK lack the financial security of even a modest savings buffer. The consequences of this can be harmful for individuals and society, including problem debt, poor mental health and poor productivity and performance at work.

There are further inequalities in this picture. People on lower incomes and volatile incomes, people from a minority ethnic background, people with disabilities, younger people, people with lower education levels and renters are amongst the groups less likely to be saving and to have savings.

Initiatives to support saving and financial inclusion frequently focus on incentives or education approaches. While some progress has been made through these routes, take up is often lower than potential and they are more likely to reach people who are already more financially secure. These approaches are often costly, so it is disappointing that they haven't more effectively boosted savings behaviours.

Them doing it sort of automatically has made a difference. I've gone 'let me try this and see how it works', but I wouldn't have gone 'oh that's a good idea, I will try and save this much.'
Opt-out trial saver

Behavioural approaches have proved more successful, and cost effective, both at supporting savings behaviours and at including more previously excluded people in saving. We see this in analysis of the impact of workplace pensions auto enrolment in the UK, which closed many of the gaps in pension saving.

The workplace is also a potentially powerful route to supporting shorter-term savings, and workplace savings schemes can help overcome some of the barriers to saving that workers face.

Since 2019 Nest Insight's workplace emergency saving programme has piloted and robustly researched innovative workplace savings approaches in the real world, working with employers and providers. Most recently we've worked with SUEZ recycling and recovery, Bupa Care Services and the Co-op to explore the impact of taking an opt-out approach to payroll saving. Employees automatically start saving a default amount each pay period into an instant-access savings pot unless they choose to opt out.

Participation when employees have to sign up to save in workplace savings schemes is low. However, when employees are supported to get started with saving via an opt-out approach we see participation dramatically boosted by around 50 percentage points, with up to 7 in 10 employees saving.

Not only are opt-out workplace savings approaches effective, they are inclusive. Analysis of behavioural and survey data from the trials shared in this paper shows us:

- Opt-out approaches are as inclusive of those with different income levels – as well as by age, gender and ethnicity – as approaches where people have to sign up to save.
- The opt-out approach supports more people who don't already have a savings buffer to get started with saving.
- The opt-out approach is more inclusive of people with lower financial confidence.
- The opt-out approach is more inclusive of part-time workers.

The opt-out savings schemes piloted are designed to be low risk for new and potentially vulnerable savers, and our data suggests that employees are making choices whether or not to save and actively using their savings when they do save. The opt-out approach is very well received by employees.

Those who are less likely to be saving frequently lack the time and headspace to plan ahead, research their options, make decisions and manage any administration additional to that which is needed for day-to-day survival. There is a growing body of research showing that managing ‘scarcity’ of income creates a cognitive load that can negatively impact mental capacity. Any initiative that requires people to actively sign up presents barriers to potential savers – especially those who are more vulnerable and excluded and who are not already saving – including awareness, friction and attitudinal blockers such as lack of confidence.

To design inclusive savings systems, we therefore need to think about overcoming behavioural and structural barriers particularly for those who are most excluded currently. The behavioural support provided by the design of opt-out workplace savings approaches has proved highly effective both at increasing savings participation and at boosting financial inclusion.

Opt-out payroll savings is powerful, proven and popular. Our research shows that supporting employers to offer payroll saving on an opt-out basis should be at the heart of any strategy to address financial exclusion. Opt-out payroll saving could be a game changer at getting us closer to a world in which no one is left behind and savings are for all.

Background

The UK's savings gap

Since 2012, auto-enrolment into workplace pensions has helped most UK workers build up a pension pot for retirement. It's been a huge policy success. Many more people in the UK now have retirement savings.

Alongside savings for later life, a pot of emergency savings to deal with present needs is also something every household needs. But millions of people in the UK don't have shorter-term savings, despite having the desire and the skills to manage their money. Almost everyone wants to have money saved in case of emergencies or unexpected costs, including low and middle income earners.[1] Yet the level of saving in the UK is low by international standards,[2] with millions of people lacking the financial security of even a modest savings buffer:

- As many as 1 in 3 working-age adults live in families with cash savings below £1000.[3]
- Almost half of UK households would struggle to cover an unexpected bill of £300.[4]

This is a stubborn issue and a low level of savings tends to be a persistent, rather than temporary, condition. 70% of those with low financial wealth in 2018–20 had also had low savings for the previous four years.[5]

The consequences of this can be severe for individuals and society as people experience problem debt, poor mental health and poor productivity and performance at work.

Inequality and exclusion

Some groups are more likely to lack savings than others – something we see repeated when we look at the issue from different angles, whether looking at persistency of low saving, or whether or not people have a savings account in which to save.

Inequalities in having savings

Those who lack the financial resilience that savings provides are more likely to be on low incomes, although it's not only low-income households that lack savings. The lowest-income tenth of families are four times as likely to have no savings as the richest tenth of families.[6]

We also see in Nest Insight survey data that those who have less than £250 in savings are more likely to:

- Have volatile incomes
- Have lower education levels
- Have children
- Be single or divorced rather than married or co-habiting
- Be from a minority ethnic background.[7]

[1] Nest Insight(2023). **Workplace sidecar saving in action**

[2] On average since 1980, the UK has had the lowest aggregate saving rate in the G7 in four out of every five years, see Resolution Foundation (2023), **Isa Isa Baby**

[3] Resolution Foundation (2024). **Precautionary Tales**

[4] Nest Insight(2023). **Workplace sidecar saving in action**

[5] Institute for Fiscal Studies (2023). **Characteristics and consequences of families with low levels of financial wealth**

[6] Resolution Foundation (2023), **Isa Isa Baby**

[7] Taken from analysis of Nest Insight surveys conducted with UK workers during the period 2019-2022.

Inequalities in persistency of low saving

Analysis by the Institute of Fiscal Studies found that persistently low savings is especially concentrated in the most vulnerable groups: ‘The lowest-income, least financially literate, and least educated groups, holding other factors constant, are more likely to have persistently rather than temporarily low savings levels.’[8]

Inequalities in savings account holding

You don’t need to have a savings account to be saving. People save in different ways, including in cash, in their current accounts and in informal saving schemes and groups. However, looking at savings account holdings does give some indication of groups that are more likely to be excluded from an important mechanism supporting saving. The most recent Financial Conduct Authority (FCA)’s Financial Lives Survey found that 30% of adults (15.9 million) do not have a savings account of any type, an increase from 24% in 2020. The research also found that 18% of all adults did not own any savings products, but may have had some capacity to save.

Those who do not have a savings account are more likely to be:

- Younger – 46% of those age 18-24 don’t have a savings account compared with 24% of those age 55-64.
- From a minority ethnic group – 47% of Black and Black British adults and 48% of Asian and British Asian adults don’t have a savings account compared with 26% of White adults.
- Renters rather than homeowners – 44% of renters don’t have a savings account versus 23% of adults with a mortgage.
- Living with a disability or mental health condition – 35% of disabled people and 40% of people with a mental health condition or illness don’t have a savings account, compared with 30% of all adults.

When we evaluate the impact of initiatives to support saving we should therefore consider whether they have been effective at reducing these inequalities and whether they have overcome some of the particular barriers that are preventing some groups getting started with saving, including exclusion from savings accounts.

Supporting saving via the workplace

The Money and Pensions Service (MaPS) Financial Wellbeing Strategy for the UK has set an ambitious goal of two million more working-age people who are ‘struggling’ or ‘squeezed’ financially to be saving regularly by 2030. MaPS has identified the workplace as a promising route to achieving this.

Our own research confirms the potential of the workplace as a channel for getting more people saving. Payroll linked saving is one way to make it easier for employees who want to save to do so.

Nest Insight has been conducting real-world workplace savings research pilots for over five years, working with leading academics at Harvard and Yale, a range of different providers and employers including SUEZ, the Co-op, Bupa Care Services, BT, Timpson and ITV to explore the role the workplace could play in supporting saving.

[8] Institute for Fiscal Studies (2023). **Characteristics and consequences of families with low levels of financial wealth**

Nest Insight's workplace savings trials

Since 2019 Nest Insight has worked with UK employers and providers to pilot and evaluate new workplace saving approaches, designed to support more people to save.

Collectively these trials have made workplace saving available to over 150,000 employees. Through rigorous research conducted by Nest Insight working with academics at Harvard and Yale Universities, these trials have built a robust evidence base informing policy development in the UK, US and beyond.

Sidecar saving trial

Employers: BT, ITV, StepChange, Timpson, University of Glasgow
Provider: Salary Finance, with savings accounts provided by Yorkshire Building Society

In the sidecar model, savings are made automatically through payroll, first into an instant-access savings account and later, when a savings target is reached, into the individual's workplace pension on top of the regular contributions they're already making under the UK's pension auto enrolment system. Employees need to sign up to save online, entering some personal details and choosing a savings amount and savings target.

New worker opt-out trial

Employer: SUEZ Recycling and Recovery UK
Provider: TransaveUK

SUEZ implemented an opt-out approach to payroll saving for all new workers. Employees automatically started saving £40 a month if they did not opt out or make changes to the autosave settings.

Benefits app user opt-out trials

Employers: Bupa Care Services and the Co-op
Provider: Wagestream

New benefits app users were randomised into three groups – a control group where employees had to sign up to save; an active choice group where they were prompted to choose whether or not to save; and an opt-out group where they automatically started saving £40 a month if they did not opt out or make changes to the autosave settings.

A full account of the trial results and other supporting information and materials is available on Nest Insight's website: **nestinsight.org.uk/research-projects/workplace-emergency-savings/**

Workplace saving schemes allow employees to save automatically through the payroll system, with money going directly into an accessible savings account for them before they receive their pay. The rich and robust evidence base built from these trials tells us that workplace savings schemes can be powerful, but only achieve their potential when offered on an opt-out basis.

Participation when employees have to sign up to save is very low.[9] However, when employees are supported to save via an opt-out approach we see participation dramatically boosted by up to 50 percentage points. Up to 7 in 10 employees start saving when it's made easier via an opt-out rather than an opt-in approach.[10]

We now know from these trials that when opt-out workplace savings schemes are put in place:

- Employees typically save at, or above, the default rate of £40 a month.
- Employees save persistently, with the majority of those saving after 4 months still doing so after 18 months.
- Employees build savings because the money is saved automatically before they 'feel' it in their pocket. Within 4 months, those saving have about £100 saved on average.
- Employees use their accounts actively, accessing their savings when they need them, and then replenishing their savings pots again.
- Having savings gives people peace of mind, reduces anxiety and boosts confidence.
- Workplace auto saving is additive to people's contributions to their workplace pension scheme.

[9] Nest Insight (2023), **Workplace sidecar saving in action**. When employees have to actively sign up to save, we see that 46 out of 100 employees say that they think payroll saving could help them, but only 1 in 100 follows through and signs up.

[10] Nest Insight (2023), **Opt-out autosave at work**

Who's reached by opt-out approaches to workplace saving?

In this paper we consider the extent to which these opt-out workplace savings approaches are inclusive and whether they support people who were not saving to overcome barriers and become savers.

We wanted to understand:

- Is an opt-out approach as inclusive as more traditional approaches to workplace savings where people proactively sign up to save?
- Are any groups less likely to save? For example, could setting an editable default savings amount of £40 per month distort the profile of savers towards those who have higher incomes?
- Does the opt-out approach overcome any barriers that prevent people from saving when they have to sign up to save?
- Does it reach any of the groups of people who are more vulnerable to not having savings?

We bring together new analysis from three sources:

1. **Administrative data from both the new worker and benefits app user trials**
   Nest Insight is working with academics from Harvard University and Yale University to understand saving behaviours over time. Nearly 5 million data points have been provided by SUEZ, TransaveUK and Wagestream. Results are reported periodically by the academic team.[11]

2. **Survey data from employees covered by the benefits app user trial**
   In February and March 2024, Wagestream ran a Nest Insight survey amongst employees covered by the benefits app user trial, which included questions about:
   - Ethnicity, disability, social mobility, spoken English, housing, income variability, education level, benefits, debt, income and financial confidence.
   - Perceptions of the opt-out approach, use of Wagestream and employer perceptions.

   In total 931 people completed the survey.[12] We were able to match the survey data to the benefits app to know accurately whether survey participants experienced the opt-out approach or needed to actively sign up to save, and to know whether they were saving or not at the time of the survey.

3. **Data from qualitative interviews conducted with employees covered by the benefits app user trial**
   In February 2024, Nest Insight conducted in-depth interviews with 18 Bupa and Co-op employees who were covered by the benefits app user trial, recruited through the survey. The interviews focused on how they manage their money and the role that payroll saving plays. The sample comprised:
   - 7 people who experienced opt out, 7 active choice and 4 opt in
   - 9 savers and 9 people who chose not to save
   - 8 males, 9 females and one person who preferred to self-describe in a different way
   - 5 people aged 18-24, 7 aged 25-34, 5 aged 35-49 and 1 aged 50-64

The employee populations covered by these trials are not representative of all UK workers. However all three employee groups are made up of a high proportion of low- and moderate-income workers and between them span a range of sectors. It is also important to note that all three employers are working actively to support financial wellbeing amongst their employees in ways beyond offering a workplace saving scheme.

[11] Berk at al. (2024) **Automating Short-Term Payroll Savings: Evidence from Two Large U.K. Experiments, 2024, NBER Working Paper No. 32581**

[12] This represented a 70% response rate according to Wagestream

How inclusive are opt-out payroll saving approaches?

Income and other demographics

Opt-out appears to have similar effects across incomes, ages, genders, and ethnicities

Many more people are brought into workplace saving under the opt out approach. In all trials we see around a 50 percentage point increase in participation. At face value this is a positive result, but if all the new people saving via payroll were people who are already well included by existing approaches – for example higher earners – then it could be argued that the intervention has not fully achieved its goal. We do not see this.

Rather, we can see from analysis of administrative data that opt-out increases participation in similar ways across income levels.

FIGURE 1: Participation patterns are similar across income levels
Participation rate and fraction contributing to savings pot by hourly wage tercile, benefits app user trial

Berk et al, 2024. Hourly earnings data is only available for the Bupa population in the benefits app user trial.

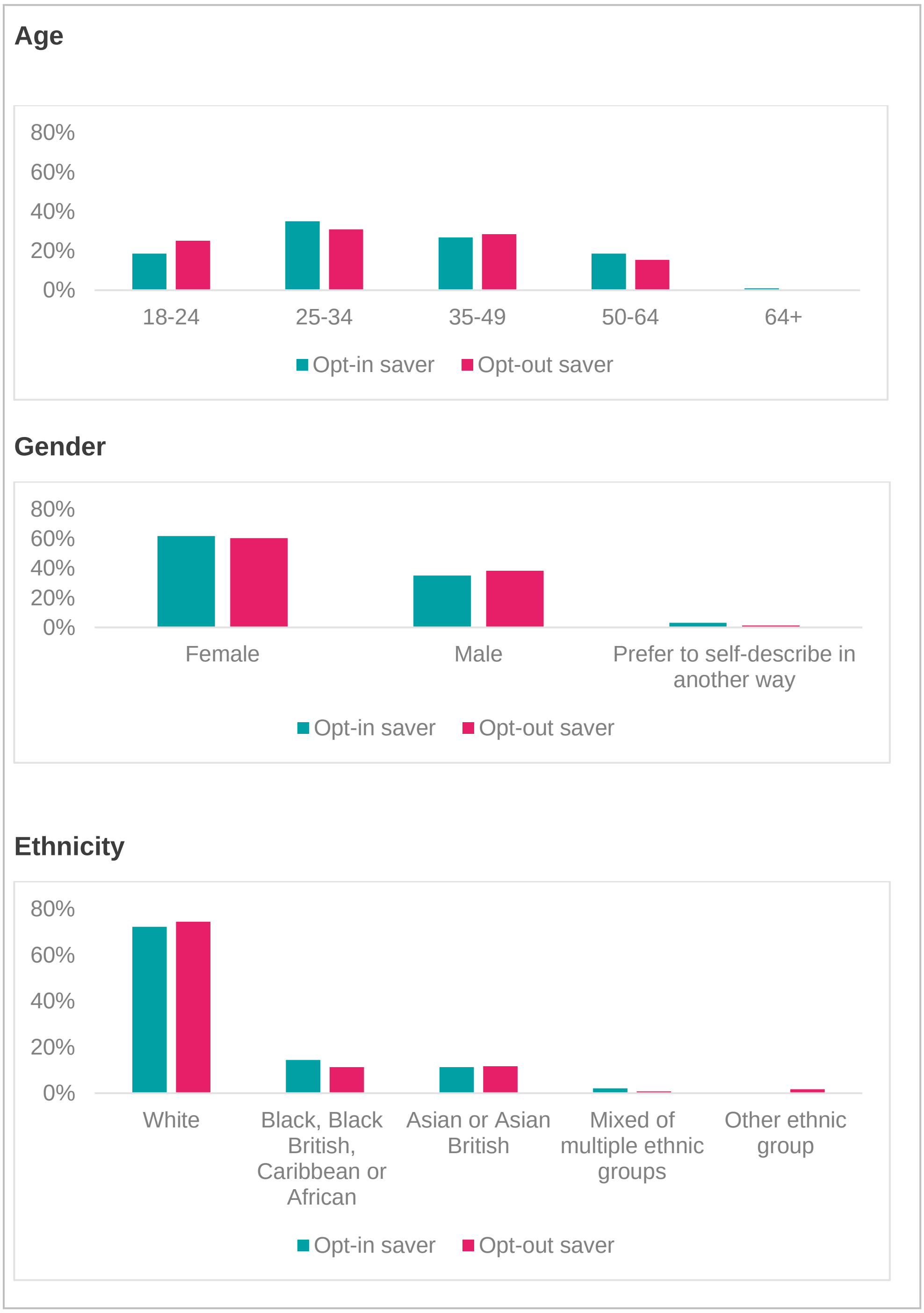
In the new worker trial, participation under opt-out conditions follows similar trends regardless of role (eg ‘manual’ or hourly roles vs. ‘graded’ or salaried roles), gender, or age.[13]

Additionally, when we look at the survey data from the benefits app user trials, we see no significant differences between the profiles of opt-in savers and opt-out savers when it comes to age, gender or ethnicity.

[13] These data are only available in the new worker trial.

FIGURE 2: There are no significant differences between the profiles of opt-out and opt-in savers by age, gender or ethnicity

Demographic profiles of savers in the benefits app user trails according to survey data



Based on this evidence it seems that opt-out approaches are as inclusive when we consider demographic characteristics and are reaching a diverse range of employees.

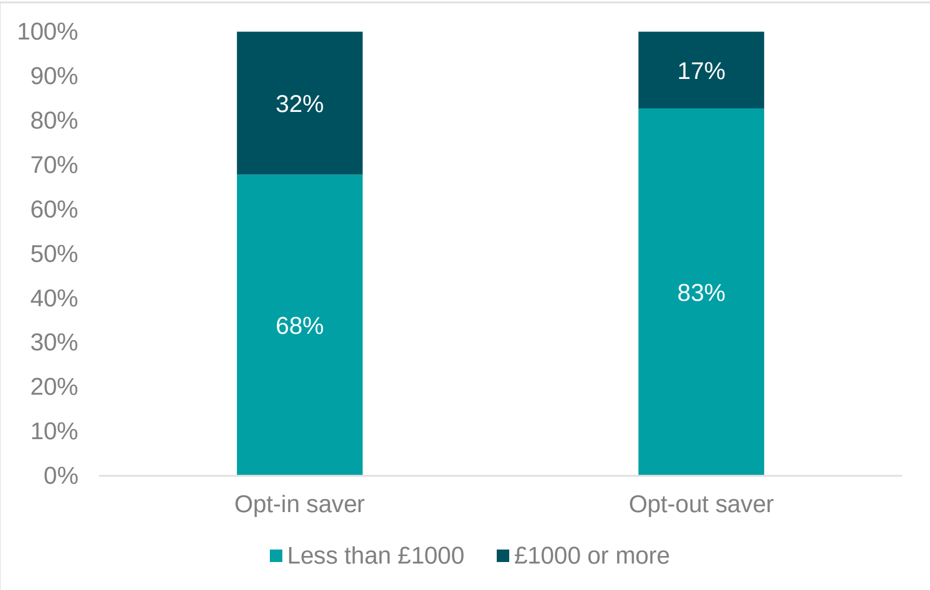
Characteristics of vulnerability

When we look beyond income and demographics though, opt-out approaches seem to be even more inclusive of people with some characteristics of vulnerability.

1. The opt-out approach supports more people who do not already have a savings buffer to get started with saving

Firstly, we see that workplace savings schemes more effectively support people who do not already have savings to get started with saving when an opt-out approach is taken. A greater proportion of people who save under the opt-out approach did not already have a £1000 savings buffer. 68% of people who signed up to save under the opt-in approach did not already have £1000 or more in savings. This compares to 83% of those who started saving as a result of the opt-out approach.

FIGURE 3: Opt-out savers are more likely to be people who didn't already have £1000 or more in savings
Percentage of savers who already had over £1,000 in savings, by enrolment approach



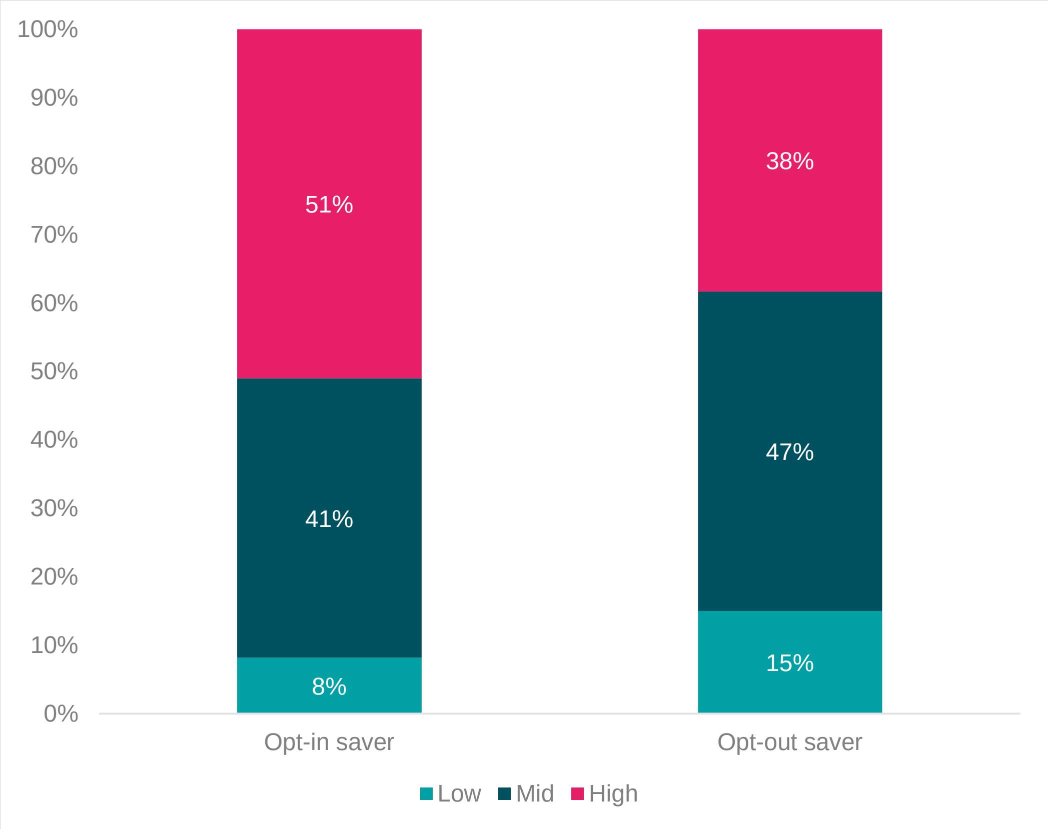
Notes: Question – BEFORE you opened your 'Build' savings pot with Wagestream, what was the total level of savings your household had? (NOT including any money saved in a pension). ***p*** **= .006.**

2. The opt-out approach is more inclusive of people with lower financial confidence

One of the barriers to getting started with saving, when an individual has to sign up to save, is confidence. This can be because an individual has to perceive themselves as a 'saver' to get started which can be in opposition to other identities (for instance as someone with debt) or because of previous experiences of struggling to save.

We see from survey data that a greater proportion of opt-out savers self-report low or moderate financial confidence when compared to savers who had to sign up to save – 62% of opt-out savers report low or moderate financial confidence compared with only 47% of opt-in savers.

FIGURE 4: Opt-out savers are more likely to be people who self-report lower financial confidence
Percentage of savers who self-report high, medium or low financial confidence, by enrolment approach



Notes: Question – How confident do you feel managing your money? Where 0 is not at all confident and 10 is completely confident.

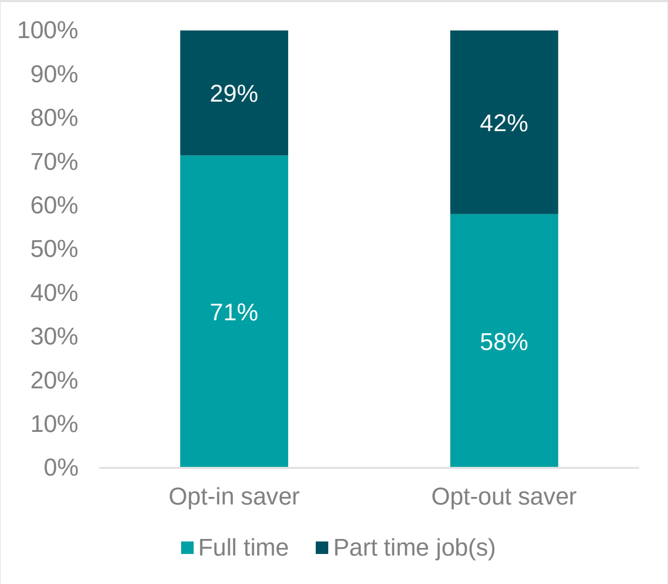
Low classified as scoring 0-3, medium as 4-7, high as 8-10. *p* = .001.

The opt-out approach supports people to become savers who may not have believed before that they could do it. The case study of Angela on page 18 is an example of someone overcoming low confidence by being supported to save via the opt-out approach. We've heard repeatedly in our qualitative research that people who didn't think they could 'be' a saver, and therefore wouldn't have had the confidence to actively sign up to a savings scheme, have started saving as a result of experiencing an opt-out journey.

3. The opt-out approach is more inclusive of part-time workers

A higher proportion of employees who started saving via the opt-out approach work part time – 42% of opt-out savers are part-time workers compared with 29% of those who started saving by actively signing up to save.

FIGURE 5: Opt-out savers are more likely to be people working part time
Percentage of savers who say they work part time or full time, by enrolment approach



Notes: Question -- Do you work part time (25 hours per week or less) or full time? *p* = .022

4. The opt-out approach is also potentially more inclusive of other groups who are traditionally less likely to save, although further research is needed to validate this.

The above findings are all statistically significant, which means that the difference in the relationships are unlikely to be the result of random chance.[14] We also see some potentially interesting differences between the opt-out and opt-in saver populations that are not statistically significant, but which we believe are worth exploring if these approaches are scaled and data from a larger and broader sample can be analysed. In analysis of the survey data we see that the opt-out approach is potentially more inclusive of:

- **Renters:** 20% of opt-out savers rent from a housing association or council, compared with 14% of savers who actively signed up to save.
- **People with disabilities:** 34% of opt-out savers' have a disability, compared with 27% of savers who actively signed up to save.
- **Universal Credit recipients:** 17% of opt-out savers' are recipients of Universal Credit, compared with 7% of savers who actively signed up to save.
- **Those whose main language is not English:** 29% of opt-out savers' main language is not English, compared with 20% of savers who actively signed up to save.
- **Those with variable incomes:** 6% of opt-out savers' income varies a lot from month to month, compared with 3% of savers who actively signed up to save.

[14] Significance at $p < .05$

Are there any risks of adopting a more inclusive approach?

The opt-out savings schemes piloted are designed to be low risk for new and potentially vulnerable savers with the following features built in to give individual control and flexibility:

- Employees choose whether or not to save and can easily opt out in one step if they don't want to or don't feel able to save.
- Employees receive multiple communications and chances to opt out before they start saving. After they begin saving they can stop at any time.
- The savings default is set at a reasonable amount relative to the earnings of the employee population and can be changed at any point by the saver.
- Savings are easily and quickly accessible by the saver if needed.
- There are no fees or charges.

The data analysed so far does suggest that opt-out approaches are more inclusive of some groups that are known to be more financially vulnerable and less likely to save.

It is therefore important to understand whether there are any risks or downsides to boosting participation amongst those who might otherwise be excluded from saving. This has been an active consideration of ours throughout the trials, and we've explored whether there are unintended risks in the analysis of the administrative data, and in the surveys and qualitative research interviews we've conducted. We are reassured by what we've seen and heard.

People do opt out

First, while many more people start saving when they experience the opt out approach, a significant proportion **do** opt out. This suggests that employees know that they have a choice whether or not to save – something supported in our surveys and when we talk to employees.

People who save are actively using their savings

Second, we see good levels of interaction among those who do start saving. Emergency savings will only protect people from more harmful options if they really are accessible when people want or need to use them. Many people who start saving via the opt out approach do make withdrawals.

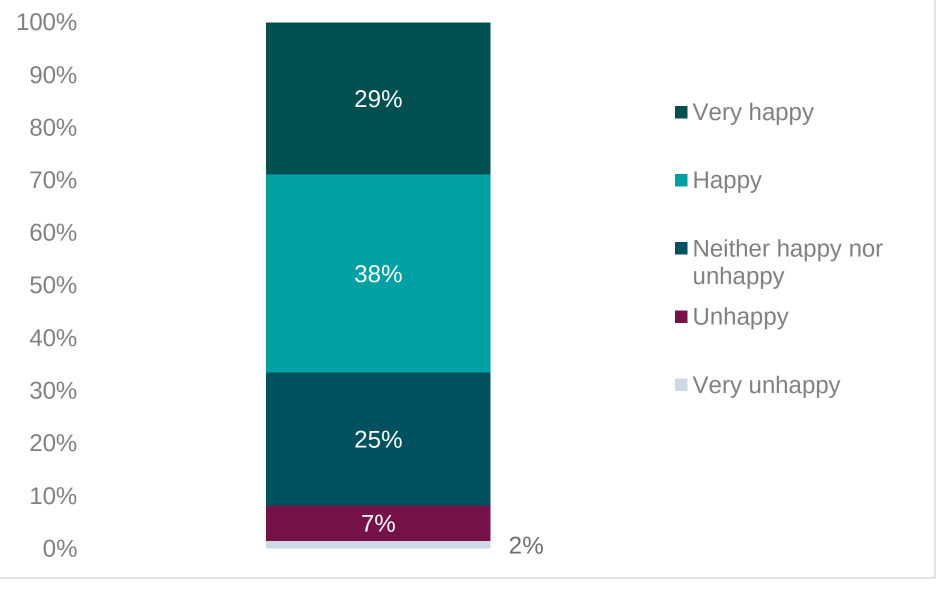
In the administrative data analyses, we see that while there are slightly higher withdrawal rates among opt-in savers in the benefits app user trial, withdrawal rates are similar in the opt-out and active choice saver groups. By month nine, 58% of savers in the opt-out group and 55% of savers in the active choice group have taken at least one withdrawal, compared to 71% of savers in the opt-in group. 21% of savers in the opt-out group and 18% of savers in the active choice group have made at least five withdrawals, compared to 29% in the control group. More than half of savers take at least one withdrawal during the study period.

The opt-out approach is well received by employees

Thirdly, people like it. If those who experienced it in the benefits app user trial, the vast majority (92%) say that they are happy about the opt-out approach, or feel neutral about it.

Additionally, nearly 8 in 10 employees, whether they chose to save or not, say that Wagestream should continue to automatically open a 'Build' pot to new joiners in the future or that they don't mind.

FIGURE 6: Employees like the opt-out approach, whether they save or not
Percentage of employees (savers and non-savers) who say they feel happy, neutral or unhappy about experiencing the opt-out approach



Notes: Question -- Wagestream automatically sets up a 'Build' pot for you and puts aside £40 of your pay into this pot each payday unless you choose to opt out. How do you feel about this?

What else could be done to minimise risks and support more vulnerable savers?

If the opt-out workplace savings approach is to be scaled beyond the Nest Insight pilots, it's important that the design features that have proved successful in the trial setting are replicated to ensure employees are aware of what is happening and feel in control.

Beyond this, we believe that regular communications once an employee has started saving are valuable, to remind employees that they have savings that they can use and that they can change the amount they are saving, and, potentially, to encourage and support savings behaviours – for example by celebrating when someone has been saving regularly for six months or a year. It will also be important to communicate how to keep building and accessing the savings pot if an employee leaves their employment.

Case studies

These case studies describe the views and experiences of real people, based on our qualitative interviews conducted in February 2024. Names and other details have been changed to protect the identity of the individuals.

CASE STUDY: Angela

Overcoming a lack of confidence and making regular saving easier

- **Experienced the opt-out approach**
- **Started saving**

Angela is a single parent in her forties with two teenage daughters living at home. After over 20 years working in the public sector, she recently joined the Co-op. Six years ago she separated from her partner and is still building back from the financial impact of moving out:

"I used all my savings in order to be able to move out from being with him. I literally left everything. I had nothing. I had my own clothes and the girls' clothes and that was it. I left furniture, I left everything so I had to completely start from scratch again. And so being on my own and managing a house on my own, when I'd always managed it with two incomes has been a bit of a challenge."

She manages a tight budget and lives in her overdraft. She feels financially insecure and lacks resilience, worrying about the impact of an unexpected expense:

"To be honest, I manage month to month, but if a rather large unexpected bill came in I probably would go into panic mode."

She has tried hard to save in the past couple of years by cutting back where she can. For example she takes a packed lunch to work and wouldn't ever buy a takeaway coffee. Previously she's tried to save any money that is left at the end of the pay period. She has a couple of hundred pounds in a savings account attached to her current account, but has struggled to build more than this as there's often no money left to save.

When she started her new job she signed up to the Wagestream app, having received an email about it in her new joiner information. She's not planning to access her earned wages early, but she has started saving:

"I have just set up with my work actually. They set up a plan for us and they take a nominated amount from our wages and they put it into an account. It's accessible and it's free of access, but they start with £40 a month, which I'm going to try to do that at the beginning of the month as opposed to the end and see how much or how little I miss."

She's clear that she wouldn't have signed up to the savings scheme if she'd had to opt in, and feels that saving out of her pay at the start of the month will make it easier to put money aside. She's reassured that she can get to the money if she needs it and that she can change the amount she's saving if she needs to:

"I wouldn't have chosen to go in and do it. I would have thought how I do things where I would have done the 'if I've got money left at the end of the month, I'll pop it into my savings account'. So yeah, them doing it sort of automatically has made a difference. I've gone 'let me try this and see how it works', but I wouldn't have gone 'oh, that's a good idea, I will try and save this much'."

Despite the fact that she is managing money for the household on her own, she lacks confidence in her ability to save. Although it is early days in her new job, starting to save in this way has boosted her confidence:

"I'm one of these people, I look around the room for a more 'adulty' adult than me. Like having savings is something that grown ups do. But yeah, I don't know, managing finances is something that grown-ups do and I manage to do that quite well every month so maybe I need to just say I am actually a grown up."

She is saving towards having an emergency fund, so that if she did have an unexpected bill she could manage it on her own without having to worry:

"I would like to have £1000. That seems like a comfortable amount to have. That seems like a very good rainy day fund. I would feel, I don't know, more in control, I think is the term."

CASE STUDY: Ridwan

Overcoming barriers to setting up a savings account

- **Experienced the opt-out approach**
- **Started saving**

Ridwan is in his late thirties and recently moved to the UK from Nigeria with his wife and two young children. Both he and his wife work as carers – he works four days a week and she works three days a week so that one of them can always be there to look after the children. They are paid monthly, with some variation month to month – their income could be a couple of hundred pounds more or less depending on whether they can pick up extra hours.

His wife previously worked in financial administration and they are thoughtful and active money managers, working together to pay bills and work towards their financial goals. They would like to save enough to buy a home in the UK and want to be able to support their children. Despite this, they are not finding it easy to set things up. Ridwan's English is not entirely fluent, and they have been struggling to navigate how things work in a new country:

"It's difficult because I've had, you know, the tax, the everything, paying the bills. It's not that easy, so. And with the kids, you understand? So we are trying to be coping. We are new here also. So we are not acclimatised with the system very well."

They are keen to have money put aside for emergencies and try to save anything that is left after paying bills. How much they can save depends on how much income they have each month.

"Yeah. After we settled in a little bit. So we know the bills for the month, monthly rent, monthly bills, we calculated everything and for feeding at home, we calculated everything that we couldn't pay more than this. So we just said OK, we can be comfortable in this together. That's how we do it."

When Ridwan started working at Bupa he remembers being told about saving via Wagestream and being given the chance to opt out. He chose to save, but adjusted the savings amount from the default of £40 down to £30 as this is what he had worked out would be affordable:

"I just felt it would be another opportunity because it will be deducted before my pay before I was paid, so I just said 'OK. […] I just put it there, that they should be deducting my money. £30. I can't go more than £30 in a month. The suggested amount was £40. Yeah, I remember £40. So I just decided to make it £30. That is just for another emergency. So that's the main purpose. I put it there […] It's another advantage for me to be saving £30 monthly. And it will come, now it will be active. OK. It's another source of savings for an emergency also."

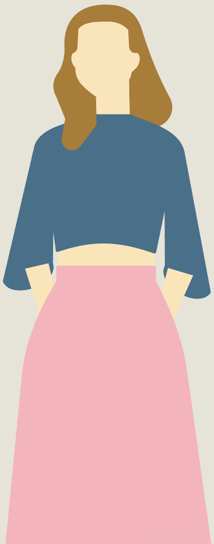
He found it easy to get started with saving in this way and thinks that the communication has been clear and easy to understand. He felt that if he hadn't been supported to get started with saving in this way, he would not have known to set it up himself:

"Wagestream is more straightforward, than the others because they explain better […] No, no. If they didn't contact me and tell me, OK, you'll be saving £40, I wouldn't even think of it."

He currently has £90 in his savings, having withdrawn money once to support his parents with a health emergency. He was relieved to have the money already saved and to be able to access it easily and quickly:

"[It made] a lot of difference because the day I needed it emergency for my parents at home. I haven't forgotten that I have money there, I just remembered that 'I have money in Wagestream' so I just went there to pick it up […] Very easy. It makes like just press. The next thing is I saw it in my in my account. It's very easy. And fast."

He and his partner have also now set up a LISA to try to save towards buying a home.



CASE STUDY: Kayleigh

Setting a young person up to save at the start of their working life

- **Experienced the opt-out approach**
- **Chose not to save but plans to start saving soon**

Kayleigh is 19 and a student. She lives with four flatmates who are also students. She's worked part time in retail for the past four years, for the past five months at the Co-op. She feels her financial situation is comfortable with her earnings, her student loan and some support from her parents when she needs it, although there's not money to spare.

She manages her money quite carefully and likes to feel in control. For example, she does her food shop on the same day each week so that she can meal plan and save money. If that day falls towards the end of the pay period she will access some of her earned wages early via Wagestream so that she can stay on track with her planning.

"I tend to use it like just before payday because the money that I have that maybe I've gone over budget that month slightly and then I need something the week get I paid. It is quite nice to have that flexibility with it. So for example, I like to do my weekly shop on the same day each week so that I can meal prep and kind of have an idea of what I'm going to eat that week. So if payday is a few days after that day, I'll take money out for that weekly shop because it would be money that's for that month anyway, but I may just need it slightly earlier."

She sometimes finds it hard to track how much she will be paid as it varies month to month:

"Due to the nature of my job, it differs week to week how many hours I get, so it's kind of difficult to track how much I'll get each week because of that, because it's nice to have more hours, but it is hard to like know, month to month exactly what like amount of money I'm getting in."

She's living in her overdraft and doesn't feel able to save anything at the moment but would like to be able to save in future. She's hoping she can increase her work hours in the third term of the academic year when there is less teaching on her course, which would allow her to save a bit towards the future.

She remembers finding out about saving when she signed up to Wagestream and opting out, but she would like to start saving in this way when she can:

"I think it is really helpful and like I said, when I'm working more hours hopefully I'll probably put the extra hours just straight into that [saving] so that I don't get that money at all, and then I can focus on just having the amount that I would have each month anyway.

For her, the advantage of saving in this way would be that the money is partitioned away and ringfenced as savings:

"I think it would be nice to have a dedicated space for savings because obviously I use my other bank accounts for other things as well."

She's never had savings before, but she now has a clear plan for starting to save as soon as she is able to, and a mechanism in place that she knows how to use when she's ready.

Conclusions and reflections on designing inclusive approaches to supporting saving

Initiatives to support financial inclusion and saving often focus on incentives or education

In recent years in the UK there have been several initiatives to support saving. In large part, the focus of these interventions has been providing incentives for saving or providing education or targeted communications.

The Savings Gateway and now Help to Save schemes run by the Government have been specifically targeted at lower income households. The current Help to Save scheme is aimed at low- and middle-income earners. Those who are eligible, based on benefits entitlement, can save up to £50 a month and receive a generous potential savings boost of 50p for every £1 they save over four years. While the scheme has been popular with those who have signed up, take up has been low, with only 10% of those eligible participating.[15]

Other workplace savings trials have attempted to boost participation in opt-in schemes by simplifying the user sign up journey, using prize draws or monetary incentives, putting in place a soft default where employees are told they have an account ready for them to activate, different communications approaches such as gain framing and social norming, and face-to-face workplace engagement sessions. While these efforts have improved saving participation to some extent, the impact has been minimal in terms of reaching the numbers of employees who could benefit from workplace saving.[16]

These approaches are often costly, either in terms of the incentive provision or the implementation, relative to their benefit. It is therefore disappointing that they haven't more effectively boosted savings behaviours.

Existing approaches may meet the needs of people who are already more resilient and confident, but risk leaving those who are excluded behind

There is some evidence that those who have been reached by the Help to Save scheme are already more financially savvy and secure. Most savers in the scheme save the maximum £50 a month and they most commonly find out about the scheme through the website moneysavingexpert.com. Nearly three-quarters of Help to Save users rated themselves at 7 or above on a 10-point financial confidence scale. [17] This evidence suggests a good level of knowledge and capability was already present amongst those reached by the scheme.

This replicates a pattern seen elsewhere. Research has shown that employees who actively sign up to saving incentives are more likely to have greater levels of financial capability and be more confident. For example, Raj Chetty et al., found that approximately 15% of individuals are 'active savers' who respond to subsidies, whereas 85% of individuals are 'passive savers' who do not respond to subsidies but instead are 'heavily influenced by automatic contributions made on their behalf'. Further, '"active savers" […] tend to be financially sophisticated individuals who plan for retirement.'[18]

[15] Resolution Foundation (2023), **Isa Isa Baby**

[16] Behavioural Insights Team (2022). **Using behavioural science to help employees save: Evaluation of a payroll savings scheme**; Financial Inclusion Centre (2021). **Getting workforces saving: Payroll schemes with credit unions**; Behavioural Insights Team (2022). **Payroll savings schemes in Northern Ireland: Evaluation report**.

[17] HMRC (2021) Research Report 623 **Help to Save Customer Experience Research**

[18] Chetty et al., (2012). **Active vs. Passive Decisions and Crowd-out in Retirement Savings Accounts: Evidence from Denmark**

We know that those who are least likely to save – those on lower and often variable incomes – also frequently lack the time and headspace to plan ahead, to research options and to manage any administration additional to that which is needed for day-to-day coping and survival. There is a growing body of research showing that managing ‘scarcity’ of income and other resources creates a cognitive load that can negatively impact mental capacity.[19] We’ve seen in Nest Insight research, including our Real Accounts programme tracking nearly 50 low-and moderate-income households over time, that people want to save, but that there are often just too many barriers that get in the way, particularly for those who are already most vulnerable and excluded.

Any initiative that requires people to actively sign up to saving presents barriers to potential savers, especially those who are not already saving, including:

- **Awareness** – people need to find out about the savings scheme, meaning that they need to have the time and energy to engage with communications about saving in the midst of other information they are bombarded with.
- **Friction** – people need to go through steps to sign up, with friction at every step of even the best designed journey meaning high rates of drop out due to the cognitive load or time taken.
- **Attitudinal blockers** such as lack of confidence – in order to actively sign up, people need to think that they can successfully save, even if this is something they have never done before or struggled to do previously.

To design inclusive savings systems, we need to think about overcoming behavioural and structural barriers

If we want to support people to do something they are not already doing, we need to identify the barriers that are stopping them from doing it, and then remove them. We can learn a lot from previous interventions about the value this could have for people.

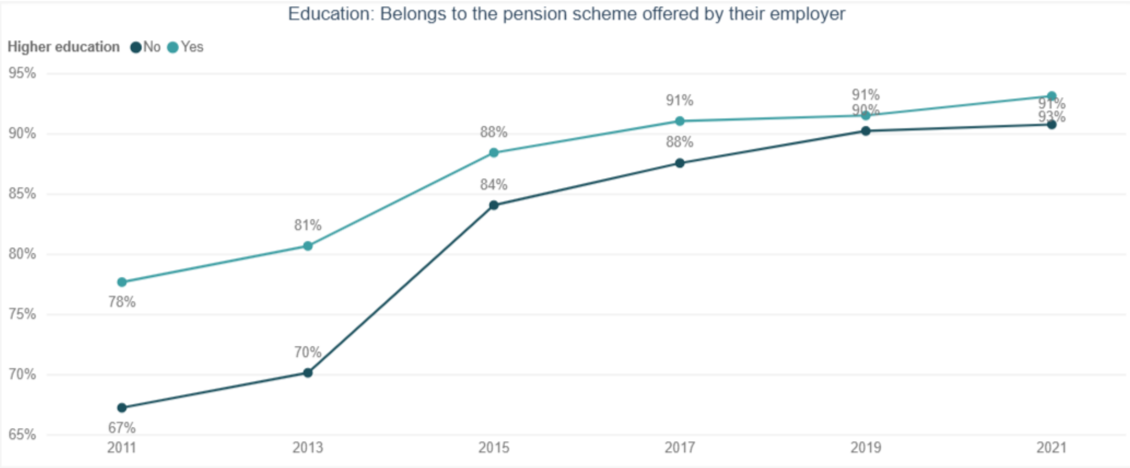
Before workplace pension auto enrolment, employees could have signed up to a pension and saved for their retirement. Indeed a previous policy – the implementation of stakeholder pensions – should have made it easier for them to do so as all employers with more than five employees in the UK had to have a pension in place for their workers. However, this was not enough to boost pension savings rates. It took the behavioural design of workplace pensions auto enrolment to overcome the barriers that were preventing employees from saving for their retirement. Not only was a pension in place, but workers who wanted to save didn’t need to do anything. If they didn’t opt out they started saving at the default rate automatically.

Not only did more employees save but auto enrolment was more inclusive than previous policies. Analysis shows that the policy closed many participation gaps that had existed in pension saving beforehand. The charts below compellingly show gaps closing over the period that auto enrolment was implemented – by level of education, by home ownership, by ethnicity and among people who were not savers.

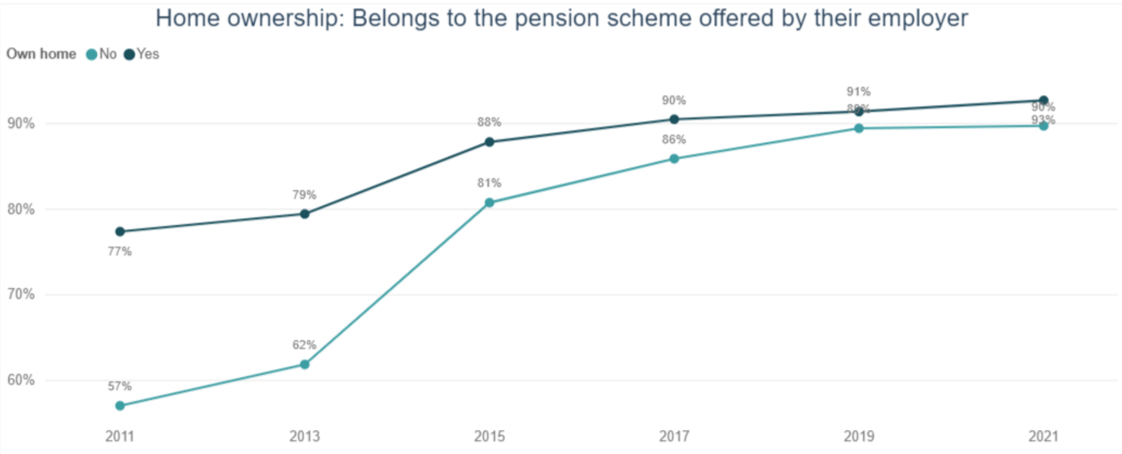
[19] For example Mani et al., (2013) **Poverty impedes cognitive function**; Mullainathan and Shafir (2013). **Scarcity: Why having too little means so much.**

FIGURE 7: Workplace pension saving auto enrolment closed many pension saving participation gaps
Proportion of employees that met the UK auto-enrolment criteria and either belonged to a pension over the period that auto enrolment was introduced in the UK.

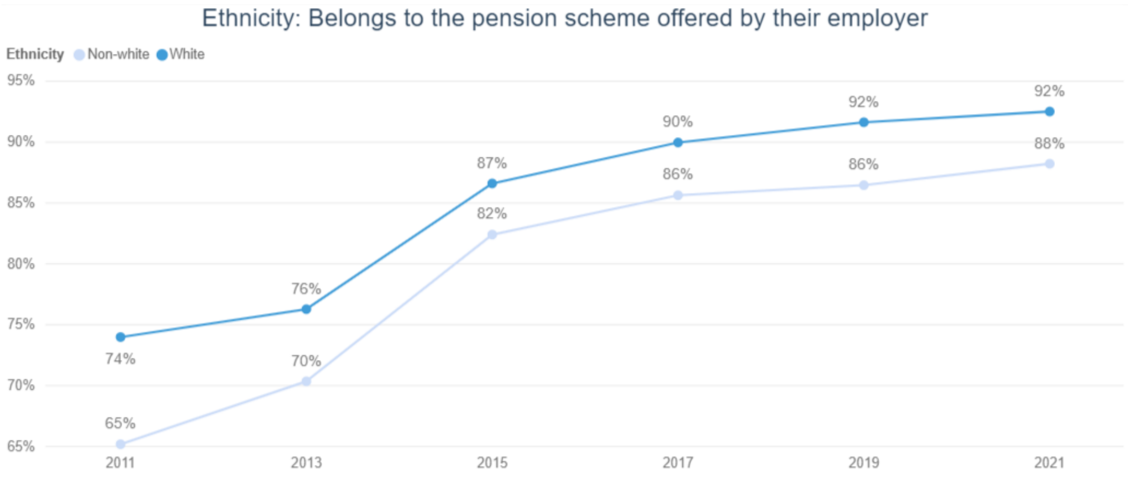
7a. Level of education



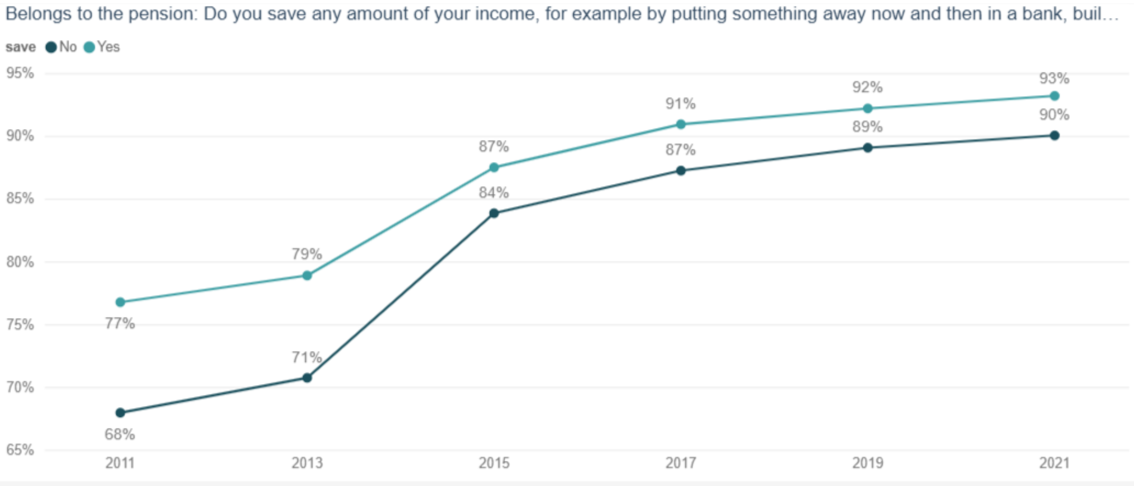
7b. Home ownership



7c. Ethnicity



7d. Savers vs non-savers



Analysis of Understanding Society data by Greg Bowe[20]

Pensions auto enrolment also reduced the gap in coverage and experience depending on what size of employer an employee worked for. All employers, whether they had one employee or a hundred thousand legally had to auto enrol their employees.

Currently very few employers offer workplace payroll savings schemes, even on an opt-in basis. Recent research by the Department of Work and Pensions found that just 7% of employers offer a workplace savings scheme where contributions are made via payroll.[21]

If we really want to address the persistently low savings rates we see in the UK and support more households to save, there is now strong evidence that an opt-out approach to workplace saving effectively overcomes behavioural and structural barriers and, in particular, is likely to be more inclusive of the very households who currently lack the financial security that having a savings buffer provides

Opt-out payroll savings is powerful, proven and popular. Our research shows that supporting employers to offer payroll saving on an opt-out basis should be at the heart of any strategy to address financial exclusion. Opt-out payroll saving could be a game changer at getting us closer to a world in which no one is left behind and savings are for all.

[20] Greg Bowe (2023). What are the characteristics associated with (dis)engagement of auto-enrolled workplace pension savers?

[21] Department for Work and Pensions (2022). **Department for Work and Pensions Employer Survey 2022**

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Cover image: **The Business Disability Forum**

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