Easier to save

Executive summary

Opt-out payroll savings: a powerful, popular and inclusive way to support new saving

The BlackRock Foundation

Money & Pensions Service

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Acknowledgements

We are grateful to Michelle Sutton, Lisa Thomas, Claire Townsend, Richard Loftus, Stacy Standen and everyone at SUEZ; Roger Shelton and everyone at TransaveUK; Emily Trant, Oliver Bethell, Yash Daga, Callum McCaig, Sophie Orr, Roni Stone and everyone at Wagestream; Alex Henley, Alison Scowen, Claire Costello, Nick Speight and everyone at the Co-op; and Katie Duxbury, Helen Spurr and everyone at Bupa Care Services for their collaboration and data sharing.

We'd also like to thank all the individuals who generously gave their time to take part in interviews, events and surveys as part of this research, and to all the organisations we've engaged with in the course of this project who have shared their expertise and perspectives.

Many thanks to Sarah Holmes Berk, James J. Choi, Jay Garg, John Beshears and David Laibson for their research partnership and analysis of administrative data. Administrative results in this report are based on findings in their working paper **'Automating short-term payroll savings'**.

Thanks to the members of BlackRock's Emergency Savings Initiative and to our partners at the Aspen Institute Financial Security Program for their ongoing dialogue and collaboration and to the Financial Conduct Authority for supporting the early development of this work through its regulatory sandbox.

Finally, thanks to Matthew Blakstad, Michelle Cremin, Robin Dennis, Rachel Dowdie-Smith, Clare Hodgkinson, Annick Kuipers, Fiona McLauchlan, Claire Maugham, Guineviere Nicholas, Sope Otulana, Emma Reid, Josie Rodohan, Will Sandbrook, Ferial Shah, Claire Slater, Mary Verghese-Dipple and the rest of the Nest Insight team as well as Lee Atkins, David Mann, Ric Tizard and colleagues at Nest for their contributions to this work.

About this report

This is a summary of the final report highlighting the results of the opt-out payroll saving research trials in our workplace emergency saving research programme.

For the full report, more resources and other reports, visit **nestinsight.org.uk/research-projects/workplace-emergency-savings**

About our programme partners

The BlackRock Foundation

Our strategic partner, The BlackRock Foundation, provides support for our workplace emergency savings research as well as the wider Nest Insight programme. More information about BlackRock's Emergency Savings Initiative can be found at **savingsproject.org**

Money & Pensions Service

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**

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 partners

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. The initiative brings together partner companies and non-profit financial health experts to make saving easier and more accessible for low- and moderate-income earners 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**

Nest was set up by the Government to give every UK worker somewhere good to save, and it aims to provide members with a bigger pension in a better world. It's now the largest workplace pension scheme in the country, with 13.7 million members. One in three of the working population is expected to have a Nest pension pot by the late 2020s. Nest's members benefit from an award-winning responsible investment strategy and one of the most diversified DC portfolios in the industry. By the end of the next decade Nest will have close to £100bn assets under management. In 2016, Nest established Nest Insight as a public benefit research and innovation centre. Nest's purpose is financial peace of mind for all, and Nest is a proud supporter and the home of Nest Insight. For more information, visit: **nestpensions.org.uk**

With a legacy dating back more than 200 years, JPMorganChase has a track record of demonstrating leadership during times of both economic growth and financial instability. The firm employs approximately 22,000 employees throughout the U.K. and is committed to operating a healthy and vibrant company that plays a leading role in advancing a sustainable and inclusive economy. The firm provides £474 billion in credit and capital to nearly 4,500 medium and large companies and supports over two million retail customers. At the same time, together with its non-profit partners the firm has supported over 33,000 low income households reduce their debt and improve their financial health, helped over 10,800 small businesses to grow their activity and placed over 9,000 individuals into apprenticeships or full and part-time employment. For more informaiton, visit: **jpmorganchase.com**

Executive summary

Background and approach

Many UK households lack any kind of savings buffer to cope with an unexpected expense or other financial shock. This lack of resilience can have harmful consequences if people have to turn to high-cost debt, get into arrears or cut back on essentials because they don't have savings. People without the peace of mind of a savings buffer often experience stress and anxiety, which can impact their health and productivity.[1] In our research we find that people know they should save and want to do so, but often find it difficult to get started.[2]

Workplace savings schemes are one promising route to supporting more people to save. In the payroll saving model, if employees sign up to save, a portion of their pay is put into an accessible cash-savings account earmarked for saving every payday. Workplace savings schemes support people to get a savings vehicle in place. The payroll link is also powerful – people say they find it easier to save when the money is moved automatically for them before they receive their 'take-home' pay and tend to save persistently once they're signed up.

However, workplace payroll savings schemes currently do not achieve their potential, even when they are put in place by employers, because participation rates are low. There is often a big gap between intention to save and action – in a previous Nest Insight trial of workplace savings nearly half of employees said they thought payroll saving could help them but only one in a hundred actually got the point of being signed up to save.[3] Barriers including a lack of time and headspace, low confidence and sign-up journey friction get in the way of people who want to be a saver becoming one.

Opt-out payroll saving is designed to help overcome these barriers and to make it easier for employees to get started with saving if they want to. The idea is that instead of needing to sign up for the savings scheme, employees automatically start saving if they don't opt out. People still have the choice whether or not to save, but in this model, those who want to save don't need to do anything. There's a simple and easy one-step opt-out for anyone who doesn't want to save. Savers can choose to save more or less than the default saving amount, access their money, or stop saving at any time.

Since 2021, Nest Insight has been piloting and evaluating opt-out payroll saving approaches in real-world trials with three employers covering over 70,000 UK employees. The trials were designed to explore, from differing angles, whether opt-out payroll saving results in levels of saving participation that are more in line with the proportion of employees who want and need to save, and whether it supports employees' financial wellbeing and resilience.

The pilots were:

- **New worker trial** – Between November 2021 and December 2023, we worked with SUEZ recycling and recovery UK. SUEZ set up an opt-out payroll autosave approach for its new employees. The payroll savings provider was the credit union TransaveUK. In this trial the new worker population which experienced the opt-out approach was compared with new workers who had to sign up to save in the period before the opt-out approach was introduced.
- **Benefits app user trials** – Between October 2022 and September 2023, we collaborated with the financial wellbeing app, Wagestream. Two of Wagestream's employer clients, Bupa Care Services and the Co-op, offered opt-out payroll saving to their employees through the Wagestream app. This trial was a randomised controlled trial – new benefits app users were randomised either to sign up to save (the control group) or to experience the opt-out approach.

Throughout the trials we collected administrative data to allow us to analyse employee behaviours, and we also conducted surveys and qualitative research to build our understanding of attitudes and contexts.

1 The evidence base for this is summarised in Nest Insight (2021). Workplace emergency saving: A landscape review of existing evidence.
2 Nest Insight (2023). Workplace sidecar saving in action.
3 Nest Insight (2023). Workplace sidecar saving in action.

What is opt-out payroll saving?

- A savings scheme with a third-party provider is put in place by an employer for their employees.
- Employees choose whether or not to save.
- If they want to save, they don't need to do anything. They automatically start saving a default amount via payroll into their own savings account.
- If they don't want to save there's a simple one-step opt-out.
- The employee can change their savings amount or stop saving at any point.
- The employee can withdraw their money at any point without penalty. Savings are held in cash and are instant or easy access.

The research trials

3+ years

of data collection and analysis

New worker trial

Employer: SUEZ recycling and recovery UK

Provider: TransaveUK

5,000 employees offered workplace savings

2,853 employees experienced opt-out payroll saving during the trial period

Benefits app user trials

Employers: Bupa Care Services and Co-op

Provider: Wagestream

65,500 employees offered workplace savings

2,669 employees experienced opt-out payroll saving during the trial period

70,000

employees offered workplace savings

1 million+

administrative data points analysed

2,200+

survey responses collected across 4 surveys between autumn 2021 and autumn 2024

87 workers

interviewed between spring 2022 and autumn 2024

Results

1. An opt-out approach to payroll saving dramatically boosts participation, supporting many more workers to save

In both trials, we've seen the number of people saving increase by around 50 percentage points. At SUEZ participation increased from only 1 in 100 people saving to 48 in 100 saving – or nearly half of eligible employees.[4] And at Co-op and Bupa participation under the opt-out approach is even higher at 68 in 100 people saving, up from 15 in 100 when employees had to sign up to save.[5] The participation we see under the opt-out approach is much more in line with the proportion of employees who want and need to save, than when they have to actively sign up to save.

2. Saving via payroll supports people to save persistently over time

People who start saving through an opt-out approach save persistently and build meaningful savings buffers over time. Most people who experienced the opt-out joining mechanism continued to save at the default contribution of £40 per month meaning many had built up a buffer of £100 or more within 4 months of having the account.

In the new worker trial, four months after joining the employer, the average saving balance was £125 in the opt-out group. In the benefit app user trials the average balance was £96 four months after joining the app in the opt-out group.[6]

Average saving balances continue to rise, reaching £280 and £245 in the new worker and benefits app user trials respectively after 12 months. After 2 years, in the new worker trial, the average balance tips over the £400 mark.

3. People actively use their payroll savings accounts

In order to support people's financial wellbeing, savers need to access their accounts whenever they need or want to. In both trials, many savers access their accounts and do so relatively frequently suggesting they are using them to support their financial resilience and saving goals.

By month 12 after joining the benefit app, over 7 in 10 people (74%) have made at least one withdrawal from their savings account. In the new worker trial a similar proportion (68%) have made at least one withdrawal after 24 months of being with their employer.

4. Opt-out payroll saving helps reach the people who most need support to get started with saving

Opt-out payroll saving is an inclusive way to support people to save, reaching more people who don't already have savings, and more of those who lack confidence, when compared with the group who have to sign up to save.

A greater proportion of people who save under the opt-out approach did not already have a savings buffer – 83% of opt-out savers did not have an £1,000 buffer in place compared with 68% of people in the group who had to sign up to save.

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.

5. Opt-out payroll saving is popular with employees, whether they choose to save or not

Whether or not people choose to save, the opt-out approach is highly popular with employees.

4 Participation rates are reported 4 months after joining the employer.

5 Participation rates are reported 4 months after joining the financial benefits app.

6 Saving balances are reported conditional on having a positive balance.

Across the trials, 91% of employees were happy or neutral about being offered opt-out payroll saving, whether or not they chose to save themselves. For employees who had experienced opt-out payroll saving, 77% thought their employer should continue to offer it, or said they didn't mind either way.

Across the two employers in the benefit app user trial, nearly 8 in 10 (79%) of people surveyed who experienced the opt-out user journey felt that their financial wellbeing was 'slightly' to 'extremely' important to their employer. Employees say they're grateful to their employer for supporting them to save and that more employers should offer a similar saving scheme.

6. Short-term savings are supportive of retirement savings

When offered opt-out payroll saving, people save into their accessible account in addition to retirement saving. There is no crowding out of pension saving as a result of introducing opt-out payroll saving. Similarly, opting out of the accessible savings account does not encourage people to also opt out of their pension. The decisions are made independently of one another. This suggests that people do not choose to engage with the payroll accessible saving accounts at the expense of their pension savings.

7. Payroll savings schemes complement other workplace benefits

Money management tools like earned wage access and payroll loans, alongside building savings through payroll savings schemes, can help employees manage their finances more effectively and build a more secure financial future.

In the benefits app user trials, use of earned wage access among employees in the opt-out group almost identically tracks the opt-in group in terms of the proportion of employees using it, the ratio of flexible pay taken before pay day and the absolute size of the advance in pounds. On average, almost a quarter of people (23%) use earned wage access as well as their saving pot in a given month.

This provides early reassurance that people who experience opt-out payroll saving approaches aren't accessing their pay early at higher levels. It is possible that use of earned wage access may decrease when balances become equivalent to the value typically accessed from wages early, but we do not reach this point in the research.

8. Some savers keep a balance when they leave their employer, whilst others withdraw their money

We see a split picture in behaviours of savers after they leave their employer. Some savers keep a balance in their accounts, whilst others withdraw their money.

There is no reason to believe that people who were automatically signed up for their account behave differently to those who signed up, after they leave their employer.

Savers could be more actively prompted to keep saving after losing the payroll link.

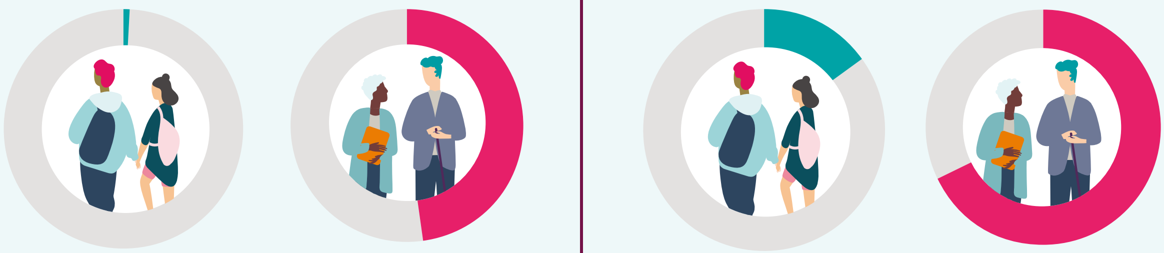
9. Reducing friction in an opt-in sign up journey can boost participation somewhat, but still leaves an inclusion gap

In the benefit app user trial we also explored what impact a nudge to save, in which people are prompted to say whether or not they want to save, would have on savings participation. This 'active choice' design was partly tested to understand whether a less intensive solution than the opt-out approach could have a meaningful impact. However, we saw little difference between the active choice journey and the regular journey where people have to sign up to save. Implementing active choice results in only a 2.5 percentage point increase in participation compared to when people sign up to save.

1 An opt-out approach to payroll saving dramatically boosts participation, supporting many more workers to save

New worker trial | **Benefits app user trials**

Opt-in | Opt-out | Opt-in | Opt-out



New worker trial — Opt-in: 1% participation

New worker trial — Opt-out: 48% participation

Benefits app user trials — Opt-in: 15% participation

Benefits app user trials — Opt-out: 68% participation

2 Saving via payroll supports people to save persistently over time

Opt-out savers

New worker trial

average savings balance at 4 months

Benefits app user trials

average savings balance at 4 months

> I think it's a shame a lot more companies don't offer it... There's so much support, it comes across as they want to help... They want people to succeed.

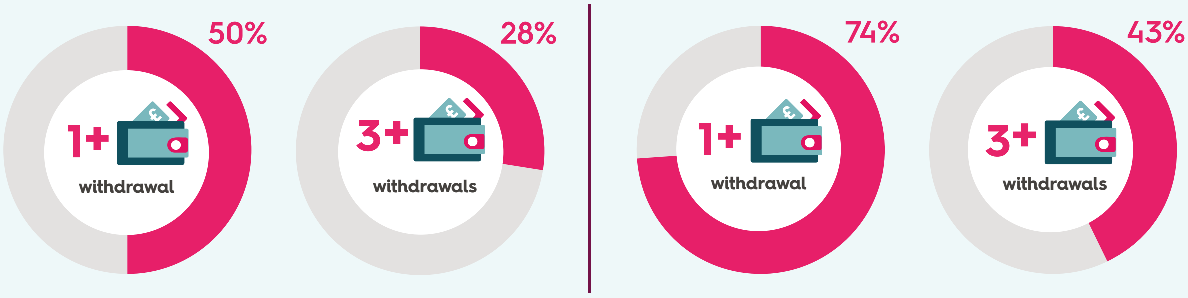
New worker trial

3 People actively use their payroll savings accounts

Opt-out savers

New worker trial

Benefits app user trials



Withdrawals made by month 12 of being with their employer

Withdrawals made by month 12 after joining the benefit app

> It's an easy option and takes away the need for setting up a savings account elsewhere, where you may be deterred by the need to do form filling.

New worker trial

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

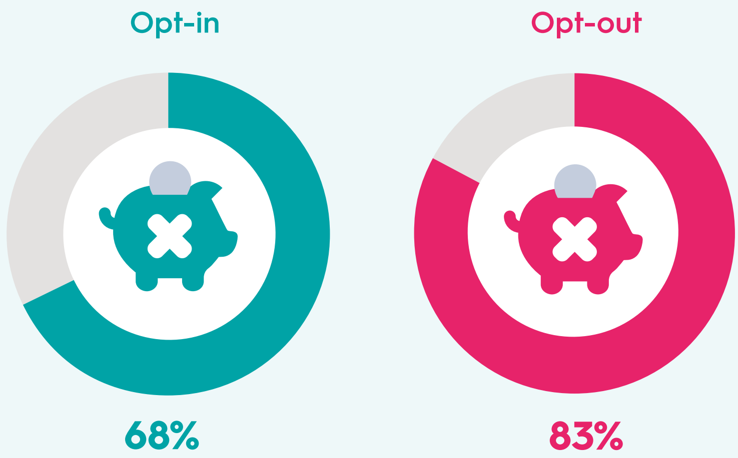
New worker trial

> Well, knowing that I have savings gives me a bit of confidence to know that whatever it is, there is something to fall back to.

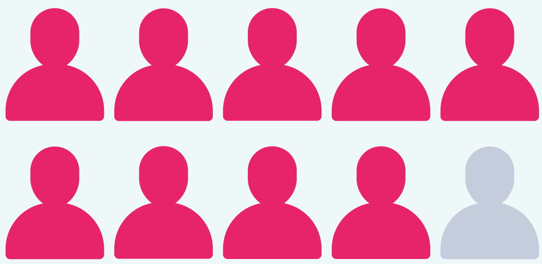
Benefit app user trial

4 Opt-out payroll saving helps reach the people who most need support to get started with saving

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



5 Opt-out payroll saving is popular with employees, whether they choose to save or not



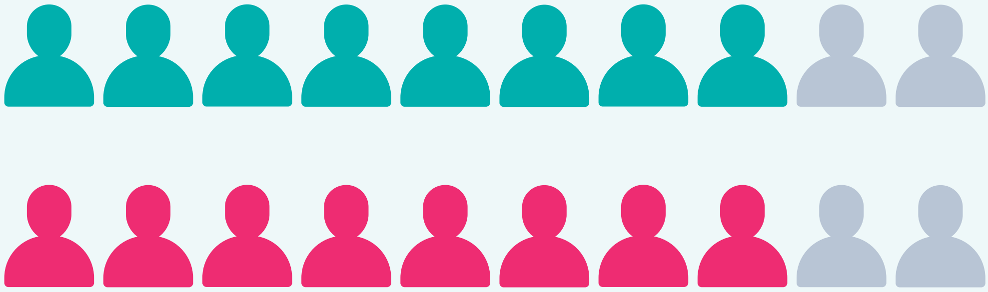
9 in 10
are happy or neutral about opt out

> Really the only thing you have to do is, if you don't want to, is opt out, so leaving it on there is just effortless. Everything is all set up for you, you don't even need to put in your bank details or anything like that.

New worker trial

6 Short-term savings are supportive of retirement savings

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



8 in 10
in the opt-in group

8 in 10
in the opt-out group

Takeaways from the trials

1. The evidence is conclusive and robust – workplace savings schemes can dramatically boost saving behaviours and support greater household financial resilience, but only if run on an opt-out basis.

2. No other approach to supporting emergency savings has been shown to be as powerful.

3. Payroll saving supports different financial resilience behaviours, including budgeting and cashflow management, even during a period of extraordinary living costs.

4. Opt-out approaches to payroll saving are popular with employees and with their employers.

5. Workplace saving can make short- and long-term goals complementary, boosting long-term saving and improving retirement outlooks.

6. An opt-out approach helps address savings exclusion – it supports people who have struggled to save before to get started, building new financial security and peace of mind.

7. The evidence that addressing the UK household savings gap would support wider business and goals is growing.

8. Tackling low financial resilience is a key foundation to multiple government priorities and strategies.

Conclusions

The evidence from across these trials is conclusive and robust – workplace savings schemes can dramatically boost saving behaviours and support greater household financial resilience, but only if run on an opt-out basis.

Not only are the results from this trial positive, they are also exceptional. Other interventions to support more people to save have struggled to get this kind of traction, seeing much lower participation rates, despite often costing more to implement than the opt-out payroll saving schemes that have been trialled here.

The approach supports employees' financial wellbeing without compromising their right to choose what to do with their money. Employees who experienced the opt-out approach report back that they felt they had a choice. The opt-out workplace savings schemes were very well received and liked by employees whether or not they personally chose to save. They recognised that making it easier for people to save was a good thing. Over 90% of employees were in favour or felt neutral about being offered opt-out payroll saving.

We've also seen that payroll saving supports different financial resilience behaviours, including budgeting and cashflow management and saving for emergencies, even during a period of extraordinary living costs. Regardless of how savers think about using their money, they say that knowing that they're saving gives them greater peace of mind and financial confidence.

Not having savings is an intransigent problem. To truly support more UK households to build financial resilience through savings, interventions must reach those who are not yet savers. We now know that taking an opt-out approach to payroll savings supports a broad range of people to save, including those who do not already have savings and those who have previously struggled to save. Over 8 in 10 opt-out savers lacked a savings buffer of £1,000 before the scheme. Nearly two-thirds of opt-out savers report low or moderate financial confidence compared with just under half of opt-in savers. An opt-out approach helps address savings exclusion – it supports people who have struggled to save before to get started, building new financial security and peace of mind.

One concern raised before the trials was that offering shorter-term accessible savings on an opt-out basis alongside workplace pensions auto enrolment might undermine longer-term savings. We do not see any crowding out of pension saving in these opt-out savings trials. Rather, workplace accessible cash savings complement the retirement savings people are already making under pensions auto enrolment:

- There was no impact on rates of people opting out of auto enrolment into workplace pension saving.
- The overall workplace savings rate grew under the opt-out approach: amounts saved into short-term savings were additional to contributions made into the workplace pension.

Workplace saving can therefore make short- and long-term goals complementary - there is no short-term substitution of saving. And wider evidence shows the ways in which improved financial resilience ultimately supports increased long-term saving.

The evidence that addressing the UK household savings gap would support wider business goals is growing. Employers recognise that employees who are stressed and preoccupied about money are not able to be fully present at work. Financial stress increases cognitive load and reduces capacity, which also diminishes productivity. Our partners at Bupa, Co-op and SUEZ have all made their own links between supporting more of their colleagues to save and a positive impact on business priorities. These include reducing absence, being more able to fill shifts and being more able to maintain the continuity of staff. Leaders of organisations are perhaps more aware of low financial resilience amongst their employees following the Covid pandemic and cost of living crisis. And they are increasingly seeing the business case for playing a role in supporting their employees to build greater resilience.

Tackling low financial resilience is a key foundation to multiple government priorities and strategies. As well as supporting individual household financial resilience and business outcomes, savings can be a foundation for other critical policy goals including:

- Supporting health and reducing cost to the health service: increasing financial resilience supports better mental and physical health. Starting saving has been linked to higher levels of life satisfaction, reduced anxiety and better sleep.
- Tackling child poverty: increasing financial resilience, including addressing low savings levels, has been identified as one of four themes for the Government's strategy to tackle child poverty. Reducing problem debt and enabling families to build savings can reduce the risk of future generations slipping into poverty and enhance their economic opportunities.

- Ending violence against women and girls: women who have savings are more likely to be able to leave abusive relationships. Indeed we have heard in the trials from people using or designating their workplace savings as a 'flee fund'.
- Social mobility: people who have savings describe being more able to participate and take up opportunities. This was a particular priority for Co-op which has an active social mobility strategy[7] and made the link between more financially secure employees being more able to take part in training and other initiatives they have in place.

Scaling effective support for saving to all UK workers would have a broader social and economic impact beyond the impact on household finances. There is an opportunity here for evidence-based, mission-driven policy-making and cross-government working.

Next steps for scale

Millions more households could build savings and progress towards greater financial security if the approach piloted in these trials was widely adopted in UK workplaces. Addressing current regulatory barriers would allow more employers to offer opt-out savings schemes voluntarily. However, for access to opt-out savings to scale universally for all UK workers, building short-term savings into the evolution of the pensions auto enrolment framework could be an impactful route to savings inclusion at this scale.

Currently only a minority of employers offer workplace savings, but more would like to. Where payroll savings schemes are in place they are almost always offered on an opt-in basis. There are only a handful of examples of employers taking an opt-out approach, mostly as part of these trials. This means that the workplace savings schemes that are in place are not achieving their potential to support workers to save, with only a small minority of employees signed up to save.

Whilst employer appetite to offer workplace savings is growing, our research with employers and providers identifies multiple regulatory barriers that get in the way of workplace savings scaling organically. It is frustrating to hear large employers with tens and hundreds of thousands of low and moderate-income employees say that they would like to offer opt-out payroll savings to their workforce, but do not currently feel able to. We've also heard this message consistently from current providers of workplace savings schemes and industry bodies.

It **is** currently possible to find ways of addressing these regulatory considerations to allow opt-out approaches in a limited set of circumstances and for limited groups of employees, as employers working with Nest Insight have done to make the research pilots possible. In the new worker trial regulatory considerations were covered off as part of pre-employment checks and onboarding. In the benefits app user trials considerations were similarly addressed as part of the joining process for new customers of the employee benefits app. However, these steps involve some complexity, and do not allow the approach to be adopted for all employees in a workforce.

If the clear, well-evidenced benefits of workplace savings schemes are to be available and experienced at scale, boosting financial inclusion and supporting wider policy goals, then these regulatory barriers will need to be addressed. Comfort and clarity that approaches are compliant, and a sense that they are actively encouraged by government, would support wider adoption and innovation in this space.

But, while providing this clarity could create the space for a meaningful step change in the availability and use of these tools, any fully voluntary framework will still likely be limited in its impact. Not all employers are equally focused on employee financial wellbeing and a voluntary framework is particularly unlikely to reach the employees of smaller firms. Against targets like the Money and Pensions Service's Financial Wellbeing Strategy objective of 2 million more 'struggling' and 'squeezed' people saving regularly by 2030, even addressing regulatory barriers conclusively within a voluntary adoption framework is likely to fall well short.

For access to opt-out savings to scale universally for all UK workers, it would likely require a stronger nudge or mandation for employers. Building short-term savings into the evolution of the auto enrolment framework is a promising route to achieving this, and could have broader benefits – supporting the objectives of pensions policy as well as those of the financial inclusion and wellbeing agendas.

Based on our understanding of the issues and different stakeholders' views, we set out here a potential roadmap of three steps that could be taken to support workplace payroll savings to be offered to more UK workers:

7 Co-op (2025). Social mobility.

1 **Describing and recognising payroll savings as a category and providing comfort for opt-in schemes**

2 **Making a clear and certain regulatory space for the wider roll out of opt-out schemes**

3 **Incorporating short-term accessible saving into the evolution of pensions auto enrolment**

The first step in this roadmap is the most straightforward and would have some impact on the availability of workplace payroll savings schemes, but would likely only deliver the lower employee participation rates seen in active sign-up models. It would though send a clear signal of government support for workplace payroll savings schemes which could help build employer and savings provider momentum.

The second step would create clear space for opt-out approaches to be adopted which would likely lead more providers to develop such solutions and more employers to offer them, leading to much higher employee participation rates in line with those seen in these trials. This would perhaps see hundreds of thousands more UK employees building a savings buffer through workplace saving.

However, although larger employers would be more likely to implement effective savings schemes after step two, most employers would be unlikely to put opt-out schemes in place even in this scenario. Smaller employers for the most part do not have the resources to prioritise implementation of workplace savings. And whilst many employers are actively looking to support their employees' financial wellbeing, there will always be some who do the minimum unless pushed to do otherwise. To ensure all UK employees are supported to save via the workplace, a stronger intervention is likely to be necessary.

As the UK already has a framework for automatic enrolment into workplace pension savings in place, there is an opportunity to piggyback on work that has already been done to establish this infrastructure. Every UK employer with one or more eligible employee is required to make contributions via payroll into a pension on their behalf if they don't opt out. Behind this sits an ecosystem of payroll providers and pension providers which could evolve to incorporate shorter-term savings, including via partnerships with regulated cash savings providers. This could mean that rather than an employer having to put in place a new provider relationship and system to offer short-term workplace savings, an 'off-the-shelf' solution could be offered by one of their existing providers.

Crucially, incorporating accessible saving into the same framework has additional potential benefits, beyond using the existing 'plumbing' for another purpose. It could help address some of the trade-offs that challenge the evolution of auto enrolment, and could therefore be a 'win-win' option.

Some people need to save more for retirement and this has led to calls for minimum auto enrolment contribution levels to be increased. But Nest Insight's work on retirement income adequacy[8] shows that for probably millions of others, saving more directly to a pension today is not realistic or likely to be of overall benefit, and building an emergency savings buffer right now is more of a priority. Only when greater short-term financial resilience is achieved will higher pension contributions be feasible or beneficial for these groups. Bringing shorter- and longer-term saving together in one framework could help manage these tensions.

This could mean creating permissive space for shorter-term saving contributions alongside pension contributions, and some flexibility to design around employee needs. For example, an employee who was financially constrained, perhaps below a certain income threshold, could opt to save the minimum employee contribution into shorter-term savings, while still receiving the employer contribution into their pension, rather than opting out. This flexibility could stimulate innovation by pensions and payroll providers, widening the market and options for employers.

Or it could mean mandating a shorter-term savings component to be part of auto enrolment, potentially with a rollover into pension saving once a target savings buffer amount was hit as in the sidecar design. This flexibility could make it more feasible and palatable to extend auto enrolment to more groups, and to raise contribution levels.

The second stage of the Government's Pension Review, which is to be focused on 'adequacy' and how to ensure people are saving the right amount for retirement, presents a good opportunity to consider what role integrating cash savings could play in supporting these goals.

8 Nest Insight (2024). How much is enough?

A possible roadmap for scaling payroll savings participation

Potential increase in employees saving:

1

Describing and recognising payroll savings as a category, providing support for opt-in schemes

- Would send a clear signal of government support for workplace payroll savings schemes which could help build employer and savings provider momentum.
- Would have some positive impact on the availability of workplace payroll savings schemes, but would likely only deliver the lower employee participation rates seen in active sign-up models.

Tens of thousands more

2

Making clear and certain regulatory space for the wider roll out of opt-out schemes

- Would create clear space for opt-out approaches to be adopted across new employee populations.
- Would see much higher employee participation rates where payroll savings is offered, in line with those seen in these trials.
- Would likely make it more commercially viable for more providers to develop opt-out solutions.
- Would likely encourage more employers to offer opt-out payroll saving, particularly larger employers. Could build momentum in some sectors.

Hundreds of thousands more

3

Incorporating short-term accessible saving into the evolution of pensions auto enrolment

- Could help address some of the trade-offs that challenge the evolution of auto enrolment.
- Could be permissive as a first step, moving to mandated for all employers over time.

Permissive

- Could create space for employers to divert part of auto enrolment contributions above current minimum levels made by employees to an emergency savings tool where appropriate to their employees.
- Could stimulate innovation by pensions and payroll providers, widening the market and options for employers.

Mandated

- Could lead to universal coverage, depending on policy design.
- Would extend the reach fully, including the half of employees who work for a smaller employer.

Millions more

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March 2025