# Getting Workforces Saving:

## Payroll Schemes with Credit Unions

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**Produced by:**

Gareth Evans and Mick McAteer, The Financial Inclusion Centre

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The Money and Pensions Service (MaPS) is the newly launched arm's-length body ensuring that people throughout the UK have guidance and access to the information they need to make effective financial decisions over their lifetime. MaPS is a What Works Centre, collaborating with other organisations to create, share and use high quality evidence for decision-making.

www.moneyandpensionsservice.org.uk

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The Financial Inclusion Centre (FIC) is an independent research and policy innovation think-tank dedicated to promoting financial inclusion and fair, efficient, competitive and accountable financial markets.

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Operating for over 30 years, Leeds Credit Union (LCU) is one of the leading community-based credit union with over 37,000 members, offering straightforward, affordable financial services.
www.leedscreditunion.co.uk

Leeds City Council (LCC) is one of the largest regional employers with over 14,500 staff (mostly employed in-house) and a recognised leading authority around the Low Pay Charter and workforce financial well-being.
www.leeds.gov.uk

NHS York provides a comprehensive range of acute hospital and specialist healthcare services across eight hospital sites with a workforce of approximately 9,000 staff working across its locations and in the community.
www.yorkhospitals.nhs.uk

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# Contents

# Executive summary

Low levels of financial resilience leaves households vulnerable to economic and financial shocks, and can have collateral effects on health and mental wellbeing, relationships, and workplace performance. Efforts to increase financial resilience, by building a cushion of accessible savings that can help protect against financial shocks, were already a priority before being further emphasised by the pandemic.

One of the main lessons from the pandemic is that millions of households went into the economic crisis financially unprepared. It was estimated that, in 2018, 10.7 million adults (21% of the population) rarely or never save, and 11.5 million (22%) have less than £100 in savings.[1]

In addition, research to date suggests that the economic impact is being felt most by lower income working-age households. The pandemic has placed even greater importance on the deployment of interventions that are effective at rebuilding household finances and guarding against future economic and financial shocks.

Increasingly, the workplace is seen as a prime arena for the delivery of financial services as well as financial guidance and support, offering an efficient opportunity to reach an accessible audience at scale. At the same time, the benefits of improving the financial wellbeing of staff are increasingly recognised by employers of all sizes. The theory being that workers with better financial wellbeing will have lower financial stress and anxiety and therefore be more effective and productive.

Although not a new concept, payroll deduction is growing in prominence as a mechanism for workers to access loans and put aside savings.

**How does automated payroll deduction with Credit Unions work?**

Payroll partnership with credit unions enable staff to consistently save on a regular basis and/or repay affordable loans via deductions that are made directly from their salary.

As part of the process of joining the credit union, the employee can opt to make deposits via payroll deduction and simply selects the amount they would like to deduct from their salary. These instructions are then provided to the designated HR department to be added to the payroll system and deducted at the next pay date – similar to other payroll deductions (such as pensions, union subscriptions).

After each pay run, the employer forwards the schedule of all deductions together with the remittance of the funds.

[1] Building the Financial Capability of UK Adults – Initial Findings from the 2018 Adult Financial Capability Survey' (Money and Pensions Service, 2018)

Credit unions (not-for-profit financial cooperatives) have been delivering such schemes with employers for decades. Yet, while the potential for this method to develop regular savings is clear, there is little evidence about its effectiveness at encouraging greater levels of savings and other positive financial behaviours.

This two-year research project, supported by the Money and Pensions Service (MaPS), aims to address this gap in knowledge by testing the impact of a payroll deduction scheme operated by Leeds Credit Union (LCU) and determining its effect on household savings and financial resilience. The research was delivered with two large employers, Leeds City Council (LCC) that has operated its payroll scheme for over 33 years for its 14,500 employees (35% of which are already members of the credit union) and York Teaching Hospital NHS Foundation Trust (NHS York) that has been running its payroll deduction scheme for 3 years for its 8,630 employees (1.5% of which are members of the credit union). The research conducted 2,997 surveys with workers from across both employers (of which 639 held savings accounts with LCU) together with in-depth interviews with 16 staff. The study also tested four different engagement methods over a 12-month period to identify the most successful and cost-effective approaches to attract new savers to join the credit union and set up a payroll deduction. In addition, the impact of regular savings messages on ongoing savings behaviour was then tested, with a sample of the 112 LCC staff that joined during the trial window and started saving by payroll.

## Theory of Change

The Theory of Change underpinning this project is that payroll savings schemes are an effective way of:

- Reaching large numbers of people, to encourage them to save;
- Encouraging positive saving attitudes, and regular and persistent savings behaviours; and as a result
- Building financial resilience - with an emphasis on lower-income workers[2].

The Theory of Change also posits that payroll savings schemes provide benefits for employers by mitigating the impact of financial-related stress and anxiety on employee wellbeing and therefore productivity. This is key to persuading employers to offer and support payroll savings schemes, and converting the theory into action.

> "By helping staff members save, I suppose it could have a knock-on effect to their daily job, and I mean obviously day-to-day stresses are going to impact on your working hours whether you like it or not."
>
> Case study 4

[2] Although the research was not limited to low to medium income workers, the project specifically sought to examine the potential benefits for this group.

## Key findings

### Profile of payroll savers:

**Credit Union members were found to have lower household incomes than the rest of the workforce.** The research found that the average incomes of new and existing members were generally lower than non-member employees. While 54% of members had a household income below £35,000, this figure was 42% amongst non-member workers.

### Payroll savings engagement and messaging:

**Offering a sign-up prize draw incentive was the most effective of the four tested campaigns at attracting staff to join the credit union and start saving**, when adjusted for the size of each workforce. Having an incentive resulted in 75% of new joiners opting to save via payroll deduction, the second highest proportion across the four campaigns. When surveyed, half of new LCC joiners point to this financial incentive being an important driver in their decision to start saving. It was also found to offer the best value for money, costing approximately £17 for every new saver that signed up for payroll deduction.

**Face-to-face promotion was the least successful in attracting new savers, and the most expensive in terms of customer acquisition.** From the 11 sessions delivered over the four-month period, just 17 staff joined and started saving. Unsurprisingly, this meant it offered the worst return on investment, costing £127 for every new saver that signed up for payroll deduction. Yet, despite the low numbers and the poor value for money, it was the most effective method at encouraging new joiners to choose to save via payroll deduction, with 82% adopting this over other methods.

"It's easy to say I can't afford it. But with it coming straight out of my pay then…. it changed me completely as I've realised that I actually can afford it."

Case study 3

"It's absolutely fantastic because as I say, I needed to save up, and normally I'd be dipping into it and I've not been doing that this time."

Case study 2

**Both utilising existing payroll savers to champion their benefits and campaigns that promote borrowing (with the requirement to save) proved comparatively successful at getting staff to start saving, and were cost-effective**.

**Monthly reminders and positive saving messages encouraged more persistent saving, and led to an overall increase in the amount being saved via payroll deduction.** On average, the group receiving monthly emails saved between £14 and £21 more per month, and the average value they saved increased by £6 per month, compared with the group that only received the credit union's standard communications.

## Saving behaviors and attitudes:

**Payroll deduction appears to be an effective mechanism for attracting non-savers, and converting them into regular savers.** Of 109 surveyed employees that joined LCU's payroll savings scheme during the trials, 59% stated that they had never or rarely saved before joining the credit union, and a further 18% saved some months but not others. Only 14% stated that they already saved regularly every month. Among new joiners, 89% went on to keep the same (68%), or increase (21%) the amount they saved every month since joining.

"I love Christmas, but I dread it because it's a struggle and get in even more debt. So, I thought if I could join a credit union and thought if I put something away every month. Because, it goes straight out of your wages."

Case study 5

**Being a member of the credit union makes employees much more likely to save regularly.** Two-thirds (66%) of employees who are members of the credit union said they saved every single month, compared to 52% of employees who are not members. The difference is even greater for those credit union members on the payroll deduction scheme with 70% reporting that they saved every month. Moreover, amongst longer standing members that had been with the credit union for more than 12 months, 72% stated that they saved every month.

**Encouragingly, saving via payroll also leads to higher levels of persistency** - with 67% of payroll scheme members stated that they saved roughly the same each month compared to 50% of non-payroll scheme members.

*"It's a really good feeling. Like its spurred me on.... I've recently just paid off my overdraft because I now like to see what I've got rather than seeing a negative. So, in that sense it's been really good for my financial wellbeing."*

Case study 3

**Payroll saving appears to help lower income employees.** In the £17,500 - £24,999 income band, 69% of payroll savings scheme members reported saving every month compared to 44% of employees who are not members of the credit union. 74% of payroll savings scheme members in this income band saved roughly the same every month, compared to 43% of their workmates not in the credit union.

### Impact on anxiety and wellbeing:

**Credit union members tend to report lower levels of financial satisfaction and higher anxiety and financial vulnerability. This is not surprising given that credit union members are usually on lower incomes -** 53% of staff who were not part of the credit union strongly agreed or agreed that thinking about their financial situation made them anxious, compared to 63% amongst members. Credit union members were also more likely than non-members to say that money worries had affected their health, family relationships, and work over the past year.

"I'd say I probably feel a bit more responsible and much more secure… coming up to Christmas now, and I'm not as stressed about it as I usually would be, so yeah it probably has had a good impact on my wellbeing, actually."

Case study 3

**Being part of the payroll deduction scheme – particularly length of membership – appears to mitigate this effect.** When asked to rate their satisfaction with overall financial circumstances, longer-standing payroll deduction scheme members rated this 5.4 out of 10 compared with 4.1 for more recent payroll scheme members. Similarly, 60% of those that have been payroll members for more than 12-months strongly agreed or agreed that thinking about their financial situation made them anxious compared to 74% of more recent members. Lower income workers in the payroll savings scheme were more satisfied with their financial situation and less anxious than workmates not in the credit union.

38% of credit union members said that, if they lost their main source of income, they could only cover living expenses and bills for less than a month without having to borrow money or ask for help from friends and family. This compares to 27% of employees who are not members. **Again, longer standing payroll scheme members appear to have greater financial resilience** – 55% of newer payroll scheme members said they could cover living expenses for just a month compared to 34% of longer standing scheme members. Lower income workers in the savings scheme were more likely to be financially resilient that workmates not in the credit union.

*"And knowing that I had a bit of money tucked away. You know that did give me peace of mind. And that is absolutely brilliant because actually, when I did need it, to send to my daughter, it was there."*

Case study 1

## Conclusions

This study has shown how the deduction of savings at source, and their automatic allocation to a separate account, is an appealing mechanism for saving – and that the ease of this functionality is an important factor for users.

The findings suggest strongly that membership of a payroll savings scheme is associated with positive savings behaviours, and positive attitudes to regular and persistent savings, especially amongst workers in the Money and Pensions Service's 'Squeezed' and 'Struggling' population segments. These are, in turn, important inputs when trying to build financial resilience.

While employees who are members of the credit union tend to have lower incomes compared to the rest of the workforce, and are more likely to report higher levels of financial anxiety, However, the research finds that membership of the payroll scheme helps mitigate that anxiety.

Interventions that help employees to build their financial resilience and reduce financial stresses should also provide benefits for employers themselves – in terms of the general wellbeing and productivity of their staff. With this in mind, it is hoped that this research helps to make the case, to employers and policymakers, about the benefits of expanding the take-up of payroll deduction schemes.

# 1. Scene setting

Encouraging people to develop a savings habit and build a financial buffer is an essential element of the drive to improve household finances. Seen as having a fundamental role in giving people control over their money and protecting against financial shocks, it is a core part of the Money and Pension Service's (MaPS) work to improve the UK's financial capability[3]. In particular, focusing these efforts on building the financial resilience of the estimated 24 million[4] of the UK population that can be categorised as either 'financially struggling' or 'financially squeezed'.

Yet, while encouraging savings is an important policy agenda, practically it is by no means easy. Increasing savings levels, especially amongst these two segments of society, where available funds are scarce can often be seen an impossible task.

So how do we get more people saving and saving more regularly?

The workplace is now seen as a prime arena for the delivery of financial services as well as financial guidance and support, offering the opportunity to reach an accessible audience at both scale and efficiency. At the same time, there is growing recognition of the benefits of improving the financial wellbeing of staff amongst both policy makers and employers of all sizes.

Using payroll as a mechanism for workers to put aside savings is not a new concept. Credit unions have been offering such facilities for decades with a large number of these not-for-profit mutuals specifically operating to just serve either individual employers or specific employment sectors. Yet, the potential to harness automated payroll deduction schemes to develop regular savings is only just being fully recognised. While the rationale is clear there is little research evidencing that this method of saving is either effective or beneficial for the staff member or the employer.

## 1.1 Evidence on levels of savings and financial resilience

Interventions such as payroll deduction schemes can take some time before they have an effect, and result in households building up sufficient savings to improve levels of financial resilience. It is worth setting the scene on levels of savings and financial resilience in the UK to illustrate the scale of the challenge ahead on increasing household saving and the need to identify effective interventions that can help build financial resilience.

[3] Money Advice Service (2018) - 'Building the financial capability of UK adults.'
[4] Money Advice Service (2016) - 'Market Segmentation: An Overview.'

Many households were already financially vulnerable and faced challenges building up a savings cushion and financial resilience. Yet, these challenges will be made even more difficult due to the impact Covid-19 has had (and will continue to have) on household finances.

One of the main lessons from Covid-19 is that many households went into the economic crisis in a very vulnerable financial state with few savings to cushion the impact of any financial shocks. It was estimated that, in 2018, 10.7 million adults (21% of the population) rarely or never save, and 11.5 million (22%) have less than £100 in savings.[5]

Other analysis suggests that those worst affected by the Covid-19 lockdown went into the crisis poorly prepared financially. A typical worker who was able to work from home had £4,700 in net financial wealth in 2016-18[6]. This was two and a half times more than the £1,900 held by the typical worker in a sector that has been shut-down as a result of Covid-19.

The impact of Covid-19 related economic and financial shocks is being felt most by financially vulnerable households. Recent data from the Bank of England shows the effect economic disruption has already had on households in Great Britain. Over 1 in 4 adults (28%) surveyed said the coronavirus had reduced their income, which increases to 66% among the self-employed.[7]

This project is particularly interested in savings. Interestingly, Covid-19 had a serious distorting effect on household savings. The savings ratio skyrocketed to over 29% in Q2 2020.[8] By comparison, over the past 30 years, the ratio averaged just under 9%, and around 8% over the past 10 and 20 years.

But this aggregate figure conceals a wide range of experiences. During the lockdown, one-third of low-income households have been saving less, while one-third of high-income households have been saving more.[9] Moreover, households with the least savings are most likely to have been saving less than usual.[10] Those on low-to-middle incomes are

[5] Building the Financial Capability of UK Adults – Initial Findings from the 2018 Adult Financial Capability Survey' (Money and Pensions Service, 2018)
[6] Adjusted for 2018-19 prices.
[7]https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/bulletins/coronavirusandthesocialimpactsongreatbritain/16april2020.
[8] https://www.theguardian.com/money/2020/dec/19/covid-crisis-finances-2020
[9] Fig 40 Rainy days | An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain.
[10] Ibid, Fig 41.

most likely to have increased their use of consumer debt in this crisis,[11] and there is a greater usage of higher cost subprime credit products amongst low-income households.[12]

Overall, the available research produced so far suggests that the economic and financial shocks created by Covid-19 have been greater on lower income working age household balance sheets (and therefore financial resilience). Levels of overindebtedness and arrears are likely to rise amongst households with no savings cushion, and who are already financially struggling. As well as putting an immediate strain on household finances, this could also hold back their ability to recover to a position of financial stability and a point when they can begin to save.

## 1.2 Extent of workplace payroll deduction schemes with credit unions

While workplace payroll deduction schemes are by no means a recent saving mechanism, they appear to be an underused one. According to the Association of British Credit Unions (ABCUL), there are approximately 200,000 employees in Great Britain that currently save and/or borrow by payroll deduction with their credit union.[13] To put this in context, this represents just over 15% of the 1.3 million adults currently members of credit unions in Great Britain (England, 871,329; Scotland, 371,729; and Wales, 70,003).[14]

Figures from the Find Your Credit Union site[15] would appear to indicate that there are least 850 employers in England, Wales and Scotland listed as having an existing payroll deduction schemes with credit unions. However, while this is likely to provide a significant underestimate - as many credit unions do not provide information on their payroll partnerships and rarely update their information so will likely be outdated – it does point to just how few employers have adopted this facility.

There is a wide diversity of employers, including by size of organisation (from those with a handful of workers to some of the largest workforces in the country with hundreds of thousands of employees). Employers come from across all sectors and types of employers, including; government departments (Ministry of Defence and Department for Work & Pensions), public sector bodies/agencies (NHS, Police and Fire Service), faith organisations (The Church of England), local government, housing associations and a range of private sector companies (such as British Airways, Boots, John Lewis and Royal Mail) who all have dedicated payroll schemes in place with individual credit unions.

[11] Ibid, Fig 42
[12] Ibid, Fig 43
[13] http://worknotworry.org/
[14] https://www.bankofengland.co.uk/statistics/credit-union/2020/2020-q2
[15] https://www.findyourcreditunion.co.uk

But, even though a wide range of employers already operate payroll deduction schemes, some with sizable workforces, it is worth noting that based on the above data, the average penetration levels would be under 235 staff per employer using payroll deduction with a credit union. Moreover, across the credit union sector, this would mean that only one in nine existing members are using payroll deduction to make deposits.

Yet, there does seem to be potential for significant expansion in the use of payroll deduction. According to research conducted in 2015 by the Chartered Institute of Payroll Professionals (CIPP), 55% of employees aged 16-65 would like their employer to offer saving and borrowing through payroll.[16] A more recent study in 2020, identified that 72% of employees surveyed would like their employers to offer a workplace savings scheme in addition to a pension.[17]

As demonstrated in the recent Nest Insight report,[18] the attraction of payroll deduction amongst the workforce is also mirrored by many employers, particularly those that already have an embedded benefits strategy in place that recognise its potential as a positive thing for their staff.

Yet, others are skeptical. It is also worth noting that a recent study undertaken in Scotland demonstrated how difficult it can be to persuade employers to take up payroll deduction schemes. The report concluded that '*some employers appeared to be overwhelmed by other payroll initiatives such as automatic enrolment in pensions'* [19] and that some employers *'could not see any direct benefit in payroll deduction and perceived that there would be costs involved in entering into such a scheme, particularly in terms of non-financial resource.'*[20]

Therefore, one the purpose of this research is also to help encourage employers to take up payroll deduction schemes by demonstrating its potential as an effective way of promoting savings and financial resilience amongst their workforces.

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[16] https://www.cipp.org.uk/financial-education/saving-through-payroll.html

[17] https://employeebenefits.co.uk/72-of-employees-want-access-to-a-workplace-savings-scheme/#_ftn1

[18] https://www.nestinsight.org.uk/wp-content/uploads/2020/12/Supporting-emergency-saving-early-learnings-from-the-employer-experience.pdf

[19] Community Credit Unions and Payroll Deduction A report on a field trial, Robert I Mochrie Kathryn Waite, Heriot Watt University, Chartered Institute of Payroll Professionals (CIPP), Ethical Finance Hub, Scottish Universities Insight Institute, page 10 .

[20] Ibid, page 11

# 2. Payroll saving research

This section introduces the two-year MaPS-funded Payroll Savings via Credit Unions research, introducing the Theory of Change and the research methodology.

The study seeks to address a significant gap in understanding and looks to evidence the business rationale and the benefits of providing access to credit union savings (and loans) via payroll deduction for workforces across the country. It should also help determine some of the more effective methods for maximising take-up, saving levels and retention.

## 2.1 Credit union delivery partner - Leeds Credit Union

The credit union delivery partner for this payroll saving study is Leeds Credit Union (LCU). Operating for over 30 years, it is the largest community-based credit union in the country with over 38,000 adult members. It offers a broad range of savings, loans and other ethical financial services that are available to anyone living/working in Leeds, Wakefield, Harrogate and Craven (as well as to the entire residents of a number of large national housing associations[21] or anyone working for its selected employers).

LCU already has an extensive network of 42 payroll partnerships with a range of local, regional and national employers and workforces ranging in size from under 100 to over 200,000 staff - including:

- Government departments (e.g. Ministry of Justice).
- Local authorities (e.g. Leeds, Wakefield, Harrogate and Craven Councils).
- NHS trusts and hospitals (e.g. NHS Leeds, NHS York, NHS Mid Yorkshire Trust).
- Universities, further education colleges and schools (e.g. Leeds University).
- Housing associations (e.g. Clarion Housing, Together Housing).
- Charities and third-sector organisations (e.g. Step Change Debt Charity, Joseph Rowntree Foundation).
- Private sector companies (e.g. BUPA, William Hill).

For a full list of payroll partnerships see
https://www.leedscreditunion.co.uk/savings/select-employers/

[21] See Leeds Credit Union website - https://www.leedscreditunion.co.uk/savings/housing-associations-and-partners/

## 2.2 Employer delivery partners – NHS York and Leeds City Council

Leeds City Council (LCC) and York Teaching Hospital NHS Foundation Trust (NHS York), two of LCU's existing 42 payroll partners with existing payroll deduction schemes already in operation were identified as suitable employers to participate on the project. Each were formally approached and agreed to participate on the research. They were assigned a participation theme to implement the 12-month engagement trials (see 'Payroll savings engagement and messaging' section).

| | | |
|---|---|---|
| **Employer:** | NHS York Teaching Hospital NHS Foundation Trust | Leeds City Council |
| **Organisation:** | NHS Foundation Trust | Local government |
| **Total number of staff:** | 8,630 employees | 14,500 employees |
| **Years operating payroll scheme:** | 3+ years | 33+ years |
| **Staff as LCU members (on 31/01/19):** | 125 (1.5% of workforce) | 5,666 (35% of workforce) |
| **Staff with LCU payroll deduction:** | 85 | 3,487 |

## 2.3 Theory of Change - why payroll deduction schemes.

The theory of change behind using payroll deduction is summarised as below:

1. Existing research finds that money worries contribute to personal and workplace anxieties.
2. Low levels of savings undermine financial resilience and heighten financial worries.
3. Building up a savings cushion, and being able to access affordable loans when needed, is an important feature of financial resilience.
4. But, a number of demand and supply side barriers exist to saving and financial resilience:
   a. People face a number of barriers to saving including lack of awareness of the benefits of saving, opportunities to save, and behavioural barriers such as inertia and weak propensity to save; and
   b. On the supply side, credit unions can face barriers reaching and providing services to individuals (the unit costs of marketing to, and administering savings and loans accounts for, households who can save and borrow relatively low amounts can be comparatively high). Furthermore, employers also need to see the benefit of and be willing to offer payroll deduction schemes to their workforce.
5. The theory is that payroll deduction savings can address those barriers by making it easier for employers and credit unions to engage with people, overcomes behavioural barriers to savings, and ultimately helps employees build financial resilience.

**Theory of Change**

The research team have used template measures, outcomes and goals in the MaPS Evaluation Toolkit[22] during the design of the Theory of Change to outline the activities that will be run during the research project and the changes in individuals' financial attitudes, behaviours and well-being that expect to occur as a result.

If the Theory of Change which underpins the research holds true, saving via payroll deduction with the credit union should lead to individuals with greater financial resilience that can better withstand financial shocks and are less likely to experience money worries. Ultimately this will reduce the likelihood that these money worries will have a detrimental impact on their work.

**Problem Statement**

**People are vulnerable to financial shocks, experience financial anxiety. The project is specifically interested in working people who are feeling squeezed by financial circumstances.**

**Action**

Enrolment and participation in CU payroll deduction scheme. The assumption is that automatic payroll deduction will overcome inertia barriers to saving. Additionally, payroll deduction should have benefits for the CU by reducing admin unit costs.

**Short-term Outcomes**

- People attribute greater value to saving for expected and unexpected events.

- People start to save/ increase levels of savings.

- People develop short to medium term financial goals.

**Long-term Outcomes**

- People set and monitor financial goals, become more financial engaged compared to pre intervention.
- People become more confident and capable when planning and making financial decisions compared to pre intervention.

- People increase the amount they save on a regular basis compared to pre intervention.
- People use savings for purposes intended.

**Ultimate Goals**

**People build financial resilience, have greater ability to withstand financial shocks, experience reduced financial anxieties**

**People build longer term financial security, improve their overall financial position, and further life goals. Better employee/ employer relationships**

[22] https://www.fincap.org.uk/en/articles/evaluation-toolkit

**Workforce financial wellbeing and anxiety**

In 2018/ 19, the equivalent of 12.7 million working days were lost due to stress, depression or anxiety – 54% of the total of 23.5 million working days lost.[23] Although financial concerns are not the only cause of such problems, research suggests that there is a clear connection, with financial stress contributing to higher absenteeism, lower productivity, and reduced cognitive performance. In other words, money worries not only affect individuals but can have a detrimental impact on employers and the wider economy.

Analysis by the Social Market Foundation (SMF) concluded that low levels of financial resilience is a significant cause of stress across the UK workforce[24]. The SMF found that one in 12 workers are finding things financially difficult, while nearly one quarter said they were just about managing. Moreover, 40% of workers said that money worries had made them feel stressed over the previous year; 25% said they had lost sleep over money worries; 13% said that money worries had affected their ability to concentrate at work, while 6% said they had actually missed work due to money worries. According to the Association of British Credit Unions (ABCUL), 59% of those with money worries say they are not working at their best.[25] Other research has found that one in four people (25%) report that money worries have affected their ability to do their jobs.[26]

Furthermore, a vicious cycle can develop with financial worries affecting an individual's level of financial capability[27], which can undermine the ability of people to make effective financial decisions. This can contribute to financial problems and anxiety, which can affect work performance and potentially earnings, which can in turn exacerbate financial anxiety and so on.[28] Debt worries are a particular problem. People with problem debt are significantly more likely to experience a mental health problem, while people with mental health problems are more likely to be in problem debt.[29]

Many employers seem to be well aware of the problems caused by financial stress and the need to address financial well-being amongst their workforces. A recent survey of over 1,000 employers found 22% noted productivity was reduced due to money-related stress.[30]

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[23] https://www.hse.gov.uk/statistics/dayslost.htm Table 3: Estimated days lost (full-day equivalent) and average days lost per (full-time equivalent) worker due to self-reported illness caused or made worse by work, by type of illness, for people working in the last 12 months Great Britain

[24] http://www.smf.co.uk/publications/working-well-how-employers-can-improve-the-wellbeing-and-productivity-of-their-workforce/

[25] See: http://worknotworry.org/

[26] CIPD, Close Brothers, Financial well-being: the employee view, Survey report January 2017, page7.

[27] https://www.moneyandmentalhealth.org/fincap/

[28] See https://www.moneyandmentalhealth.org/sickpay/

[29] https://www.moneyandmentalhealth.org/money-and-mental-health-facts/

[30] https://www.peoplemanagement.co.uk/news/articles/most-employees-affected-money-worries-at-work

**Building financial resilience through payroll saving**
According to the MAPS Financial Capability model, increasing levels of savings enhances financial resilience. The rationale is that people have resources available to withstand the types of financial shock that can tip them into financial difficulty – and therefore forestall financial stress.

In order to promote greater levels of savings, a number of conditions must be met:
- People must have sufficient disposable income to save (outside the scope of this project).
- People should be aware of the benefits of saving.
- People should have the propensity to save and maintain savings.
- People should have the opportunities to save.

In theory, payroll deduction schemes could be a very effective way of encouraging people to save and then maintain that savings habit. Payroll deduction schemes offer the opportunity to directly engage with a defined audience to raise awareness of and to encourage them to save.

Employers have direct relationships with their employees. In theory, this should have two benefits. Firstly, the relationship creates points of engagement with the target groups which should make it easier to promote the benefits of saving, and encourage regular savings. Secondly, as explained below, there is the potential for economies of scale for credit unions.

Moreover, payroll deduction draws on some of the same principles that underpin the introduction of automatic enrolment in pensions. Namely, overcoming the behavioural barriers that create inertia and prevent people from saving enough, which include:
- Disengagement with savings/pensions.
- Confidence and trust in the financial services industry and their own ability to make decisions.
- Present-centred thinking.
- Difficulty involved in deferring gratification and saving for the future[31].

Automatic enrolment was designed to eliminate some of those behavioural barriers and bring savings/pensions to the individual. Of course, automatic enrolment goes an important step further than payroll deduction in that employees are automatically enrolled and have to then opt out of their pension scheme. With payroll deduction, employees still have to be made aware and persuaded to sign up, which presents a substantial obstacle to participation.

[31] Thomas, A, Jones, J, Davies, S, and Chilvers, D (2009) - 'Individuals' attitudes and behaviours around planning and saving for later life Findings from qualitative and quantitative research' Department for Work and Pensions (Working Paper No 72)

Nevertheless, the theory is that once over that initial barrier, payroll deduction schemes should be an extremely effective way of encouraging regular savings. Firstly, once deductions are established, participants don't have to make a conscious, active decision to save regularly; money is simply deducted from their wage and transferred into their credit union saving account(s). Secondly, as the saving deductions are taken prior to the net wage amount paid to the staff member, participants tend not to 'miss' the savings contribution and will budget for the actual amount received each pay day. Finally, there is a degree of 'friction' to amending payroll mandates with the credit union thus the amount saved each month tends to be relatively stable.

On the other hand, payroll schemes can also have significant delivery advantages for providers. Firstly, it allows a large pool of potential customers to be accessed and efficiently promoted to, thus giving more people the opportunity to save. Depending on the size of the workforce, payroll deduction can also help reduce the unit costs of maintaining large numbers of members' savings accounts as these are concentrated in one place. This provides economies of scale and reduces unit costs for credit unions. So, it should help address some of the supply side barriers identified in the Theory of Change above.

## 2.4 Research objectives

If the Theory of Change which underpins the research holds true, saving via payroll deduction with the credit union should contribute to employees developing greater financial resilience that can better withstand financial shocks and are less likely to experience money worries. Ultimately this will reduce the likelihood that these money worries will have a detrimental impact on their work.

Therefore, this structure of the research was designed to address three core objectives:

- Understanding how best to encourage employees to participate, and remain, in automated payroll deduction schemes.
- Testing how effective automated payroll deductions into a savings account are in helping employees build and retain a savings buffer to guard against income shocks.
- Determining if payroll saving within the workplace leads to improvements in financial wellbeing and broader health and wellbeing of employees and productivity gains for employers.

## 2.5 Outcomes and indicators

To test the theory that payroll deduction is effective at encouraging positive savings behaviours and attitudes, the research adopted template measures, outcomes and goals from the MAPS Evaluation Toolkit[32]. This allowed us to determine appropriate metrics to

[32] https://www.fincap.org.uk/en/articles/evaluation-toolkit

measure whether payroll deduction had an impact on financial attitudes, behaviours, and well-being.

The table below sets out in some detail:

- The goals and outcomes the intervention was intended to achieve according to the theory of change;
- The key indicators selected to measure whether these goals and outcomes were delivered; and
- The data and methods used to measure the indicators

**Table 1: TOC outcomes and indicators**

| TOC Outcome | Key Indicator(s) | Data Collection |
|---|---|---|
| **Ultimate Goals:** | | |
| **Participants build financial resilience, have greater ability to withstand financial shocks** | Participants regularly save and build up sufficient savings to ensure resilience against financial shocks | • Behavioural and attitudinal survey questions<br>• Responses to questions on levels of savings |
| **Participants more confident, capable; build longer term financial security; experience reduced financial anxieties. Better employee/ employer relationships** | Employees and employers develop better relationships.<br>Increase in financial confidence and experience reduction in financial anxiety. | • Behavioural and attitudinal survey questions<br>• Responses to questions on levels of savings and overdindebtedness<br>• Responses to questions on financial confidence / capability<br>• Qualitative interviews |
| **Longer-term Outcomes:** | | |
| **Participants increase the amount they save on a regular basis.** | Number and % of employees from participating employer(s) signed up and remaining on payroll deduction schemes<br>Level of savings<br>Persistency of savings | • Behavioural and attitudinal survey questions<br>• Responses to questions on regular savings habits |
| **Participants set and monitor financial goals, become more engaged with their finances, better at managing money** | Number of participants who:<br>• Set financial goals,<br>• Actively monitor financial goals,<br>• Feel more engaged with finances, and<br>• Demonstrate improved understanding of financial matters. | • Behavioural and attitudinal survey questions.<br>• Responses to questions on setting and monitoring goals, attitudes to and engagement with finances.<br>• Responses to test questions on financial confidence / capability. |

| Short–term Outcomes | | |
|---|---|---|
| **Participants attribute greater value to saving for expected / unexpected events.** | An increase in the number of participants who recognise the value of savings, who intend to save. | • Behavioural and attitudinal survey questions. |
| **Participants develop short to medium term financial goals.** | An increase in the number of participants who have developed financial goals. | • Behavioural and attitudinal survey questions. |
| **Participants start to save/ increase levels of savings.** | An increase in the number of participants who start to save or increase existing savings | • Behavioural and attitudinal survey questions<br>• Responses to questions on savings habits. |

## 2.6 Methodology overview

The research team has designed a broad evaluation framework that combines quantitative and qualitative approaches conducted at various points throughout the lifetime of the evaluation study.

**Quantitative surveying:**

Two extensive financial wellbeing surveys were conducted across the entire workforces of Leeds City Council and NHS York staff at the outset of the research and then again at the end of the 12 months test and learn trial. The survey questions were designed to allow self-reported responses on behaviours, confidence levels, and attitudes to be compared between groups of employees who were:

- credit union members and non-members;
- credit union members in the payroll deduction scheme and non-payroll scheme members; and
- recent joiners (during the 12-month test and learn trial) and long-standing members of the payroll deduction scheme.

- **Workforce survey 1 –** conducted at the outset of the research (between 07 February and 28 March 2019).

  Leeds City Council:
  Surveys conducted: 1,091 employees (7.5% of workforce).

  NHS York:
  Surveys conducted: 591 employees (6.8% of workforce).

  The results of the first workforce survey can be found in the Getting Workforces - Scene Setting Report published in October 2019.[33]

- **Workforce survey 2** – conducted at the end of the 12-month period (between 17 February and 31 March 2020).

  Leeds City Council:
  Surveys conducted: 2,912 employees (20.1% of workforce).

  NHS York:
  Survey conducted: 519 (6.0% of workforce).

[33] http://inclusioncentre.co.uk/wordpress29/wp-content/uploads/2019/10/Getting-Workforces-Saving-Payroll-Deduction-Schemes-with-Credit-Unions-Full-Report-FINAL-October.pdf

The surveys were hosted electronically on SurveyMonkey and were widely advertised during the surveying period by each employer across their workforces using various internal communication channels including email distribution, intranet promotion, social media posts and staff meetings. The surveys were also sent by LCU to all members recorded as being employed by either NHS York or LCC. The aim was to promote the survey broadly across the two workforces to maximise completion by as many staff of the two employers as possible.

To help attract attention and encourage completion, a prize draw incentive of £100 shopping voucher for Workforce Survey 1 and £150 shopping voucher for Workforce Survey 2 was offered for each employer. The winners were selected at random by the research team from those respondents that wished to be entered and who had provided their contact details specifically for this purpose.

Following the completion deadlines, the responses were then analysed on Excel. Whenever we draw a conclusion from the survey data, we do this only when results are significant at $p < .05$ (chisq). Results are excluded from the main report where the sample size is under 50. Due to rounding, totals may not always add up to 100%.

**Qualitative in-depth interviews:**

**Interviews with selected staff**

As part of Workforce Survey 2, all respondents were asked whether they would be willing to take part in a follow-up telephone interview with a £15 shopping voucher offered as an incentive to take part.

From amongst those willing to be involved, the research team conducted interviews with 16 staff from across the two employers to:

- gauge in more depth the reason behind different financial choices and behaviour identified during the survey; and
- gain a better understanding of the key questions around how to encourage staff to participate, and remain, in payroll deduction schemes and whether they help employees to build and retain a savings buffer to guard against income shocks.

Three cohorts were identified that the interviews will be used to delve deeper - which are:

- **Cohort 1:** New LCU members saving via payroll - that have joined during the project as part of the different engagement approaches (including those that previously rarely saved).

  Insight objective: Better understand the motivation and experience of joining, previous saving habits and starting/continuing to save by payroll deduction and impact on saving goals / habits.

- **Cohort 2:** LCU members – that have chosen not to save by payroll (choosing to save via another mechanism such as Standing Order or Direct Debit).

  Insight objective: Better understand the motivation and experience of joining and starting/continuing to save – specifically why they chose not to save via payroll deduction and impact on saving goals/habits.

- **Cohort 3:** Non-LCU member - choosing not to save via payroll for various reasons.

  Insight objective: Better understand the key rationale for not engaging in payroll deduction / credit union to save.

The research team conducted telephone interviews, following a structured set of questions, specific to each of the three different cohorts.

Each interview was written up with the names either removed or changed. Quotes from the interviews and a set of case studies have been used throughout the report.

**Employer representatives**

Following the completion of the 12-month test and learn trials, two separate interviews were undertaken with the main staff representatives that had been involved in delivering the project from the two selected employers.

The interviews were used to help understand their experience of delivering a payroll deduction scheme within their organisation, provide feedback on being part of the research study and explore what potential benefits are realised for staff and the employers themselves. The insights gained from these discussions have been used throughout the report and to inform the proposals for consideration.

**LCU representatives**

Consultation was also undertaken with the key credit union delivery staff to obtain their views of being part of the study, the effectiveness of the various promotional approaches tested and subsequent outcomes achieved during the research. Again, the insights gained from these discussions have been used throughout the report and within the proposals for consideration.

**Limitations**

**Sample profile -** One issue in surveying the entire workforce is that there are challenges in obtaining a representative sample with some staff being more difficult to reach and therefore less likely to have taken part in the survey. As this survey was conducted electronically, those staff that don't have regular access to a computer as part of their role were more difficult to reach and therefore less likely to take part. These 'offline' workers tend to be in more manual, lower paid roles. At the outset, both employers recognised that this group are more difficult to communicate with and therefore efforts were made to promote the survey to this group such as including a message within physical payslips and using staff social media channels. Despite these efforts, it is likely that this group would still be underrepresented.

**Sample size -** While the sample size from across the two surveys are relatively high as a proportion of the total workforces – when it gets to some of the subcategories (such as staff that are credit union members but have chosen not to save via payroll) then the number become much smaller. The research team have excluded results for subcategories where the sample size is under 50 respondents.

**Research topic -** Money and especially problems relating to people's finances is highly sensitive matter that many do not feel comfortable discussing or if they do, might not always provide an accurate picture.

The research relied on the two employers to distribute the quantitative surveys as it was the only practical mechanism of gaining sufficiently large sample size form such large workforces. However, despite reassurances that the research was being conducted independently and about strict confidentiality and anonymity, it is likely that some staff may still perceive that that their answers would be seen by their employer. As a result, this presents a number of limitations. Firstly, those struggling with their finances might be less likely to participate in the study in the first place. And secondly, some respondents may not provide accurate answers or downplay the extent of their problems.

**Data collection / measuring** – An important aspect of the research has been measuring of the effectiveness of the four different engagement campaigns. This has been achieved by tracking both the number of dedicated page hits and the number of staff joining the credit union from each employer relating to the timing of the campaigns. There are a number of inherent limitations to this approach.

Firstly, the promotion of the credit union and the payroll scheme is completely controlled by the employer. Therefore, the effectiveness of any engagement campaign is also down to how well it is communicated across the workforce by the employers. While the development of action plans with each employer attempted to standardise, agree and track the promotional activity that was implemented, these will differ between both the different campaigns and the two employers. This creates limitation in comparing engagement levels between the two employers and to a lesser extent, between campaigns implemented within the same employer.

Secondly, the approach assumes that the influence of each campaign is standalone and does not recognise that promotional activity may well have a cumulative effect on the decision to join. In reality, it is not so definitive. So, for example, staff member may have seen promotional content for an earlier engagement campaign but it is the collective effect of all the various communication that is important to them joining.

Thirdly, there was no practical method of establishing a control sample within the same employer. Instead, the new membership take-up from the previous year have been used to help compare and assign the measured uplift in new joiners to the relevant interventions.

Finally, there might also be a lag-time between the promotional campaign taking place and the actual point at which the staff member joins the credit union to start saving. This runs the risk of incorrectly attributing the causal affect to a later campaign. So, for example, staff at NHS York may have attended one of the ‘Snack and Save’ sessions and decided to join but did not get around to joining until the subsequent ‘Social Norm’ campaign. To help minimise this, a two week ‘firebreak’ was implemented between campaigns.

**Timing of study** - There are two potential limitations to the timing of the study. Firstly, the second of the workforce surveys was conducted between February and March 2020 following the completion of the 12-month test and learn trials. This means that some questions related to decisions and events that for some might have taken place up to a year ago. For example, questions recalling promotional campaigns and the influence on their decision to join and start to save. Therefore, this could affect respondent’s ability to accurately recall timings and decisions made and attribute it to behaviours.

Secondly, and fortuitously for the research, the 12-month trial concluded on 31st January and the subsequent second survey managed to be completed on 31st March. While, this was well before the seriousness of Covid-19 and the full scale of the social and economic consequences was fully realised, the results could have been marginally affected by changing sentiment and growing concerns. In particular, NHS York staff would have been acutely aware of the impact of the pandemic at an earlier stage than the rest of the public. This was identified during discussions with NHS York representatives as a potential factor that resulted in the lower numbers of staff completing the second survey compared to the first.

With the timing of Covid-19, the decision was taken to delay conducting the qualitative interviews for six months. While this further prolonged the length of time since the interventions, it has provided sufficient time for initial financial impacts of the pandemic on staff to materialise.

# 3. Payroll savings engagement and messaging

**Key findings:**

- Offering a prize draw incentive was the most effective of the four tested engagement campaigns at attracting staff to save, when adjusted for the size of each workforce. Having the sign-up incentive resulted in 75% of new joiners selecting to save via payroll deduction, the second highest proportion across the four campaign trials. When these new joiners were surveyed, half responded that this incentive had been an important factor in their decision to join and start saving. It was also found to offer the best value for money, costing approximately £17 for every new saver that signed up for payroll deduction.
- Conversely, face-to-face promotion was the least successful in attracting new savers with only 17 staff starting to save over the four-month period. Unsurprisingly, it was by far the most expensive in terms of customer acquisition, costing £127 for every new saver that signed up for payroll deduction. Yet, despite the low numbers and the poor return on investment, it was the most effective method at encouraging new joiners to select to save via payroll, with 82% adopting this over other methods.
- Campaigns that utilise existing payroll savers to champion its benefits and those that promote borrowing (with the requirement to save) also proved comparatively successful at getting staff to start saving and were cost-effective. However, the Save as You Borrow campaign resulted in by far the lowest proportion opting to setup a payroll deduction, with just 46% choosing this mechanism.
- Sending monthly reminders and positive saving messages seems to have encouraged more persistent saving and led to an overall increase in the amount being saved by payroll amongst those that received such communications.

This section outlines the 12-month test and learn trials implemented with the workforces at Leeds City Council (LCC) and NHS York. It details the results of the four different engagement approaches tested together with cost-benefit analysis as well as the saver messaging and retention trial operated with new joiners from LCC.

## 3.1 Saver engagement trial

To help identify how best to encourage employees to participate, and remain, in automated payroll deduction schemes, 12-month ‘test and learn’ trials were undertaken with both Leeds City Council (LCC) and York Teaching Hospital NHS Foundation Trust (NHS York), two of LCU’s existing 42 payroll partners.

Working with MaPS and LCU colleagues, the FIC research team designed two specific 'participation' themes that might encourage staff participation in the workforce payroll saving scheme. Each theme governed the range of test and learn activities that were delivered during the 12-month period, beyond LCU's core promotional offer.[34]

Tailored action plans were developed with each employer that set out the agreed communications and promotional activities that would be executed over the specified period. As part of the project, new employer landing pages for both LCC and NHS York were created on the LCU website. These two landing pages allowed different tailored messages and information to be presented and updated relating to the specific campaign activity being promoted (such as the 'Sign Up Incentive' at LCC or the three different campaigns at NHS York). It also acted as the 'gateway' point for all interested staff to complete their membership application to open a savings account with the credit union. The landing page URLs were used on all communications undertaken by each employer. Therefore, this allowed the tracking of the number of visits to each employer's dedicated landing page and the attributing of membership take-up levels resulting from the different communication activity.

**Participation theme: Person-centred promotion**

NHS
York Teaching Hospital
NHS Foundation Trust

**Employer:** York Teaching Hospital NHS Foundation Trust

**Theme summary:** Testing the impact that person-centred promotional activity, focused on staff engaging fellow colleagues (above the Leeds Credit Union core marketing offer), has on membership take-up and use / persistency of saving via payroll deduction.

**Number of staff:** 8,630 employees

**Eligibility:** All NHS York employees who have their wages paid via payroll.

**Table 2: NHS York campaign delivery timetable**

| 'Snack & Save' period | | | | 'Social Norm' period | | | | 'SAYB' period | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb19 | Mar19 | Apr19 | May19 | Jun19 | Jul19 | Aug19 | Sep19 | Oct19 | Nov19 | Dec19 | Jan20 |

[34] See Leeds Credit Union website https://www.leedscreditunion.co.uk/payroll-services/

**Activity summary:**

**1. ‘Snacks & savings’ campaign**

This 4-month programme of 11x short, ‘pop-up’ sessions was delivered across the five main NHS York hospital sites[35] to different employee groups, promoting LCU and the payroll scheme and providing direct sign-up opportunities on the day (‘a call to action’).

The face-to-face sessions were delivered by LCU staff over the lunch-time period (11am – 1pm), providing NHS York staff with an informal ‘drop-in’ opportunity to eat some snacks and find out more about the credit union’s payroll offer and ask questions. Ongoing weekly internal communications via staff Facebook and staff newsletters as well as posters across the site helped advertise the sessions amongst the workforces.

Example of NHS York 'Snack & Saving' promotion.

**2. ‘Social norm’ campaign**

This involved the implementation of a 4-month promotional campaign that looked to encourage payroll saving as an acceptable ‘social norm’ amongst staff colleagues.
The campaign identified six NHS York staff ‘champions’ that were already saving via payroll with LCU and developed each into individual case studies with personal testimonials in order to influence and recommend to other colleagues.

A coordinated programme of promotional activity was implemented that alternated different case studies each week and used positive messaging taken from the first NHS York workforce survey to promote the payroll scheme.

Examples of NHS York Staff Champion Campaign

[35] York Hospital (3 sessions), Scarborough Hospital (3 sessions), Bridlington Hospital (3 sessions), Selby Hospital (1 session) and Malton Hospital (1 session).

### 3. ‘Save as you Borrow’ campaign

Finally, the trial implemented a 4-month SAYB campaign to test the effectiveness of developing savings habits by encouraging staff that wanted to borrow to also allocate a small amount to a savings account.[36]

Again, a weekly programme of promotional activity was undertaken, marketing affordable borrowing in the run up to Christmas alongside positive saving messages embedded within this. It utilised the hook of affordable lending to engage interest in saving opportunities.

Communications included positive statements about saving such as *‘Recent research by the Fairbanking Foundation highlights that saving whilst borrowing can help kickstart a regular savings habit and build financial resilience.’*


Example of SAYB promotional material

**Participation theme: Prize draw incentives**

**Employer:** Leeds City Council (LCC)

**Theme summary:** Testing the impact that incentives (in the form of prize draws) have on membership take-up and use and persistency of saving.

**Number of staff:** 14,500 employees

**Eligibility:** All LCC employees who have their wages paid via payroll.

**Table 3: LCC prize draw delivery timetable**

| ‘Sign-up to Save’ period | | | | ‘Continue to Save’ period | | | | | | ‘Retention’ period | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb19 | Mar19 | Apr19 | May19 | Jun19 | Jul19 | Aug19 | Sep19 | Oct19 | Nov19 | Dec19 | Jan20 |

[36] Fairbanking Foundation (2017) - ‘Save as you borrow – credit unions creating good habits.’

**Activity summary:**

**1. 'Sign-up to Save' incentive**

Launched and promoted over a 4-month period, the first incentive campaign aimed to encourage staff to join the credit union and set-up monthly payroll saving by offering an initial £1,000 prize draw incentive. It was open to all staff who signed-up between February and May 2019 and were saving at least £20 per month via payroll deduction at the June pay run.


Example of 'sign-up to save' promotional material

The promotional activity focused on raising awareness of the prize draw between February and May using various internal communication channels, including staff intranet 'InSite', staff newsletter, pay slip adverts (electronic, plus 5,000 hard copies) and staff Facebook pages.

Following the June payroll, all eligible LCC staff were identified by LCU and a winner was selected at random, with the £1000 prize deposited into the winner's credit union account.

**2. 'Continue to Save' incentive**

A second prize draw incentive then sought to encourage staff to retain their saving habit over the subsequent six-month period by offering 4 individual £500 prizes. This was open to all staff who continued to save a minimum of £20 per month for six consecutive months.

During June, those new members that had joined as part of the Sign-up to Save campaign and had started saving, were randomly divided by LCU into two groups:

Group 1: Status quo (inertia) – this group received no specific contact (beyond any standard communications that all LCU members receive).

Group 2: Positive reinforcement – this group received regular monthly emails over the 5-month period to encourage continued, and possibly increased, saving. These focused on the use of positive (social norm) messaging to reinforce saving behaviour and provide a reminder of the second prize draw.

After the November payroll, all the eligible savers that had maintained their monthly saving over the six months were identified by the credit union and four winners were selected at random. These were contacted and the £500 prize deposited into their credit union account.


October email sent to Group 2

### 3.1.1. Engagement trial results

The research team has taken the results from operating the four sign-up campaigns used across LCC and NHS York and summarised the key findings in the table below. It provides an indication of which interventions might be more successful in stimulating interest amongst workforces and converting this into actual new savers with the credit union.

As table 4 below shows, when standardised for the size of workforce to help compare across the two employers, **the 'Sign-up to Save' incentive appears to be the most successful of all four tested engagement campaigns.** On average each month, it attracted 1 in every 518 employees to become a new LCU member, compared to 1 in every 884 employees during the previous 12 months. It was also better than the three interventions tested within NHS York, which ranged between 1 in every 933 employees (SAYB campaign), 1 in every 1,190 employees (Social Norm campaign) and just 1 in every 2,031 employees (Snack & Save campaign).

**Table 4: Summary results across the four different campaigns.**

| | Leeds City Council | | | | NHS York Teaching Hospital NHS Foundation Trust | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Previous 12 months | **Prize draw Incentive** (4 months) | **Non-Incentive** (8 months) | **Total** (during 12-month trial period) | Previous 12 months | **Snacks & Saving** (4 Months) | **Social norm** (4 Months) | **Save as you Borrow** (4 months) | **Total** (during 12-month trial period) |
| Total number of new members (NM) | 197 | **112** | 110 | **222** | 29 | 17 | 29 | 37 | **83** |
| Average number of monthly NM | 16.4 | **28.0** | 13.8 | **18.5** | 2.4 | 4.3 | 7.3 | 9.3 | **6.9** |
| % Change (compared to previous 12 months) | - | **71%** | -16% | **12.8%** | - | 77% | 202% | 285% | **188%** |
| Ratio (average monthly NM / total workforce)[37] | 1:884 | **1:518** | 1:1055 | **1:784** | 1:3596 | 1:2031 | 1:1190 | 1:933 | **1:1251** |
| Proportion saving via payroll | 61% | **75%** | 49% | **62%** | 52% | 82% | 69% | 46% | **61%** |
| Average weekly LCU landing page hits | - | **38.5** | 1.6 | | - | 3.2 | 32.3 | 33.5 | **26.3** |

[37] By standardising the number of new members compared to the size of the workforce, it enables a degree of comparison of the effectiveness of the different engagement campaigns across the two employers.

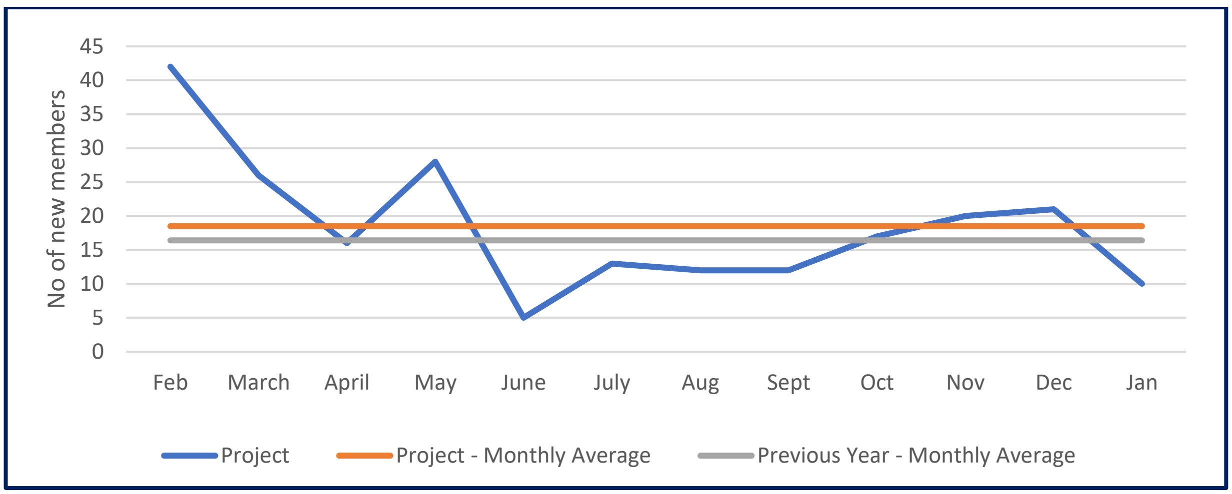
**Leeds City Council - 'Sign-up to Save' incentive**

Looking at the results within LCC, the 'Sign-up to Save' incentive directed an average of 38.5 weekly visits to the LCC dedicated landing page, when this incentive was withdrawn this dropped to just an average of 1.6 hits each week. This engagement intervention resulted in 112 staff becoming members over the four-month trial period. This equates to 28 LCC staff joining the credit union each month, a 71% increase on the average number of monthly joiners over the previous 12 months.

When the new membership incentive ceased in May, a further 110 LCC staff, equivalent to an average of 13.75 each month joined during the remaining eight months of the year, providing a total annual figure of 222 (18.5 per month). This compares to a total of 197 LCC staff who became members of the credit union across the entire previous year (or a monthly average of 16.4 new joiners).

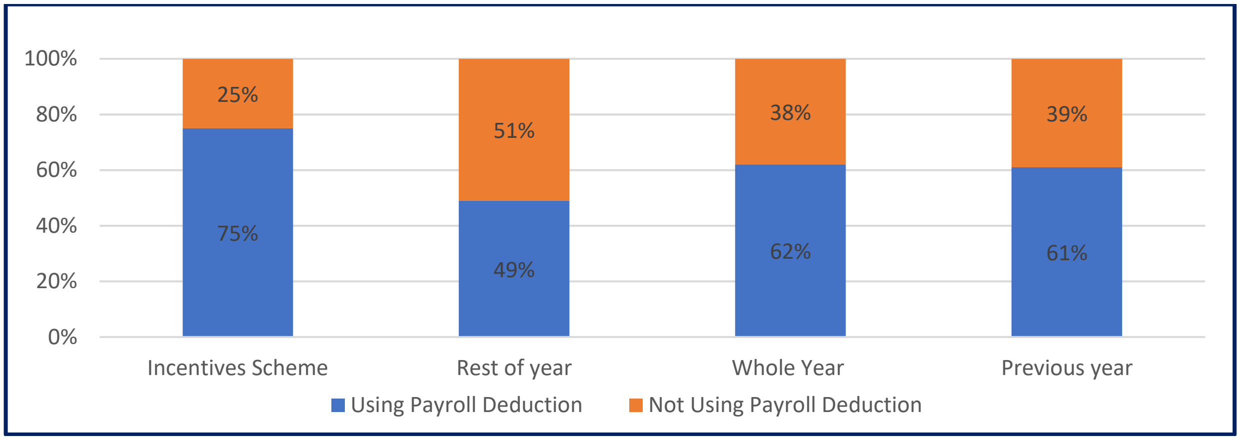
As Chart 1 shows, the launch of the initiative resulted in a spike of 42 new joiners in the first month it was advertised, which then fell over the next two months, before jumping to 28 in May prior to the prize draw deadline date. Yet, the month after the incentive finished, only 5 staff became members of the credit union and it took another five months before the monthly new membership level was above the annual average in the previous year.

**Chart 1: LCC total monthly new joiners (comparison between the 12-month trial and previous 12-month averages)**




Encouragingly, as chart 2 shows, the requirement for prize draw eligibility of LCC staff saving via their salary rather than other options such as standing order or Direct Debit appears to have been successful. This engagement method resulted in 75% of new joiners selecting to save via payroll deduction, the second highest proportion across the four campaign trials. This is much higher than the 49% during the remaining 8 months of the LCC trial and the 61% choosing payroll deduction during the previous 12 months.

**Chart 2: LCC proportion of new members using payroll deduction vs new members not using payroll deduction**




Yet, data from the second LCC workforce survey points to just 10% of all respondents from across the entire council workforce being aware of the prize draw campaign. This figure does rise to 25% across all new joiners during the 12 months of the trial and increases further to 53% specifically amongst those new joiners who stated they became a member between February and May (the period when the campaign ran). Amongst the 22 respondents who were new joiners and stated they were aware of the prize draw, half thought it was either an extremely important (18%), very important (23%) or somewhat important (9%) part of their decision to start saving.

*"It definitely made me think about it. Yeah, I might have stopped to look around other places if that hadn't been included, but with that being included I thought I might as well just go for it now and have the chance you know."* **(LCC employee)**

For other staff that were interviewed it was a much less important factor: *"I was thinking about doing it anyway. Whatever it was.... I don't remember it being linked to a prize draw; it might well have been but that wouldn't have been the driver. It was just the fact that it was there and I've seen.... And, and I was going to do anyway."* **(LCC employee)**

## Case study 1 – Lorraine*, Leeds City Council:
### *"I think its brilliant. I think for peace of mind, I think it shows the Council cares."*

Despite working for the Council for almost a decade, Lorraine had never had the impetus to join the credit union until last year's prize draw incentive campaign:

*"I think I always knew it was there. I have worked for the Council for 10 years or so. And my colleagues have used the credit union."*

Having started a new relationship, her motivation to join the credit union and start saving was the need to establish a safety-net in case of emergencies:

*"It was really important to build a little bit of a nest egg, in case something went wrong. I mean my biggest fear is the boiler will blow up and won't have the cash to be able to get it fixed or you know the car failed the MOT or something which is a big chunk of money that I probably wouldn't be able to afford out of my wage on a month-by-month basis. If I can have that tucked away then that would be very useful. A bit of security for me really."*

Before joining the credit union, Lorraine rarely saved as she never had the spare funds at the end of the month to put aside:

*"I've always struggled to save. Because I've always spent what I've got. And that might be just because that my expenses are pretty much what my wages were. And so, I've always wanted to save I'm just not very good at it.*

But with payroll saving Lorraine likes the fact that savings are taken automatically and transferred into her separate savings account with the credit union so that there is slightly more of a barrier to withdrawing it:

*"I'm not the world's biggest saver. I'm a bit rubbish at it, so having somewhere that, it wasn't somewhere I could access really easily, but I knew it was there if I needed it."*

Putting money aside each month gave Lorraine a sense of security that meant when an unexpected family issue came about, she could access her savings to help:

*And knowing that I had a bit of money tucked away. You know that that did give me peace of mind. And that is absolutely brilliant because actually, when I did need it, to send to my daughter, it was there. It certainly achieved its purpose."*

And Lorraine believes it's important for employers like Leeds City Council to offer such payroll partnerships with credit unions:

*"I think its brilliant. I think for peace of mind, I think it shows the Council cares."*

** Name changed to retain anonymity.*

### NHS York – ‘Snacks & Saving’

**Across the three campaigns implemented with NHS York, the face-to-face lunchtime sessions were by far the least successful in attracting new savers**. During the four-month period, only 17 staff actually joined and started saving, an average of 4.25 new joiners per month. Although this is a 77% increase on the average monthly new joiners during the previous 12 months, it is still a poor return on the investment of time and resources expended to deliver the 11 sessions (see cost-benefit analysis below).

Yet, while the results demonstrate that **face-to-face promotional sessions** achieve the lowest level of new members, in contrast, it **delivers by far the largest proportion of new joiners choosing to save by payroll deduction rather than other methods.** Being able to talk to a person who can explain the practicalities and benefits of payroll deduction resulted in 82% of new joiners using this method of saving – far greater than the levels achieved for the other two NHS York campaigns as well as the previous 12 months (52%).

### NHS York - Social norm campaign

**Using existing NHS York staff to promote the benefits of payroll saving achieved almost identical average weekly landing page hits (32.3 visits per week) as the Save as you Borrow campaign (33.5 visits per week).** However, it resulted in slightly lower conversion into new joiners, with 29 staff starting to save. This represents an average of 7.25 new members a month during this campaign, a 202% increase on the average during the previous 12 months. In terms of the proportion opting to save via payroll, it led to 69% choosing this mechanism, considerably better than the previous 12-month figure of 52%.

### NHS York - Save as you Borrow (SAYB) campaign

Maybe unsurprisingly, **promoting borrowing (with the requirement to save) in the run up to Christmas, proved to be the most popular of the three campaigns implemented with NHS York, with 37 workers becoming members**. It delivered the highest average weekly landing page hits and 9.25 average new members each month, equivalent to a 285% increase compared to the average for the previous 12 months.

However, what is particularly noticeable is the significant drop in the proportion electing to set up a payroll deduction, which drops to 46%, compared to an average of 61% across the entire trial year and 52% during the previous 12 months.

One possible explanation for this notable drop in payroll deduction amongst those signing up during the Save as you Borrow period compared to the other three campaigns, could be that staff did not want their employer to know that they were borrowing (even though employers are unable to distinguish between deductions for savings and those for loan repayments).

As part of the second workforce survey, six respondents stated that they joined during the four-month 'Save as You Borrow' campaign period, with only one choosing to pay using another method – in this case, by Direct Debit. The reason given for not opting to use payroll deduction by this respondent was actually 'I don't like the idea of my employer knowing about my finances'.

However, looking across all 624 surveyed new and existing LCU members, there were just 38 who stated that they *'choose to use a different method (such as standing order or Direct Debit)'* to make payments to the credit union'. Amongst these, only 3 stated that the primary reason was not wanting their employer knowing their finances, with the most common reason being *'I prefer other payment methods because they give me greater control'* (13 respondents) and *'I didn't know that I could save with the Credit Union via my payroll'* (11 respondents).

**NHS York results**

As chart 3 below shows, across all three campaigns, there were two obvious peaks at the commencement of the Social Norms campaign in June and then again in November for the SAYB campaign. Despite regular weekly staff communications via staff newsletter and Facebook posts remaining relatively consistent throughout the year, there were subsequent falls in the effectiveness of these two engagement campaigns over the subsequent months. This would point to the **need for credit unions and employers to continually refresh and change their promotional campaigns and approaches.**

**Chart 3: NHS York total monthly new joiners (comparison with the 12-month project trial average and previous 12-month average)**

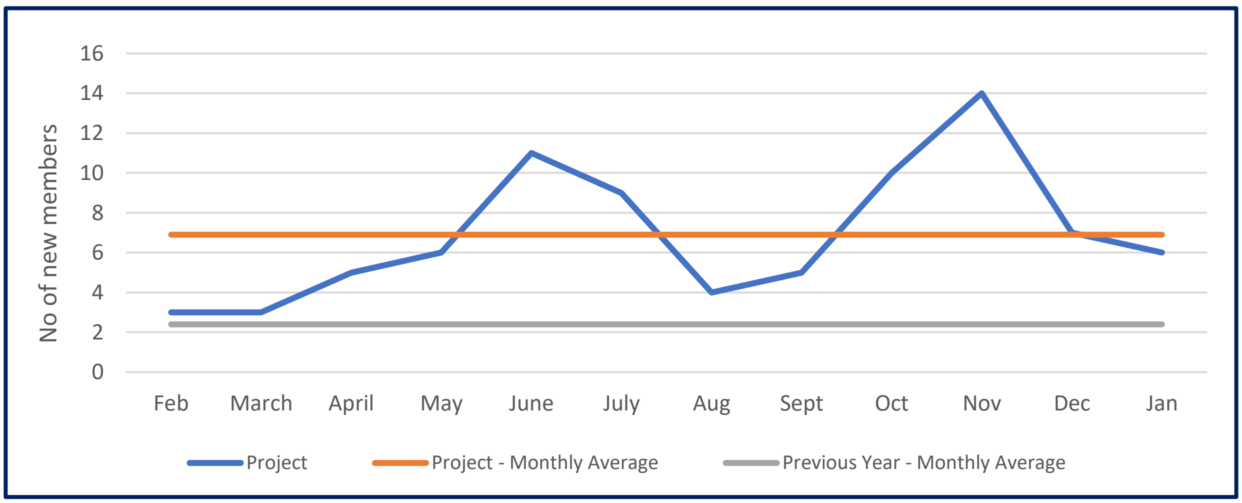
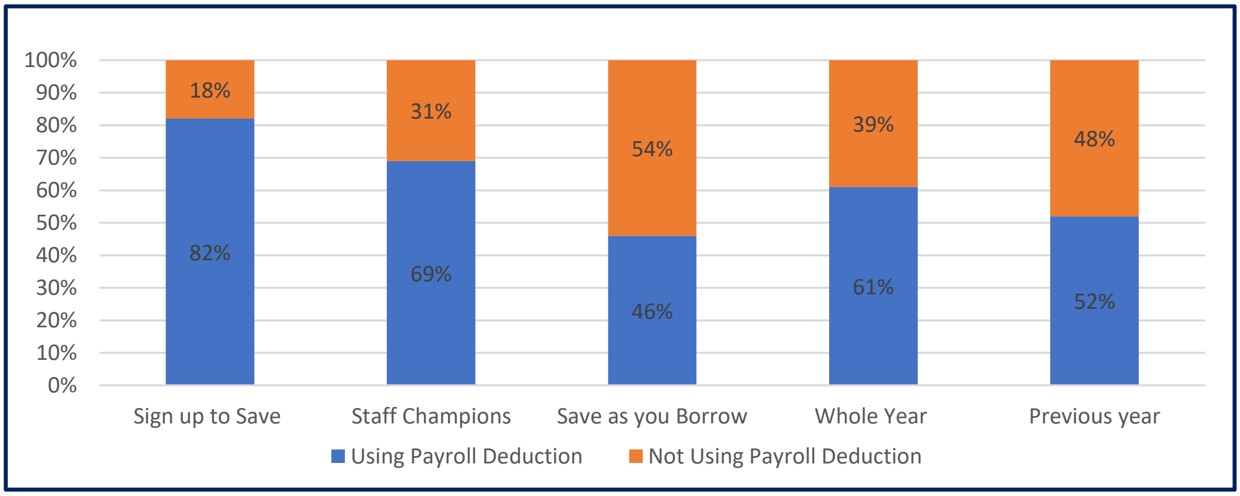



Chart 4 shows the effectiveness of the three engagement campaigns trialed with NHS York at getting new joiners to establish a payroll deduction rather than choosing another form of payment such as standing order or direct debit. The face-to-face sessions were the most successful with 82% opting to save via payroll, compared to 46% with the SAYB campaign.

**Chart 4: NHS York proportion of new members using payroll deduction vs new members not using payroll deduction**




### 3.1.2. Cost-benefit analysis

The research team have estimated the main costs to undertake each of the four engagement campaigns to attract new members across the 12 months.

**Table 5: Summary of cost-benefit estimates for the four engagement campaigns**

| | Snacks & Savings | Social norm | Save as you Borrow | Prize draw Incentive |
|---|---|---|---|---|
| **Estimated total cost:**<br>LCU staffing (travel / delivery)[38]<br>Travel[39]<br>Marketing design / production[40]<br>Sign-up prize draw | <br>£1,112<br>£510<br>£150<br>- | <br>254<br>-<br>£150<br>- | <br>£254<br>-<br>£150<br>- | <br>£254<br>-<br>£150<br>£1,000 |
| **Total** | **£1,772** | **£404** | **£404** | **£1,404** |
| Total cost per session (11) | £161.09 | - | - | - |
| Total number of new members (payroll and non-payroll) | 17 | 29 | 37 | 112 |

[38] Calculated using Business Development staff hourly rate - £14.66 (including annual salary (£25,000), Employers NI (9%) and Pension (3%) and management on-costs (10%). For the Snack and Save campaign, travel and delivery time for the 11 sessions were calculated. In addition, across all 4 campaigns, a notional 1 hour per week has been included for co-ordinating the communication and promotional work with each employer.
[39] Calculated using milage by car between Leeds and each NHS York hospital location (costed at £0.45 per mile).
[40] Notional cost to design and produce the marketing materials / social media content for each campaign.

| | | | | |
|---|---|---|---|---|
| **Total cost per customer acquisition** (payroll and non-payroll) | **£104.24** | **£13.93** | **£10.92** | **£12.54** |
| Total number of new members (payroll only) | 14 | 20 | 17 | 84 |
| **Total cost per customer acquisition** (payroll only) | **£126.57** | **£20.20** | **£23.76** | **£16.71** |

**Face-to-face sessions delivered onsite are shown to represent by far the worst value for money** with each session costing an average of £161 in staffing time to travel and deliver the sessions as well as marketing design costs. This means that the customer acquisition cost was approximately £104 for every new joiner that signed up during that campaign period (which increased to £127 just amongst those adopting payroll deduction).

In comparison, the other three sign-up campaigns were significantly more cost-effective to deliver and resulted in broadly similar total customer acquisition costs. These ranged from £11 for every new member attracted via the SAYB campaign, £13 per new member from the sign-up prize draw and £14 for every new member attracted by the Social Norm campaign.

**If the costs to attract payroll deduction members only are considered, the sign-up prize draw is the most cost-effective** (at £17 for each payroll deduction member), followed by the Social Norm (£20) and then SAYB (£24).

Many credit unions and employers' value such onsite promotional sessions that can help establish relationships, offer periodic 'visibility' and potential to reach 'offline' workers. Yet, the substantial costs combined with the poor returns in terms of new joiners cannot be ignored. With limited marketing budgets and staff capacity, such sessions should be used sparingly with the focus on promotional channels and online campaigns that can offer much better value for money.

## 3.2 Saver messaging results

The second prize draw incentive looked to encourage staff to retain their monthly saving habit over the subsequent six-month period between June and November 2019.

The results from the LCC workforce survey, indicated that there was very low general appreciation amongst new joiners of the 'Continue to Save' prize draw incentive. Of the 48 respondents that joined between January and June 2019 and therefore eligible, only 9 (19%) were aware of the second prize draw incentive to encourage them to continue saving over the following six-month period. Amongst this group, only three of the nine, indicated that the prize draw had any importance on their decision to continue saving for the next six months.

The trial also tested the effect of prompting payroll scheme members with reminder emails containing positive saving messages. To do this, the research team tracked the subsequent savings patterns of two randomly selected groups from amongst the LCC staff that commenced payroll saving during the 'Sign-up to Save' campaign period. One group received regular monthly reminder emails while the other group received no reminder emails beyond the credit union's standard communications.

**Table 6: Comparison of payroll savers who did and did not receive email prompt**

| | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|---|---|---|---|---|---|---|---|---|---|
| **Group 1: Status Quo (Inertia)**<br>- Did not receive messages (63)<br>Average saved | £54 | £57 | £55 | £56 | £57 | £56 | £54 | £54 | £55 |
| Median level | £50 | £50 | £41 | £43 | £40 | £43 | £43 | £43 | £43 |
| **Group 2: Positive Reinforcement**<br>- Received messages (56)<br>Average saved | £70 | £71 | £71 | £73 | £73 | £75 | £75 | £76 | £76 |
| Median level | £50 | £50 | £50 | £50 | £50 | £50 | £50 | £50 | £50 |
| **Difference**<br>Average | £16 | £14 | £15 | £17 | £16 | £19 | £21 | £21 | £21 |
| Median | £0 | £0 | £9 | £8 | £10 | £8 | £8 | £8 | £8 |

**The monthly reminder email did seem to have a positive effect. Over the nine-month tracking period, the positive reinforcement group who received the email prompt saved on average more each month than those who did not receive the email prompt.** The difference ranged from £14 a month more to £21 a month more. The difference in the median amounts was not so high but in most months the difference ranged from £8 - £10 a month more.

It is also worth noting that the median level of savings amongst those who did not receive the email tailed off over the period, whereas the median level for those who received the email remained stable. So, the email prompt seems to have been effective at encouraging persistency of savings. Indeed, the average value saved by those who received the prompt rose by £6 a month suggesting that the prompt encouraged some to increase their savings.

However, it is important to note that the sample sizes involved are relatively small, certainly compared to the large survey size available to compare the attitudes and behaviours.

**Case study 2 - Holly*, Leeds City Council:**
**“Now I want to save and it’s a positive thing.”**

Starting a new job with Leeds city Council was the key factor for Holly opening an account with Leeds City Union and saving via payroll:

*“And so, it was really good time to sort of take that money away before I got used to it. And then because you don't see it and you don't really have the opportunity to spend, a lot of time I forget that it's even there until I really do need it and then I know that I’ve got that back up.”*

Prior to saving via payroll deduction, Holly saved with her bank but found herself continually withdrawing her savings - so particularly likes that it is completely separate from her main finances:

*“It's absolutely fantastic because as I say, I needed to save up, and normally I be dipping into it and I've not been doing that this time.”*

For Holly saving straight from her salary completely differs from the other ways she has attempted to save previously:

*“I've tried always of saving from putting money in a box under the bed through to a savings account to an ICA you know all these different ways……. You're always aware that the money's there and you're always on top of how much is in there. Whereas, because somebody else takes full control of moving that money into the account. I don't see it leaving my bank. I don't see it going, other than on my pay slip. I don’t see it anywhere. So, it's really nice just to sort of check on the app every now and again, which I do and see that it's gone up by another however many months.”*

Joining the credit union and starting to save via payroll deduction has provided a renewed focus to Holly’s saving goals and has led to a much more positive attitude toward savings:

*“At the minute I'm really wanting to get at least, get a month’s wages saved up so if anything does happen, then we know that we've got something to fall back on……* But yeah probably just made it seem a little bit more realistic and a little bit more attainable.”

And Holly believes that this new savings habit has had a knock-on benefit to her financial wellbeing:

*“So that's definitely improved things whereas before if something went wrong with the car or the washing machine or something, then we were either going for a loan or struggling to sort that out. Now we're in a much better financial position. And we’ve got savings there if we need it.”*

** Name changed to retain anonymity.*

# 4. Saving attitudes and behaviours

**Key findings:**

- Payroll savings appears to be an effective mechanism for attracting previously non-saving workers and converting them to become regular savers. Of the 109 surveyed employees that had joined in the 12 months of the research trials, 59% stated that they had never or rarely saved before joining the credit union, compared with only 14% who said they had saved regularly every single month before joining.
- Of the new savers, 89% of these joiners reported having either kept the same (68%) or had increased (21%) the amount they saved every month since joining.
- Being a member of the credit union makes employees much more likely to be saving regularly with 66% of surveyed member-employees stating they saved every single month compared to 52% of employees who are not members. The difference is even greater for those saving via payroll with 70% saving every month, which rises to 72% amongst longer standing members.
- Encouragingly, saving via payroll also leads to higher levels of persistency - with 67% of payroll scheme members stating that they saved roughly the same each month compared to 50% of non-payroll scheme members.
- Payroll saving appears to help lower income employees. In the £17,500 - £24,999 income band, 69% of payroll savings scheme members reported saving every month compared to 44% of employees who are not members of the credit union.
- Membership of the payroll savings scheme appears to support financial resilience. 54% of credit union members who are ***not*** payroll scheme members said that, if they lost their main source of income, they could only cover their living expenses and bills for less than a month without having to borrow money or ask for help from friends and family. 38% of payroll scheme members reported the same. Longer standing payroll scheme members appear to have greater financial resilience – 55% of newer payroll scheme members said they could cover living expenses for just a month compared to 34% of longer standing scheme members.
- Low-medium income employees ***not*** in the payroll scheme appear to more financially vulnerable than colleagues in the payroll savings scheme. 31% of low-medium income workers in the payroll savings scheme said that, if they lost their main source of income, they could last for less than a month without having to borrow. But, 41% of their colleagues not in the credit union said the same.

This section assesses the impact of the payroll savings on employees' attitudes and behaviours towards savings. The results are broken down by the following groups:

- employees who are credit union members;
- employees who are not members of the credit union;
- credit union members who are members of the payroll savings scheme and those who are not members of the payroll savings scheme; and
- longer standing payroll savings scheme members and more recent members.

Additional tables not included in the main report can be found in Annex 1. The survey results are broken down by household income band in Annex 2 and by gender in Annex 3.

## 4.1 Previous saving behaviour

This first set of results relates only to respondents that had joined the credit union and started saving during the 12-month test and learn trials. They were asked about their previous saving habits before they joined. **Payroll savings appears to be an effective mechanism for attracting previously non-saving workers and converting them to become regular savers.** Fifty nine percent had never or rarely saved before signing up with the credit union, with a further 18% saving infrequently some months but not others. This compares to just 14% of new joiners who stated that they already regularly saved every month.

**Table 7: Previous saving habits before joining the credit union (amongst staff who joined during the 12-month test and learn trial)**

| Before you joined the credit union, how would you describe your pattern of saving? (Please select one answer) | New Joiners | |
|---|---|---|
| | Number | % |
| Save every month | 15 | 14% |
| Save most months | 8 | 7% |
| Save some months but not others | 20 | 18% |
| Rarely or never save | 64 | 59% |
| Don't know | 2 | 2% |
| Total | 109 | 100% |

## 4.2 Attitudes towards saving

A higher proportion of payroll savings scheme members than credit union members not in payroll savings scheme say they think it is very important to save for a rainy day – 62% compared to 55% (see Annex 1, Table 1).

**Payroll savings seems to encourage positive attitudes in the lower-medium income group.** 62% of payroll scheme members in the £17,500-£24,999 band said they tried to save something every week/ month or they always saved something every week/ month. This compares to 46% of employees who are not members of the credit union (Annex 2, Table 1).

## 4.3 Frequency of saving money

**Being a member of the credit union makes employees much more likely to be saving regularly**. Survey participants were asked a series of questions about their general savings behaviours. First, they were asked to select which of a range of statements best describes how often they saved money. As the table below shows, two-thirds of all credit union members said that they saved every month, compared to 52% of employees who are not members – a 14% difference.

**Table 8: Which of these best describes how often you save money?**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU member staff | All Non-CU staff | % Difference |
| Every month | 70% | 45% | 24% | 72% | 55% | 18% | 66% | 52% | 14% |
| Most months | 12% | 17% | -5% | 11% | 17% | -6% | 13% | 19% | -6% |
| Some months, but not others | 14% | 28% | -14% | 12% | 23% | -10% | 16% | 22% | -6% |
| Rarely/never | 4% | 2% | 2% | 4% | 6% | -2% | 3% | 7% | -3% |
| Answered | 367 | 64 | | 314 | 53 | | 431 | 2,044 | |

The percentage of credit union members using payroll savings who said they saved every month was 24% higher than credit union members not using payroll savings. Furthermore, the percentage of longer serving members who say they save every month is 18% higher than those who joined in the last 12 months.

**In the £17,500-£24,999 annual income band, credit union members using payroll savings were much more likely to report saving every month than employees who are not credit union members** – 69% to 44%. For the £25,000-£34,999 band, the reported figures were 79% and 50% respectively (see Annex 2, Table 3).

## 4.4 Saving persistency

Respondents were asked to think about the months they save money and state whether this was persistent - that is whether they maintained similar monthly levels. **Encouragingly, saving via payroll also appears to lead to higher levels of persistency.** The results, in the table below, show that 65% of credit union members said they saved roughly the same each month compared to 50% of employees who are not members of the credit union.

Two-thirds (67%) of payroll members said they saved roughly the same each month compared to 50% of credit union members who are not on the payroll savings scheme. There was no significant difference between recent joiners and longer standing members of the payroll savings scheme.

**Table 9: Thinking about the months that you save money, is the amount that you save?**

| | CU members only | | | Payroll members Only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Roughly the same each month | 67% | 50% | 17% | 67% | 68% | -1% | 65% | 50% | 14% |
| A little different from month to month | 22% | 27% | -5% | 22% | 21% | 1% | 23% | 31% | -8% |
| Very different from month to month | 8% | 19% | -10% | 9% | 6% | 3% | 10% | 16% | -6% |
| Answered | 367 | 64 | | 314 | 53 | | 431 | 2,044 | |

In the £17,500-£24,999 annual income band, 74% of credit union members using payroll savings said they saved roughly the same every month. This compares to 43% of workers who are not credit union members. For the £25,000-£34,999 band, the reported figures were 75% and 50% respectively (see Annex 2, Table 4).

## Case study 3 – Lauren*, NHS York:
## "It changed me completely as I've realised that I actually can afford it."

Lauren, who has worked for NHS York for over three years, became a member of Leeds Credit Union last summer after seeing the payroll scheme advertised on the staff intranet:

*"I'd been wanting to save and at the time I thought it would be a good way of saving for Christmas presents. And hoping it would build up and then I could just take it at a time when I needed it. And, you know, as it turned out, it's been quite useful for little emergency like that when I've needed the money."*

Like many workers that save via their payroll, it was the fact that her savings automatically come straight out of her pay that appealed the most:

*"I just think it's an easy way to save up money. And I just think when it's coming straight out of your salary, you don't have to worry about it. It's just gone and its straight into your account and that's it. You don't have to think about it. And it just builds up without you even really realising."*

With a young family, Lauren had barely ever saved before joining the credit union:

*"I'd struggled to save. I'm not great. In the sense that, I just won't do it. I just spent my money."*

But joining the credit union and saving each and every month straight from her salary has not only demonstrated that she can save but has transformed her attitude to saving:

*"I'd probably say that I wanted to save but I always thought that I couldn't fund it. I've got a little boy and girls, it's easy to say I can't afford it. But with it coming straight out of my pay then…. it changed me completely as I've realised that I actually can afford it."*

Previously, Lauren was often anxious about her financial situation:

*"In the past I would say that I have worried about money and not felt good about myself. And a bit of a spiral like, spending on a credit card but not having enough money to pay it off."*

However, having her savings set aside has also led to positive changes in her financial outlook and wellbeing:

*"Definitely because when you can see you have money rather than just seeing a minus balance. It's a really good feeling. Like its spurred me on.... I've recently just paid off my overdraft because I now like to see what I've got rather than seeing a negative. So in that sense it's been really good for my financial wellbeing."*

Lauren believes it's had a knock-on impact at work and the view of her employer:

*"I probably say that, like, I'm a bit more driven at work because I want to, to earn more money so that I can save more."*

** Name changed to retain anonymity.*

# 5. Financial wellbeing

**Key findings:**

- The research found that average household incomes of credit union members were generally lower than non-member employees. 54% of surveyed credit union members had a household income below £35,000, compared to 42% of those workers not members of the credit union.
- Credit union members report higher levels of financial anxiety compared to non-member employees. 63% of Leeds Credit Union members strongly agreed / agreed that thinking about their financial situation made them anxious compared to 53% of non-members. Similarly, credit union members were also more likely than non-members to say that money worries had affected their health, family relationships, and work over the past year.
- Likewise, in terms of financial resilience, 40% of credit union members said that they could only cover their living expenses and bills for less than a month without having to borrow money or ask for help from friends and family. This compares to 27% of employees who are not members.
- Importantly, being part of the payroll savings scheme and especially the length of membership - appears to mitigate these negative effects. Longer standing payroll scheme members are less anxious about their financial situation than more recent joiners - 60% compared to 74%. Similarly, a smaller proportion of longer standing scheme members, 34%, said they could cover living expenses for just a month, if they lost their income, compared to 55% of newer payroll scheme members.

This section assesses the impact of the payroll savings on budgeting and planning including: setting financial goals; confidence in managing money and making financial decisions; and levels of financial anxiety and wellbeing.

**It is worth keeping in mind when considering these responses that the average incomes of credit union members is lower than employees who are not members. Not surprisingly, they tend to report higher levels of anxiety about their financial circumstances and lower levels of satisfaction with financial circumstances.** They also appear to have lower levels of financial resilience. Compared to employees who are not credit union members, a higher proportion say they could only last for a very short period of time without borrowing or asking for help from family or friends if they lost their main source of income.

**Yet, payroll scheme membership seems to mitigate the effects of lower average incomes.** 31% of payroll scheme members in £17,500-£24,999 income band said they could last under a month with having to borrow. This compares to 41% of those workers not members of the credit union in the same income band (see Annex 2, Table 17).

## 5.1 Budgeting and financial planning

### 5.1.1. Budgeting

There is no real difference in the proportion of credit union members and staff who are not members who strongly agreed or agreed that making a budget and sticking to it is important.

**Table 10: I think making a budget and sticking to it is important**

| | CU members only | | | Payroll members Only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Strongly agree | 32% | 32% | -1% | 31% | 36% | -5% | 32% | 30% | 1% |
| Agree | 44% | 31% | 13% | 45% | 40% | 5% | 42% | 43% | -1% |
| Somewhat agree | 17% | 24% | -7% | 17% | 15% | 2% | 18% | 20% | -2% |
| Neither agree nor disagree | 6% | 10% | -3% | 6% | 7% | -1% | 7% | 5% | 2% |
| Somewhat disagree | 1% | 0% | 1% | 1% | 1% | 0% | 1% | 1% | 0% |
| Disagree | 0% | 2% | -2% | 0% | 0% | 0% | 0% | 0% | 0% |
| Strongly Disagree | 0% | 1% | -1% | 0% | 0% | 0% | 0% | 0% | 0% |
| Answered | 516 | 104 | | 432 | 84 | | 620 | 2,416 | |

However, three in four (76%) payroll scheme members strongly agreed or agreed that making a budget and sticking to it is important compared to 63% of non-payroll members. 76% of recent joiners *and* longer standing members strongly agreed or agreed with the statement.

## Case study 4 - Kelly*, NHS York
## "It's saving without even realising you are saving."

Kelly has always found regular saving on her salary really difficult. The ease of access to her money has previously prevented her being able to accumulate savings but payroll deduction with the credit union has changed this:

*"I'm not great at saving as I move money about in my account. Even when I've tried to save - so I like the fact that it's been taken away from me if that makes sense.*

*I do still find it difficult, because obviously when you get your wage there, and the first line everybody looks at the bottom line, your take home, So, it's easy to forget about the savings being made, because you don't ever really see it, if that makes sense. Yeah, so, if I didn't have that facility, I still would probably find it quite hard to save."*

The fact that the saving scheme was being offered through her employer, NHS York was important and meant she had no concerns in joining:

*"No, because I trusted the NHS trust wouldn't partner with someone if it wasn't secure. So that instantly had my trust because my employer was suggesting it, you know."*

Accumulating savings direct from her wage has made Kelly feel more stable and positive about her finances:

"I'd say I probably feel a bit more responsible and much more secure, and for like coming up to Christmas now, and I'm not as stressed about it as I usually would be, so yeah it's probably has had a good impact on my wellbeing, actually."

Kelly sees the payroll savings scheme as a staff benefit and recognises the potential benefits within the workplace of staff saving regularly:

"I think it's a huge benefit. And it's a sort of added perk in a way. So, I do I think it's important that they offer that. And I suppose by helping staff members save, I suppose it could have a knock-on effect to their daily job, and I mean obviously every day-to-day stresses are going to impact on your working hours whether you like it or not."

* Name changed to retain anonymity.

### 5.1.2. Financial planning

68% of credit union members agreed with the statement that their attitudes to making financial goals had improved over the past 12 months. This compares with 59% of employees not members of the credit union (Annex 1, Table 3). Furthermore, 69% of payroll scheme members agreed that their attitudes to financial goals had improved compared to 64% of non-payroll scheme members.

## 5.2 Managing money and making financial decisions

### 5.2.1. Confidence in managing money

Respondents were asked to rate, out of 10, how confident they are in managing money and making decisions about choosing financial products. Looking first at levels of confidence about managing money, staff who are not credit union members rated themselves, on average, more confident than staff who are credit union members. This is perhaps not surprising given that, as explained previously, the average income levels of non-members is considerably higher than credit union members and there is a relationship between income levels and financial capability.[41]

**Table 11: How confident do you feel about managing your money?**

| **Scale of 0 – 10** (0 not at all confident, 10 very confident) | **Payroll Member** | **Non-Payroll Member** | **Difference** | **Payroll (Pre 2019)** | **Payroll (Last 12 mths)** | **Difference** | **All CU Members** | **All Non-CU staff** | **Difference** |
|---|---|---|---|---|---|---|---|---|---|
| Average | 6.9 | 6.4 | 0.5 | 7.1 | 5.9 | 1.1 | 6.8 | 7.4 | -0.6 |
| Median | 7 | 7 | 0 | 7 | 6 | 1 | 8 | 8 | 0 |
| Q3 | 9 | 8 | 1 | 9 | 8 | 1 | 9 | 9 | 0 |
| Q1 | 5 | 5 | 0 | 6 | 5 | 1 | 6 | 6 | 0 |
| Answered | 511 | 104 | | 427 | 84 | | 615 | 2,404 | |

[41] See for example ONS, Financial Capability in Great Britain 2010 to 2012, Table 5: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/financialcapabilityingreatbritain/2015-06-24#levels-of-financial-capability-by-socio-economic-characteristics

But, payroll scheme members rated themselves, on average, as more confident than credit union members not in the payroll scheme, 6.9 compared to 6.4. Moreover, the gap between long standing and newer payroll scheme members was even greater – 7.1 compared to 5.9.

Of course, the direction of the cause-and-effect relationship between confidence and payroll membership cannot be ascertained for certain. That is, whether higher levels of confidence cause employees to join and stay in the payroll savings scheme or whether being in the scheme for a longer period of time does actually improve confidence. Longitudinal tracking studies would be needed to assess this. Nevertheless, **the existence of such a large gap in the scores between long standing members and new joiners does suggest an effect.**

### 5.2.2. Confidence in making financial decisions

Employees who are not members of the credit union rated themselves, on average, slightly more confident at making decisions about financial products and services than their credit union member colleagues.

But, looking specifically at employees in the credit union, payroll scheme members rated themselves 6.6 out of 10 when asked how confident they feel about making decisions about financial products and services. This compares to 5.7 out of 10 for credit union members who are not in the payroll savings scheme. The median score for payroll scheme members was 7 compared to 6 for non-payroll scheme members. Long-standing payroll scheme members rated themselves higher than more recent joiners – 6.7 compared to 6.1.

**Table 12: How confident do you feel making decisions about financial products and services?**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| **Scale of 0 – 10** (0 not at all confident, 10 very confident) | **Payroll Member** | **Non-Payroll Member** | **% Difference** | **Payroll (Pre 2019)** | **Payroll (Last 12 mths)** | **% Difference** | **All CU Members** | **All Non-CU staff** | **% Difference** |
| Average | 6.6 | 5.7 | 0.9 | 6.7 | 6.1 | 0.6 | 6.5 | 6.7 | -0.2 |
| Median | 7 | 6 | 1. | 7 | 7 | 0 | 7 | 7 | 0 |
| Q3 | 8 | 8 | 0 | 8 | 8 | 0 | 8 | 8 | 0 |
| Q1 | 5 | 4 | 1 | 5 | 5 | 0 | 5 | 5 | 0 |
| Answered | 511 | 104 | | 427 | 84 | | 615 | 2,404 | |

## 5.3 Financial circumstances and levels of anxiety

### 5.3.1. Satisfaction with financial circumstances

Respondents were asked how satisfied they were with their financial circumstances and, specifically, whether their financial circumstances caused them anxiety.

In keeping with other results, employees who are not credit union members report more positive scores than credit union members. This groups, on average, rated their satisfaction with their overall financial circumstances at 5.7 out of 10

Workers who are members of the credit union rated their satisfaction at 5.1 out of 10. Again, this is perhaps not surprising, given that the average incomes of employees who are not members of the credit union is higher than workers who are credit union members.

**But, payroll savings scheme members, particularly long-standing members, rated their satisfaction higher than credit union members.** Long standing payroll savings scheme members, on average, rated their satisfaction at 5.4 out of 10 compared to the 4.5 average rating reported by credit union members not part of the payroll savings scheme.

**Table 13: How satisfied are you with your overall financial circumstances?**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| **Scale of 0 – 10** (0 not at all confident, 10 very confident) | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Average | 5.2 | 4.5 | 0.7 | 5.4 | 4.1 | 1.3 | 5.1 | 5.7 | -0.6 |
| Median | 5 | 5 | 0 | 6 | 4 | 2 | 5 | 6.0 | -1 |
| Q3 | 7 | 6 | 1 | 7 | 6 | 1 | 7 | 7 | 0 |
| Q1 | 4 | 3 | 1 | 4 | 2 | 2 | 3 | 4 | -1 |
| Answered | 511 | 101 | | 427 | 84 | | 612 | 2,365 | |

As outlined above, credit union members overall rated their satisfaction lower than employees who are not credit union members. But, lower income workers (in the income band £17,500 to £24,999) in the payroll savings scheme rated, on average, their satisfaction with their overall financial circumstances as 5.4 out of 10 (median of 6). Employees in the same income band who are not members of the credit union rated their satisfaction, on average, at 4.9 (median 5) (see Annex 2, Table 12).

### 5.3.2. Levels of anxiety and money worries

In line with the other results, employees who are not members of the credit union were less likely to agree that thinking about their financial situation makes them anxious. 63% of credit union members agreed with the statement. Whereas, only 53% of employees who were not credit union members agreed.

Long standing members of the payroll savings scheme were also much less likely to strongly agree than more recent joiners - 19% to 35%.

**Table 14: Thinking about my financial situation makes me anxious**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Strongly agree | 22% | 28% | -6% | 19% | 35% | -15% | 23% | 17% | 7% |
| Tend to agree | 41% | 35% | 6% | 41% | 39% | 3% | 40% | 36% | 4% |
| Neither agree nor disagree | 22% | 20% | 2% | 24% | 13% | 11% | 22% | 23% | -1% |
| Tend to disagree | 10% | 14% | -4% | 10% | 8% | 1% | 10% | 15% | -4% |
| Strongly disagree | 5% | 2% | 3% | 5% | 5% | 0% | 4% | 10% | -6% |
| Answered | 499 | 101 | | 416 | 83 | | 600 | 2,365 | |

Lower income workers (£17,50 - £24,999) in the payroll savings scheme were less likely to strongly agree (21%) that their financial situation made them anxious than their workmates not in the credit union (26%). Similarly, 15% of payroll savings scheme members in the £25,000 - £34,999 income band strongly agreed compared to 20% of their workmakes in the same income band (see Annex 2, Table 13).

Looking at whether the level of anxiety has changed over the past 12 months, employees who are not members of the credit union were less likely to have become more anxious. 56% of credit union members said they were more anxious compared to 49% of workers who are not members of the credit union.

Within the credit union member group, 25% of those not in the payroll savings scheme said they were much more anxious about their financial situation, compared to 20% of those in the payroll savings scheme.

**Membership of the payroll scheme (and being a member for longer) seems to militate against higher levels of anxiety**. 19% of longer standing payroll scheme members said they had become more anxious compared to 28% of newer payroll members.

As shown in Table 15, a higher proportion of credit union members (49%) strongly agreed/ tended to agree that money worries had affected their health over the past year, compared to employees who were not members (36%).

**Table 15: Money worries have affected my health (physical or mental well-being) over the past year**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Strongly agree | 17% | 26% | -8% | 16% | 30% | -14% | 19% | 12% | 8% |
| Tend to agree | 28% | 36% | -8% | 29% | 24% | 5% | 30% | 24% | 6% |
| Neither agree nor disagree | 21% | 13% | 8% | 22% | 16% | 6% | 19% | 20% | 0% |
| Tend to disagree | 16% | 12% | 4% | 15% | 14% | 1% | 14% | 19% | -5% |
| Strongly disagree | 18% | 13% | 4% | 18% | 14% | 3% | 16% | 25% | -9% |
| Answered | 499 | 101 | | 416 | 83 | | 600 | 2,365 | |

But, within the credit union member group, membership of the payroll savings scheme is associated with less negative results. 45% of payroll members agreed with the statement compared to 62% of members not in the payroll savings scheme. 30% of recent joiners said they strongly agreed with the statement compared to 16% of more long-standing members.

Looking at the effect on work, as shown above in Table 16, one in four (25%) of credit union members strongly agreed/ tended to agree that money worries had affected their work over the past year. This compares to 17% of employees who were not members of the credit union.

**Payroll savings scheme members were less likely to say that money worries had affected their work over the past year** (23%) compared to credit union members not in the scheme (36%). Longer standing payroll members were slightly less likely to strongly agree or agree than more recent members.

**Table 16: Money worries have affected my work over the past year**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Strongly agree | 8% | 11% | -3% | 7% | 10% | -2% | 8% | 5% | 3% |
| Tend to agree | 15% | 25% | -9% | 15% | 17% | -2% | 17% | 12% | 4% |
| Neither agree nor disagree | 27% | 25% | 2% | 29% | 25% | 4% | 28% | 23% | 5% |
| Tend to disagree | 21% | 16% | 5% | 20% | 23% | -3% | 20% | 21% | -1% |
| Strongly disagree | 29% | 23% | 5% | 28% | 25% | 3% | 27% | 38% | -11% |
| Answered | 499 | 101 | | 416 | 83 | | 600 | 2,365 | |

## 5.4 Financial resilience and ability to survive financially

Respondents were asked how long they could continue to cover living expenses and bills, without borrowing money or asking family or friends for help, if they lost their main source of household income.

Table 17, below, shows 27% of employees who are not members of the credit union said that they had enough money to last just one month (7% less than one week and 20% between one week and less than one month) without having to borrow money or asking for help. This compares to 40% of staff who were credit union members (15% said they could last just a week, with a further 25% saying they could last between one week and less than one month).

33% of credit union members said they could survive for 3 months or more, compared to 46% of work colleagues not members of the credit union.

The higher levels of financial resilience amongst employees who are not members of the credit union is likely to be linked to the fact that they have, on average, higher incomes. But, again, being in the payroll savings scheme seems to mitigate the impact. 38% of payroll savings scheme members said they could survive for less than a month compared to 54% of credit union members not in the scheme.

The gap is even more pronounced between long standing and newer payroll scheme members. 55% of more recent joiners said they could last less than a month compared to 34% of longer standing scheme members.

**Looking specifically at lower income employees, payroll savings scheme membership appears to improve financial resilience.** 31% of payroll savings scheme members in the £17,500-£24,999 band reported they could last less than one month compared to 41% of work colleagues in the same income band who were not members of the credit union. 25% of payroll scheme members in £25,000-£34,999 income band said they could last for less than a month compared to 35% of those staff who were not credit union members (see Annex 2, Table 17).

**Table 17: If you lost your main source of household income, how long could your household continue to cover living expenses and bills, without having to borrow any money or ask for help from friends or family?**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre-2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Less than a week | 14% | 22% | -8% | 12% | 24% | -12% | 15% | 7% | 8% |
| 1 week to less than 1 month | 24% | 32% | -8% | 22% | 31% | -9% | 25% | 20% | 5% |
| 1 month to less than 3 months | 30% | 18% | 12% | 31% | 24% | 7% | 28% | 27% | 1% |
| 3 months to less than 6 months | 17% | 16% | 1% | 17% | 15% | 2% | 17% | 19% | -2% |
| 6 months or longer | 16% | 12% | 4% | 18% | 8% | 10% | 16% | 27% | -11% |
| Answered | 499 | 101 | | 416 | 83 | | 600 | 2,365 | |

When asked about keeping up with bills and credit commitments, Table 18 shows that 55% of employees who are not credit union members said they were keeping up without any difficulties. 31% said it was a struggle from time to time. 11% were in some form of financial difficulty (8% said it was a constant struggle, with 2% falling behind with some bills, and 1% having real financial difficulties).

A lower proportion of workers who are credit union members (38%) said they were keeping up without any difficulties. 43% said it was a struggle from time to time. 17% were in financial difficulty (11% said it was a constant struggle, with 4% falling behind on some bills, and 2% having real financial difficulties).

40% of long-standing payroll savings scheme members said they were keeping up without any difficulties, compared to just 25% of recent joiners.

15% of long-standing payroll savings scheme members were in some form of financial difficulty (11% said it was a constant struggle keeping up with bills and commitments, 3% said they were falling behind with some bills or commitments, while 1% were having real financial problems). 26% of recent joiners reported some form of financial difficulty (14% said it was a constant struggle, 7% said they were falling behind with some bills or commitments, while 5% said they were having real problems).

Looking at the £17,500 - £24,999 income band, 12% of payroll savings scheme members were in some form of financial difficulty compared to 16% of their workmates not in the payroll scheme. For the £25,000 - £34,999 income band, the proportions were 13% and 15%, respectively.

**Table 18: Which one of the following statements best describes how well you are keeping up with your bills and credit commitments at the moment?**

| | CU members only | | | Payroll members only | | | All staff | | |
|---|---|---|---|---|---|---|---|---|---|
| | Payroll Member | Non-Payroll Member | % Difference | Payroll (Pre 2019) | Payroll (Last 12 mths) | % Difference | All CU Members | All Non-CU staff | % Difference |
| Keeping up without any difficulties | 37% | 36% | 1% | 40% | 25% | 14% | 38% | 55% | -18% |
| It is a struggle from time to time | 44% | 34% | 9% | 43% | 48% | -5% | 43% | 31% | 12% |
| It is a constant struggle | 11% | 11% | 1% | 11% | 14% | -4% | 11% | 8% | 4% |
| Falling behind with some bills or credit commitments | 4% | 8% | -4% | 3% | 7% | -4% | 4% | 2% | 2% |
| Having real financial problems. | 2% | 9% | -7% | 1% | 5% | -4% | 2% | 1% | 2% |
| Don’t have any bills or credit commitments | 2% | 1% | 1% | 2% | 1% | 0% | 1% | 2% | 0% |
| Answered | 499 | 101 | | 416 | 83 | | 600 | 2,365 | |

**Recent borrowing habits**

Finally, respondents were asked if they had borrowed money in the previous 12 months from different sources. Nearly half (48%) of employees who are not credit union members had not borrowed money in the last 12 months. Less than one-third (31%) of credit union members had not borrowed in the last 12 months (see Annex 1, Table 4).

36% of credit union members had used their overdraft (31% used their authorised overdraft with 5% using their unauthorised overdraft). 25% of employees who are not credit union members had used their overdraft (22% used their authorised overdraft with 3% using their unauthorised overdraft).

There is no real difference in the proportion of payroll scheme members (29%) and non-payroll scheme members (31%) who did not borrow money in the previous 12 months.

20% of payroll savings scheme members had borrowed from the credit union in the last 12 months compared to 8% of credit union members not in the scheme.

4% of credit union members in the payroll savings scheme reported using an unauthorised overdraft in the last 12 months compared to 8% of members not in the payroll savings scheme. Although care should be taken with this finding as the numbers in this group was small.

30% of long-standing payroll scheme members reported they had not borrowed in the last 12 months compared to 22% of newer joiners. 3% of longer standing payroll scheme members had used their unauthorised overdraft compared to 10% of more recent joiners. 35% of longer standing payroll scheme members had borrowed using a credit card/ store card compared to almost half (49%) of more recent joiners.

## Case study 5 - Rachel*, NHS York:
## "I was so happy with myself but last month I withdrew it because I had to, because I had nothing."

Joining the credit union and saving via payroll was the first time Rachel has ever managed to save despite working full-time at the hospital:

*"No never, never been in a situation where I can save. And it's embarrassing. It's so embarrassing. You know I work, you know, and I've got a half decent job. You know I should not be in this situation I shouldn't have to be begging my Grandma for help. I shouldn't, I just shouldn't. It's pretty shameful."*

Rachel's financial circumstances have always prevented her from saving and is really struggling with her mounting debts:

*"I always have been, it's a vicious cycle, payday loans and like now.... we got paid last week or the week before and within two days I'm broke. So, I'm in a bad way, financially and I look at you know my colleagues and everyone seems be the same."*

But having seen the payroll scheme advertised by NHS York, she joined the credit union with the hope of putting just a small amount of money aside in the run up to Christmas:

*"I've got little ones. And every Christmas I dread Christmas and I love Christmas, but I dread it because it's a struggle and get in even more debt. So, I thought if I could join credit union and thought if I put something away every month. Because, it goes straight out of your wages."*

Having five pounds taken straight out of her pay enabled Rachel to build up money towards her new goal. However, Covid has impacted her ability to take additional shifts with the drop to the household income eventually forcing her to withdraw the savings:

*"I had £45 quid in my savings account and I was so happy with myself but last month I withdrew it because I had to, because I had nothing….. I'd love to be able to save."*

Her worsening financial situation is having a detrimental impact upon Rachel's wellbeing:

*"I don't sleep. I'm on anxiety medication. I just spend my life cleaning to keep my mind occupied. But I just have tried to keep busy and then I sit down. My mental health is absolutely knackered. And if it wasn't for my kids I wouldn't be here if I'm being totally honest with you."*

*"As soon as the wage goes in, the overdraft gets cleared and it gets used again. And it's the things like the late charges and, you know, payday loans when you're desperate you do stupid things and I'm so angry with myself...... I just want to be able to clear my debt…. I just want to be able to manage."*

* Name changed to retain anonymity.

# 6. Conclusions

Low levels of financial resilience leave households exposed to economic and financial shocks and can have collateral effects on health and mental wellbeing, relationships, and workplace performance.

Building financial resilience to help mitigate against financial shocks was already an important public policy goal. This has taken on greater significance as a result of the pandemic.

Many households now face even greater headwinds rebuilding and restructuring their finances. This means that it is all the more important to identify interventions that are effective at supporting the accumulation of savings and building of financial resilience, especially amongst struggling and squeezed households. It is also critical that interventions are implemented at scale to achieve significant impact.

Increasingly, the workplace is seen as a prime arena for the delivery of financial services as well as financial guidance and support. At the same time, the benefits of improving the financial wellbeing of staff are increasingly recognised by employers of all sizes. The theory being that workers with better financial wellbeing are more likely to have better overall wellbeing, and will therefore be more effective and productive.

Currently, it is estimated that just 850 employers in Great Britain have a payroll scheme for their workforces with approximately 200,000 employees saving and repaying affordable loans via payroll deduction with their credit union.

Yet, to put this in context, this represents just 15% of the 1.3 million adults currently members of credit unions in Great Britain. Moreover, there are 25,430 public and private sector employers with over 100 employees – these employ a total of over 19 million employees. There are 5,400 employers with over 500 employees – employing a total of 15 million employees.[42]

This project explored the potential to harness payroll saving schemes delivered by credit unions to build that financial resilience and achieve improvements in financial wellbeing across the workplace. For this, we assessed the effectiveness of a payroll savings scheme operated by Leeds Credit Union for employees of Leeds City Council and NHS York. The project also considered existing secondary research on the use of payroll savings schemes, and explored the link between financial stress and workplace anxiety and productivity.

[42] National Statistics, Annual business population estimates for the UK and regions in 2019, Table 2: Number of businesses and other organisations in the whole economy with their associated employment and turnover, by type of business and number of employees, UK, start 2019, https://www.gov.uk/government/statistics/business-population-estimates-2019

## Key findings:

**Engagement methods**
The 12-month engagement trials provided valuable but sometime conflicting insights into the effectiveness of different engagement methods. Offering a prize draw incentive to sign-up to the credit union provided the most encouraging results at attracting staff to start saving via payroll in the most cost-effective way. Equally, campaigns that either utilise existing payroll savers to champion its benefits or promote borrowing (with the requirement to save) also proved comparatively successful. Face-to-face sign-up sessions resulted in the lowest take-up, when adjusted for the size of workforces. It also offered by far the worst value for money, more than five times the cost to acquire each new payroll saver than the next most expensive campaign. However, despite these shortcomings, it was still found to be the most effective at encouraging the staff that did join during this campaign to select to save via payroll.

Therefore, **this points to the need for credit unions and employers to adopt a combination of engagement approaches to maximise take-up of payroll saving schemes.**

**Regular positive saving messages to those staff already saving via payroll yield higher levels of saving resilience**. The trial identified that those staff who were sent a regular monthly reminder had higher levels of regular savings than the group who received no subsequent correspondence about saving at all.

**The findings suggest strongly that membership of the payroll savings scheme is associated with positive savings behaviours, and positive attitudes to regular and persistent savings amongst lower-medium income employees.** These are important inputs when trying to build financial resilience. Employees who are members of the credit union tend to have lower incomes on average than employees who are not. They also report higher levels of financial anxiety on key measures. But, the findings suggest that membership of the payroll savings scheme mitigates that anxiety and vulnerability.

Building financial resilience through short-term savings should benefit not just individual employees, but should also have wider benefits for employers. In 2018/ 19, the equivalent of 12.7 million working days were lost due to stress, depression or anxiety – 54% of the total of 23.5 million working days lost.[43]

Although financial concerns are not the only cause of such problems, research suggests that there is a clear connection, with financial stress contributing to higher absenteeism, lower productivity, and reduced cognitive performance. Furthermore, a vicious cycle can develop

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[43] https://www.hse.gov.uk/statistics/dayslost.htm Table 3: Estimated days lost (full-day equivalent) and average days lost per (full-time equivalent) worker due to self-reported illness caused or made worse by work, by type of illness, for people working in the last 12 months Great Britain

with financial worries affecting an individual's level of financial capability, which can undermine the ability of people to make effective financial decisions. This can contribute to financial problems and anxiety, which can affect work performance and potentially earnings, which can in turn exacerbate financial anxiety and so on.

So, it is reasonable to conclude that interventions which help employees build financial resilience and mitigate financial stress should also provide benefits for employers.

Moreover, expanding payroll savings schemes of the type covered in this project would benefit credit unions by allowing them to expand their membership and in doing so provide an additional benefit for employers who prioritise positive community relationships.

With this in mind, it is to be hoped that this report will help make the case to both employers and policy makers of the benefits of significantly expanding the take-up of payroll savings schemes.

As well as assessing the benefits of payroll savings schemes, the study tested various engagement approaches to understand how best to encourage employees to join and start saving in payroll deduction schemes.

The simplicity and ease of savings being deducted at source and automatically allocated to a separate account is shown to be a very appealing mechanism for saving. Both the quantitative survey and the qualitative interviews strongly point to this functionality being an important factor amongst new and existing users. In particular, the research suggests payroll saving is effective with people who had previously found it difficult to save regularly. 59% of new joiners reported that they had never or rarely put money aside before joining the credit union.

This report provides encouraging support for the benefits of payroll saving schemes with credit unions that provides helpful and timely evidence of interventions which are likely to be effective in encouraging greater levels of savings, especially amongst those lower paid workers and those that find it more difficult to save.