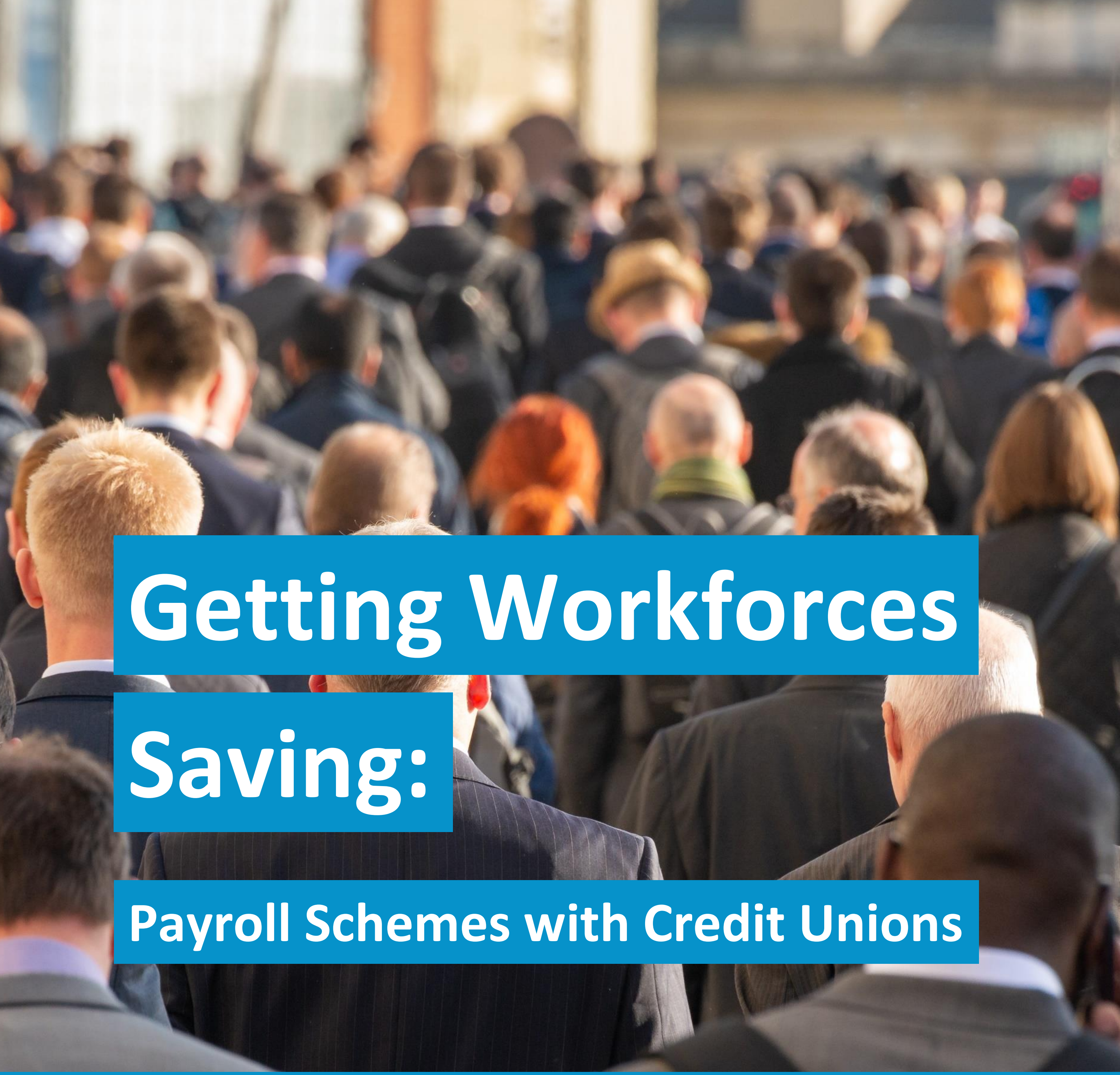

Getting Workforces Saving:

Payroll Schemes with Credit Unions

Scene Setting Report

October 2019

Produced by:
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Funded by:

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

Produced by:

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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Executive Summary

Background:

The importance of improving the financial wellbeing of staff is gaining increasing recognition with the workplace now seen as an essential arena for the delivery of both financial services and guidance/support. It offers the opportunity to reach an accessible audience at scale and efficiency and deliver potential benefits for individual staff members as well as the employer. The theory being that workers with fewer financial stresses are less likely to have these detrimentally impact upon their work.

More and more employers are recognising the need to address financial well-being amongst their workforces with a survey of over 1,000 employers finding that 22% noted productivity was reduced due to money-related stress.[1]

An essential element of this financial wellbeing drive within the workplace is fostering a savings habit and building a financial buffer that should give individuals greater control over their money and protect against financial shocks.

Utilising automated payroll deduction as a mechanism for workers to put aside regular savings is a growing but not particularly new concept. Credit unions, not-for-profit financial cooperatives, have been delivering such schemes with employers across the country. Yet, while the rationale to harness this method to develop regular savings is clear, there is little to no research evidencing how effective payroll deduction is at encouraging greater levels of savings and positive financial behaviours in comparison to other saving approaches.

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 the payroll deductions made together with the remittance of the funds.

Payroll saving research

It is this research gap that this 18 month MaPS funded 'Payroll Savings via Credit Unions' evaluation research seeks to fill. The study will identify how best to encourage both employers and employees to participate, and remain, in automated payroll deduction schemes, determine how effective schemes are in getting employees to build and retain savings and evaluate any impact of involvement in such saving scheme.

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

Led by the Financial Inclusion Centre (FIC) the research will test two specific 'participation' themes on interest and membership take-up and use / persistency of saving via payroll deduction with delivery partner Leeds Credit Union (LCU):

- **Participation Theme 1: Person-Centred Promotion** (across NHS York's 8,630 employees) Testing the impact of person-centred promotional activity whereby existing staff users are the primary focus of engaging fellow colleagues and establishing payroll saving as the 'social norm' within the workforce.
- Participation Theme 2: Prize Draw Incentives (across Leeds City Council's 14,500 employees) Testing the impact of incentives in the form of one-off cash prize draws to; encourage staff to join the credit union and set-up monthly payroll saving ('Sign-Up to Save'); and then maintain the savings habit over six consecutive months ('Continue to Save').

Key findings

The results of the extensive baseline surveys completed by over 1,600 staff from across the two participating employers as part of this initial scene setting report already point to a number of important discoveries:

Payroll deduction schemes with credit unions appear almost universally popular amongst existing users - with 96% stating that they would be very likely or likely to recommend this method to their colleagues. There is the potential to harness this satisfaction to spread the word about payroll deduction within the workplace. We will be exploring this further during the research project.

Ease and simplicity is the principle driver for participating in a payroll deduction scheme - with 79% stating it was the main reason for saving via this method with the credit union. A further 11% state they believe it helps them establish a regular savings habit.

Distinct lack of awareness about opportunity to save via payroll deduction - almost two-thirds (62%) of those not already saving via payroll[2] were unaware that they could make regular savings via their employer in this way. This highlights the need for comprehensive promotion amongst workforces.

Over half of those not already saving via payroll expressed a potential interest - despite low awareness and understanding about such arrangement, 53% of those without a payroll deduction still showed a degree of interest in payroll saving when the concept was introduced.

Almost a quarter of workers believe their lack of money prevents them saving regularly - 22% of those not saving via payroll said that a perceived lack of money stopped them saving via this method.

Employees saving with a credit union via payroll are much more likely to regularly save - the workforce survey found that 78% of payroll users with the credit union consistently put aside funds every single month, which compares to 55% amongst other non-payroll credit union members and just 47% amongst those staff that are not members of the credit union.

[2] Includes both non-LCU members and existing members that choose not to use payroll deduction.

Payroll saving via a credit union appears to encourage more consistent saving behaviours amongst employees - with a considerably higher proportion of payroll savers (75%) stating that they save roughly the same amount every month, compared to both fellow credit union members saving by other methods (60%) and staff who were not members of the credit union (47%).

Overall, the findings from these questions on savings are encouraging and would seem to indicate a positive relationship between credit union membership within workforces and more frequent and persistent (or disciplined) saving habits compared to their non-member employee colleagues. Moreover, there also appears to be a positive impact on savings behaviour of workforces making savings deductions directly from their salary, even within existing credit union members. These promising discoveries will be explored and tested further during the rest of the evaluation study.

More than half of workers report that their current financial situation makes them feel worried - the baseline results show that 51% of non-members and 48% of LCU members (which drops to 47% amongst just those with payroll deductions) reported a high level of anxiety about financial circumstances.

Financial worries are detrimentally impacting upon employees' lives - in terms of the knock-on impact of individual's financial worries, the workforce survey shows:

- **Well-being -** 39% of non-members and 34% of credit union payroll members strongly agreed or agreed that it has affected either physical or mental health over the last 12 months.
- **Family relationships -** 32% of non-members and 28% of credit union payroll members strongly agreed or tended to agree that money worries had affected their family relationships over the past year.
- **Work life -** 19% of non-members compared to 15% of credit union members with a payroll deduction tended to agree or strongly agree that their money worries had affected their work over the past year

So far, while the initial baseline survey shows a high proportion of the workforces saying that their money worries have had a detrimental bearing on their lives, there is no significantly clear evidence as to the wider beneficial impact of saving via payroll deduction on workforces. Although credit union members using automated payroll deduction do appear slightly less anxious and less impacted than non-members. Furthermore, questions seeking to gauge financial resilience both appear to run counter to the theory that credit union membership results in more positive financial positions. These findings will require further analysis and more detailed investigation during the qualitative phase of the research to help understand and explain these findings.

Next steps

The practical delivery of the test and learn research is set to be completed by February 2020 with the final Evaluation Report published towards the end of summer 2020 together with a number of practical tools and promotional materials that can be utilised by both credit unions and employers.

Background

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.

As many as 21% of the UK population rarely or never save resulting in 11.5 million people having less than £100 in savings.[5] With incomes for many failing to keep up with the cost of living and rock bottom interest rates, both the capacity and the incentive to save has diminished over recent years.

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

The workplace is now seen as a significant arena for the delivery of financial services as well as financial guidance/support, offering the opportunity to reach an accessible audience at both scale and efficiency. At the same time, the benefits of improving the financial wellbeing of staff is gaining increasing recognition amongst 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 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 to no research evidencing that this method of saving is either effective or beneficial for the staff member or the employer.

This 18-month MaPS-funded Payroll Savings via Credit Unions research therefore seeks to address a significant gap. The study has the potential to demonstrate the business rationale and evidence the benefits of providing access to credit union savings (and loans) via payroll deduction for workforces across the country. It should also help determine the most effective methods for maximising take-up, saving levels and retention.

This initial research is the first output from the research. It provides an introductory overview of this study and a review of the available evidence base on this topic. It focuses on the key findings of our large-scale workforce surveys of over 1,600 workers split almost equally between those already saving via payroll with a credit union and those that are not.

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

Payroll Saving Research

Research objectives

This research will address three core research 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.

Delivery partner - Leeds Credit Union

The credit union delivery partner for the Payroll Saving research is Leeds Credit Union (LCU). Operating for over 30 years, it is the largest community-based credit union in the country with over 37,000 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[6] 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, Leeds City Colleges).
- 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/

Given the credit union's stature within the sector and its extensive network of well-established payroll deduction schemes, together with its capacity and capabilities, it provides an appropriate credit union partner to deliver the Payroll Saving research.

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

Research project design

Working with MaPS and LCU, the FIC research team have designed a robust 12-month ‘test and learn’ research project. The study will look to identify how best to encourage employees to participate, and remain, in automated payroll deduction schemes, as well as generating sufficient user data to effectively evaluate the impact of involvement in such saving schemes.

Leeds City Council and NHS York, two of LCU’s existing 42 payroll partners with established payroll deduction schemes already in operation were identified as suitable employers to participate on the project. Each were formally approached and agreed to take part with each assigned a specific ‘participation’ theme, which will govern the range of test and learn activity that are delivered within their organisation during the 12 month period, beyond LCU core promo offer[7], to encourage participation in the scheme.

Participation Theme 1: Person-Centred Promotion (NHS York)	NHS York Teaching Hospital NHS Foundation Trust
Theme:	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.
Employer:	York Teaching Hospital NHS Foundation Trust (NHS York)
Organisation:	Public sector body – NHS Foundation Trust
Number of staff:	8,630 employees
Eligibility:	All NHS York employees who have their wages paid via payroll.
Summary of Activity:	**1. ‘Snacks & Savings’** – a 4-month programme of 12x short, ‘pop-up’ promotional sessions delivered across the organisation’s various staff sites to different employee groups, promoting LCU and the payroll scheme and providing direct sign-up opportunities on the day (‘a call to action’). Delivered by LCU and backed up by an ongoing internal promotional campaign over the period the sessions are being delivered. **2. ‘Social Norm’ Campaign** - implementation of a 4-month promotional campaign that utilises existing staff case studies to influence/recommend other colleagues as well as results from the NHS York workforce survey that looks to encourage payroll saving the ‘social norm’. **3. ‘Save as you Borrow’ Network –** a 4-month campaign to test the effectiveness of developing savings habits by encouraging staff that borrow to also allocate a small amount to a savings account.[8]

[7] See Leeds Credit Union website https://www.leedscreditunion.co.uk/payroll-services/
[8] Fairbanking Foundation (2017) - ‘Save as you borrow – credit unions creating good habits.’

Timetable:											
‘Snack & Save’ period				**‘Social Norm’ period**				**‘Staff Champions’ period**			
Feb19	Mar19	Apr19	May19	Jun19	Jul19	Aug19	Sep19	Oct19	Nov19	Dec19	Jan19

Participation Theme 2: Prize Draw Incentives (Leeds City Council)	
Theme:	**Testing the impact that incentives (in the form of prize draws) have on membership take-up and use/persistency of saving via payroll deduction.**
Employer:	Leeds City Council (LCC)
Organisation:	Public sector – Local government
Number of staff:	14,500 employees
Eligibility:	All LCC employees who have their wages paid via payroll.
Summary of Activity:	Delivery of two stage prize-draw incentive scheme to: • ‘Sign-Up to Save’ encourage staff to join the credit union and set-up monthly payroll saving. • ‘Continue to Save’ over a subsequent six month period. Promotion across various staff promotional channels including ‘Insight’ (staff intranet), online staff newsletter, payslip advertisement (electronic, plus 5,000 hard copies) and various social media opportunities. • Prize Draw (First): £1,000 prize – open to all staff who sign-up between February and May 2019 and are saving a minimum of £20 per month at June pay run. • Prize Draw (Second): 4 x £500 prizes – open to all staff who continue to save a minimum of £20 per month for six consecutive months. At the end of the prize draw, saving retention will be monitored.

Timetable:											
‘Sign-up to Save’ period				**‘Continue to Save’ Saving period**						**‘Retention’ period**	
Feb19	Mar19	Apr19	May19	Jun19	Jul19	Aug19	Sep19	Oct19	Nov19	Dec19	Jan19

The FIC research team has developed and implemented a tailored Action Plan with each of the two employers that clearly sets out the range of test and learn activities under each theme during the project period, and how it will be effectively delivered across the various communication channels.

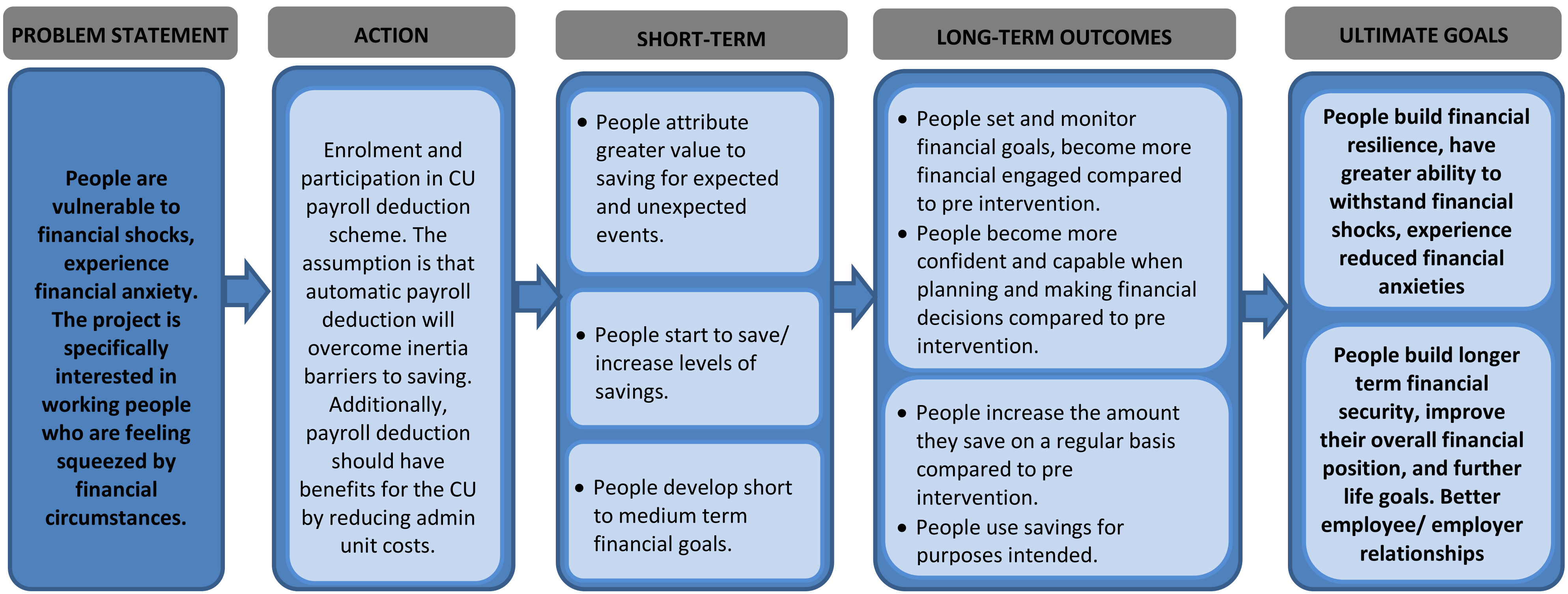
The various intervention and communication activities will be executed for the specified period (and clearly recorded) so that subsequent page visits to each employers dedicated webpage and membership take-up levels can be monitored and attributed to the communication activity.

The research will compare the experience of the two selected employers over the course of the 12-month research period against two baseline positions. Firstly, the research team will obtain the membership sign-up and savings data from the two employers over the previous 12 months. Secondly, the experience of the other existing payroll deduction employers that are not participating in the research and receiving no additional test activity (aside from general/basic existing internal promotion and ongoing administration of the scheme) will be measured over the period.

Theory of Change Model

The research team have used template measures, outcomes and goals in the MaPS Evaluation Toolkit[9] during the design of our 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 we 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.



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

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 data analysis:

Baseline member data: information from existing LCU members who are already participating in payroll deduction scheme with one of the credit union's main employer partners will be analysed. This will enable the production of comprehensive baseline data, stretching back over the year prior to the commencement of the evaluation study thus providing extensive control data to compare and contrast during the experience during the test and learn implementation. Moreover, it should enable the comparison of those members saving via payroll deduction against the general saving experience across the entire membership. See section on Key Findings: Workforce Survey.

Tracking member data: detailed monthly tracking data will be collated over the entire 12-month test and learn period to measure the effectiveness of the various engagement interventions including; the number of visits to individual credit union webpages and the number of new members saving via payroll. Monthly membership data will also quantify *actual* changes in financial usage and saving behaviours of new participants, levels of retention within the payroll deduction schemes and the amounts and frequency of saving deposits being made.

Quantitative surveying:

Baseline workforce surveying: an extensive financial wellbeing survey will be 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. This will be used to measure the attitudes, behaviours and mind-sets of staff that do and do not save via payroll deduction with the credit union.

Participant tracking surveying: structured surveys will be used to measure the self-reported impact engaging with the credit union and saving via payroll deduction has on financial and emotional well-being and financial capability amongst payroll participants. This will be undertaken at two stages:

- Commencement stage: structured surveys will also be sent to all new payroll participants within the two employers who join and start having deductions made via their payroll.
- Completion stage: At the conclusion of the 12-month test and learn period, the research team will undertake subsequent follow-up surveys with respondents who completed the first survey.

Qualitative in-depth interviews:

Payroll participants: the research team will conduct interviews with at least 15 payroll participants from across the two employers to gauge in more depth the impact and causality of different approaches on financial and emotional well-being.

Employer representatives: formal consultations with lead representatives from the two selected employers will be undertaken to explore whether any positive effects have been realised for the employers from the payroll deduction schemes.

LCU representatives: consultation will also be undertaken with relevant credit union staff to obtain their views on the various approaches and subsequent outcomes during the research.

Evidence Review

This section provides an overview of the desk-based review of existing research conducted to explore:

- Workforce financial wellbeing.
- The impact of financial worries on employees/employers.
- The use of payroll deductions within the workplace to encourage saving/borrowing.
- Evidence of resulting beneficial impact.

Workforce financial wellbeing and anxiety

There is well documented evidence money worries can cause or contribute to anxiety, stress, and mental health problems in the population generally. Of specific relevance to this project, there is also evidence of high levels of financial anxiety amongst employees in the UK, and the knock-on impact of money worries contributing to problems in the workplace. In other words, money worries not only affect individuals but have a detrimental impact on employers and the wider economy.

In 2017/ 18, the equivalent of 15.4 million working days were lost due to stress, depression or anxiety – 57% of the total of 26.8 million working days lost.[10] Although financial concerns are not the only cause of such problems, there is available research which suggests that there is a clear connection, with financial stress contributing to higher absenteeism, lower productivity, and reduced cognitive performance.

For example, analysis by the Social Market Foundation (SMF) concluded that low levels of financial resilience are a significant cause of stress across the UK workforce[11]. 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.[12] Other research has found that one in four people (25%) report that money worries have affected their ability to do their jobs.[13]

[10] Health and Safety Executive - http://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.
[11] Evans, K (2016) - 'Working Well: How employers can improve the wellbeing and productivity of their workforce'. Social Market Foundation.
[12] Association of British Credit Union (Work Not Worry campaign) - http://worknotworry.org/
[13] Close Brothers (2017) - 'Financial well-being: the employee view'. Chartered Institute of Payroll Professionals (CIPP), page7.

Furthermore, a vicious cycle can develop with financial worries affecting an individual's level of financial capability[14], 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.[15] 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.[16]

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.[17]

These findings from the existing research are supported by the baseline research conducted as part of this research study across the entire workforces of Leeds City Council and York Teaching Hospital NHS Foundation Trust. The results from over 1,600 employees that responded to the baseline survey are covered in more detail within the key findings section but highlight that:

- 50% of respondents declared that they strongly agreed or tended to agree that thinking about their financial situation makes them anxious.
- 37% said they strongly agreed or tended to agree that money worries had affected their health (physical or mental wellbeing) over the past year.
- 31% stated they strongly agreed or tended to agree that money worries affected their family relationships over the past year.
- 18% said they strongly agreed or tended to agree that money worries had affected their work over the past year.

Building financial resilience through payroll saving

Considering the evidence, there is a strong case for deploying interventions which help workers save, build financial resilience, as well as where necessary provide them with the opportunities to borrow at fair and reasonable terms.

According to the MaPS Financial Capability model, increasing levels of savings enhances financial resilience.[18] 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 (this is outside the scope of this project).

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[14] Holkar, M (2017) -'Seeing through the fog: How mental health problems affect financial capability.' Money and Mental Health Policy Institute.
[15] Bond, N and Braverman, R (2018) -'Too ill to work, too broke not to.' Money and Mental Health Policy Institute.
[16] Money and Mental Health Policy Institute - Money and Mental Health Fact Sheet
[17] Close Brother (2019) - 'Financial Wellbeing Index'
[18] Money Advice Service - Financial Capability Strategy for the UK

- 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 principle, payroll deduction schemes should 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 the benefits of saving and to encourage or persuade them (so addressing the barriers created by low levels of awareness and propensity to save).

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[19].

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.

Nevertheless, 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.

Depending on the size of workforce, payroll schemes 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. Payroll deduction can also help reduce the unit costs of maintaining large numbers of members' savings accounts.

[19] 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)

Extent of workplace payroll deduction schemes with credit unions

According to ABCUL, there are over 200,000 employees in Britain that currently save and/or borrow by payroll deduction via their credit union.[20] To put this in context, this represents just over 10% of the 1.8 million adults currently members of credit unions in Great Britain (England, 791,000; Scotland, 368,000; Wales, 69,000; and N. Ireland, 579,000).[21]

Figures from the Find Your Credit Union site[22] 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, 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 this will be outdated.

The diversity of these employers is huge, 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 credit unions.

But, even though a wide range of employers 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.[23]

While this may be encouraging, it is also worth noting that a recent study undertaken in Scotland found that it was very difficult to persuade employers to take up payroll deduction schemes. The report concluded that '*credit unions perceived that some employers appeared to be overwhelmed by*

[20] Association of British Credit Unions (Work Not Worry campaign) - http://worknotworry.org/
[21] Bank of England - UK credit union quarterly statistics (2018 Q3) https://www.bankofengland.co.uk/statistics/credit-union/2018/2018-q3
[22] Find Your Credit Union website - https://www.findyourcreditunion.co.uk
[23] Chartered Institute of Payroll Professionals (CIPP) - https://www.cipp.org.uk/financial-education/saving-through-payroll.html

other payroll initiatives such as automatic enrolment in pensions'[24] and that *'Local 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.'*[25]

Therefore, 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.

Evidence of payroll deduction benefits

Whilst there appears an important role for payroll deduction to play in promoting greater levels of savings and financial resilience within the workplace, there seems very little research available on its potential benefits.

Despite desk-based research to identify existing evidence, there appears a paucity of relevant studies which assesses how effective payroll deduction is at encouraging greater levels of savings and positive financial behaviours in comparison to other saving approaches.

Therefore, this evaluation study should provide important new insights into this topic and its potential effectiveness.

[24] Mochrie, R and Waite, K (2017) - 'Community Credit Unions and Payroll Deduction: A report on a field trial'. Heriot Watt University, Chartered Institute of Payroll Professionals (CIPP), Ethical Finance Hub, Scottish Universities Insight Institute, page 10.
[25] Ibid, page 11.

Key findings from workforce surveys

A central part of the research project has been a baseline financial wellbeing survey across the entire workforces of our two selected employers, Leeds City Council (14,500 employees) and NHS York (8,650 employees). This section summarises the key data and findings from the two workforce surveys. The results are initially split between those staff who are existing members of LCU and those who are not; and then within LCU members between those who do and do not participate in a payroll deduction scheme.

The structured survey was developed with input from MaPS' Research and Evaluation Executive and subsequently agreed in advance by each of the employers. The survey was designed to produce comparable data and therefore adopted questions from existing large scale surveys from both MaPS Evaluation Toolkit[26] and the Financial Conduct Authorities' Financial Lives Survey[27]. In addition, there were a series of questions directed specifically at staff that were either existing LCU members or non-members.

It was distributed by the two employers over February and March 2019 across their various internal communication channels, as well as by LCU to its existing members registered as being employed by the two organisations. In order to encourage staff to participate, a £100 shopping voucher was offered as a prize draw incentive for each survey.

A total of 1,628 surveys were completed across the two employers - broken down as follows:

- Leeds Council - 1,038 surveys (7.2% of the workforce).
- NHS York - 590 surveys (6.8% of the workforce).

Amongst respondents, there was an almost equal proportion of existing LCU members and non-members:

Table 1: Are you currently a member of Leeds Credit Union		
Answers	Number	%
Yes	734	45%
No	894	55%
Total answered	1,628	

[26] https://www.fincap.org.uk/en/articles/evaluation-toolkit
[27] https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults

Behaviour and attitudes on payroll deduction

Existing credit union members:

Those staff that identified as already being an LCU member were asked a series of questions to identify their current usage, behaviour and views in relation to payroll deduction with the credit union.

The results indicate that the vast majority of existing members (61%) already using payroll deduction across the two employers only use it to save, while just 6% currently use payroll deduction to exclusively make loan repayments.

A further 20% are choosing to still make some degree of saving commitment at the same time as repaying their credit union loan. This 'save as you borrow' approach could be an extremely effective method of developing or maintaining a savings habit and building financial resilience via payroll deduction.

Yet, there is still a sizable proportion of members (13%) that despite being able to save through their payroll, prefer not to make regular deposits via their employer.

Table 2: Currently make regular monthly payments via payroll deduction?

Answers	Number	%
No – I don't make payments via payroll deduction	93	13%
Yes – to my savings account	443	61%
Yes – for savings and loan repayments	143	20%
Yes – for loan repayments	46	6%
Total answered	725	

For respondents who are making payments via payroll, it is the ease and simplicity of the approach that is the overwhelming reason for doing so (79%) with a further 11% stating that they believe it helps them establish a regular savings habit.

Table 3: Main reason for choosing to make payments by payroll deduction?

Answers	Number	%
It is simple to save directly from my salary	455	79%
I thought it would help me get into the habit of saving regularly	61	11%
A friend/work colleague was doing it and recommended it	41	7%
Other	21	4%
Total answered	578	

As table 4 shows below, using a payroll scheme is extremely popular amongst staff already using it, with 96% stating that they would be very likely or likely to recommend this method to their colleague. This points to the huge potential of harnessing satisfaction amongst existing users to help promote and spread the word within the workplace, which as highlighted earlier, the research project will be testing with NHS York.

Table 4: Recommend to a colleague or family member having a payroll deduction payment?		
Answers	Number	%
Very likely	494	80%
Likely	97	16%
Neither likely or unlikely	21	3%
Unlikely	5	1%
Very unlikely	2	0%
Total answered	619	

Non-payroll staff:

Amongst those not saving via payroll, which includes both non-LCU members and existing members that choose not to use payroll deduction, only 38% were actually aware that they could join the credit union and make regular savings via their payroll. This highlights the need for extensive promotion across workforces about the merits of joining the credit union and establishing payroll deduction, particularly given the almost universal satisfaction amongst existing users.

Table 5: Awareness that all staff can join LCU and save via payroll deduction?		
Answers	Number	%
Yes	358	38%
No	593	62%
Total answered (includes non-members and existing members not saving via payroll)	951	

When asked about the reasons for not saving via payroll, again a lack of awareness is highlighted both in relation to appreciation of the credit union (43%) and the ability to have savings deducted from their salary (30%).

A quarter of respondents would prefer to save with a different financial institution than a credit union. However, given the general low awareness levels, this may be due to a lack of understanding about credit unions. An important barrier to payroll saving is a perceived lack of money to commit to saving each month with almost a quarter (22%) giving this reason.

Privacy concerns about employers knowing about staff financial matters were not a significant barrier to engagement, with just 5% highlighting this as an issue.

Table 6: Main reasons for not already having a payroll deduction arrangement? (Select all that apply)		
Answers	Number	%
I haven't heard of Leeds Credit Union	380	43%
I did not know that I could save with the LCU via my payroll	269	30%
I never got round to doing it	105	12%
I don't really have enough money to save	198	22%
I prefer to save my money with another financial institution	225	25%
I don't like the idea of my employer knowing about my finances	48	5%
Total answered (includes non-members and existing members not saving via payroll)	885	

As highlighted in table 7 below, amongst those without a payroll deduction, there is potential interest with just over half (53%) of these staff showing a degree of interest in payroll saving after being given a brief introduction. This is despite existing awareness and understanding about such arrangement being shown to be extremely low.

Table 7: Interest in starting to save via payroll deduction?		
Answers	Number	%
Extremely interested	55	6%
Very interested	91	10%
Somewhat interested	349	37%
Not so interested	233	25%
Not at all interested	223	23%
Total answered (includes non-members and existing members not saving via payroll)	951	

Attitude to savings and savings behaviors

Overall, the survey results show that there is no significant difference between the proportion of members and non-members who say that it is very important or important to save for a rainy day – 92% non-members and 95% LCU members.

Table 8: Importance of saving for a rainy day How important do you think it is to save for a rainy day?			
Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Very important	60%	68%	64%
Fairly important	32%	26%	30%
Neither important nor unimportant	5%	4%	1%
Fairly unimportant	1%	0%	4%
Very unimportant	1%	1%	0%
Don't know	1%	1%	0%
Weighted average score	4.46	4.56	4.57

Of course, the important question is, to what degree are these good intentions translated into tangible action? The next two questions seek to gauge the persistency of savings. We take persistency here as being a combination of how regularly people save and whether the level of saving is maintained.

In terms of the regularity, the survey clearly shows that LCU members are significantly more likely to save regularly with 87% of LCU members stating that they save money every month or most months. This compares to 68% of non-members.

The benefits of payroll deduction on the regularity of saving are even more apparent when we consider the response of those saving by this method compared to fellow LCU members that do not save via their pay. The survey results indicate that 78% of payroll savers put aside funds every single month, which compares to 55% amongst other non-payroll LCU members and 47% amongst those staff that are not members of the credit union.

Table 9: Frequency of savings Which of these best describes how often you save money?			
Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Every month	47%	55%	78%
Most months	21%	20%	11%
Some months, but not others	26%	20%	10%
Rarely/never	6%	6%	2%
Don’t know	1%	0%	0%
Weighted average score	4.08	4.24	4.65

Similarly, as well as reporting that they are more likely to save each month, a much higher proportion of LCU members say that they save roughly the same each month – 72% amongst all LCU members compared to 47% amongst non-member.

Again, when we contrast those saving just by payroll, saving consistency in terms of the amount saved each month is much greater amongst those using payroll deduction (75%) compared to other LCU members saving by other methods (60%) and non-credit union members (47%).

Table 10: Persistency of savings
Thinking about the months that you save money is the amount that you save?

Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Roughly the same each month	47%	60%	75%
A little different from month to month	33%	28%	19%
Very different from month to month	19%	12%	6%
Don't know	1%	0%	0%
Weighted average score	2.25	2.48	2.69

Overall, the findings from these questions on savings are encouraging and would seem to indicate a positive relationship between credit union membership within workforces and more frequent and persistent (or disciplined) saving habits compared to their non-member employee colleagues. Moreover, there also appears to be a positive impact on savings behaviour of workforces making saving deduction directly from their salary, even within existing credit union members. These promising discoveries will be explored and tested further during the rest of the evaluation study.

Knowledge of financial services and management

In terms of knowledge of financial products and services, table 11 below identifies only slightly higher self-reported scores amongst LCU members, with a weighted average score 0.17 pts greater.

Table 11: Knowledge of financial products and services (self-reported)
How would you rate your knowledge of financial products and services?

Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Very good	5%	6%	10%
Good	37%	35%	41%
Neither good nor poor	42%	47%	46%
Poor	13%	8%	1%
Very poor	2%	4%	1%
Don't know	1%	0%	0%
Weighted average score	3.29	3.32	3.58

However, the self-stated knowledge of financial products and services is higher specifically amongst those with a payroll deduction arrangement (51%) compared to both LCU members not using payroll (41%) and those staff that are not a member of the credit union (42%).

As table 12 shows below, when respondents were asked to rate their approach to keeping track of their income and spending, 69% of non-members and 68% of existing LCU members assessed themselves as 6 or above (with 61% amongst non-payroll and 69% amongst payroll members).

Yet, significantly more LCU members, 25% (with 19% amongst non-payroll and 26% amongst payroll members), rated their approach very highly as a 9 or 10. This compares to 17% for non-members. Overall, as a group, LCU members using payroll deduction rate themselves slightly higher than non-payroll members and those staff not part of the credit union at keeping track of their finances. We will further investigate this result through the later qualitative research to help understand if this has any significance.

Table 12: Keep track of income and spending (self-reported)
Approach to keeping track of income/expenditure, how well do you think this approach works?

Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
10 - Very well	6%	7%	15%
9	11%	12%	11%
8	21%	16%	17%
7	17%	14%	16%
6	14%	12%	10%
5	13%	14%	13%
4	8%	5%	7%
3	6%	15%	5%
2	3%	0%	3%
1	1%	0%	1%
0 - Not at all well	1%	4%	2%
Weighted average score	6.51	6.16	6.66

Financial stress and resilience

The baseline surveys show a high number of respondents who indicate their current financial position is causing problems that impact upon aspects of their lives, including their wellbeing, their relationship and their work. This is true for both members and non-members. When asked, 51% of non-members and 48% of LCU members (which was 47% amongst those making payroll deductions and 48% amongst those members not) reported that thinking about their financial situation makes them feel anxious. The fact that in both groups around half report this suggests a high level of anxiety about financial circumstances. The workforce surveys appear to show no discernible difference between the groups although non-members appear slightly more anxious than LCU members.

Table 13: Financial anxiety cause by current financial situation			
Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Strongly agree	16%	14%	13%
Tend to agree	35%	34%	34%
Neither agree nor disagree	24%	33%	34%
Tend to disagree	17%	13%	13%
Strongly disagree	9%	7%	7%
Weighted average score	3.33	3.36	3.31

In terms of the knock-on impact of individuals financial worries, 39% of non-members and 35% of credit union members (dropping to 34% amongst those members making payroll deductions) strongly agreed or agreed that it has affected either physical or mental health over the last 12 months. Again, non-members are slightly more likely to report this whilst those participating in the payroll deduction scheme are least likely – nevertheless across all groups there is a disturbingly high proportion of the workforces saying that their money worries have had a detrimental bearing on their health.

Table 14: Impact of money worries on respondents' health Money worries have affected my health (physical or mental wellbeing) over the past year.			
Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Strongly agree	13%	13%	12%
Tend to agree	26%	22%	22%
Neither agree nor disagree	20%	25%	26%
Tend to disagree	18%	20%	20%
Strongly disagree	23%	21%	21%
Weighted average score	2.88	2.86	2.83

Furthermore, the survey shows that 32% of non-members strongly agreed or tended to agree that money worries had affected their family relationships over the past year. In comparison, reported levels of money worries are slightly lower amongst credit union members with 30% of non-payroll members and 28% of payroll members. But, there is no significant difference in the weighted average.

Table 15: Impact of money worries on family relationships Money worries have affected my family relationships over the past year			
Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Strongly agree	10%	11%	10%
Tend to agree	22%	19%	18%
Neither agree nor disagree	19%	27%	28%
Tend to disagree	19%	17%	17%
Strongly disagree	29%	26%	27%
Weighted average score	2.65	2.70	2.67

Likewise, a slightly higher proportion of non-members (19%), compared to either LCU members without a payroll deduction (16%) or members with a payroll deduction (15%) tended to agree or strongly agreed that their money worries had affected their work over the past year. But, overall, the net effect is that the weighted average for all are relatively similar – 2.29, 2.31 and 2.28 respectively.

Table 16: Impact of money worries on work Money worries have affected my work over the past year			
Answers	Non-LCU members	LCU members	
		Non-payroll	Payroll
Strongly agree	4%	6%	5%
Tend to agree	15%	10%	10%
Neither agree nor disagree	23%	28%	28%
Tend to disagree	23%	21%	21%
Strongly disagree	36%	35%	35%
Weighted average score	2.29	2.31	2.28

Finally, we asked two questions looking at respondent's levels of financial resilience. This first of these questions seeks to gauge how long households can keep going without having to borrow – as a measure of financial resilience. The results show that 27% of non-members and 30% of members say they could cover living expenses and bills for less than a month. Indeed around 1 in 12 non-members and 1 in 10 members could keep going for just less than a week.

Table 17: Ability to cover bills/ expenses without borrowing 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?		
Answers	Non-LCU members	LCU members
6 months or longer	23%	15%
3 months to less than 6 months	17%	17%
1 month to less than 3 months	26%	29%
1 week to less than 1 month	19%	20%
Less than a week	8%	10%
Don't know	7%	10%

Across both groups, under half report that they are keeping up with bills and credit commitments without any difficulties. Non-members are slightly more likely to be keeping up without difficulty – 48% to 43%. However, 34% of non-members and 41% of members say it is a struggle from time to time with 1 in 10 non-members and 1 in 11 members say it is a constant struggle.

Table 19: How well keeping up with bills Which one of the following statements best describes how well you are keeping up with your bills and credit commitments at the moment?		
Answers	Non-LCU members	LCU members
Keeping up without any difficulties	48%	43%
It is a struggle from time to time	34%	41%
It is a constant struggle	10%	9%
Falling behind with some bills or credit commitments	2%	3%
Having real financial problems and have fallen behind with many bills or credit commitments	1%	1%
Don't have any bills or credit commitments	1%	1%
Prefer not to say	3%	3%

Both of these latter two results would appear to run counter to the earlier findings that show credit union membership tending to result in more positive saving attitudes and behaviours as well as self-stated financial positions. This will need to be examined in more depth during the qualitative phase of the research to help understand and explain these findings.

Next steps

While payroll deduction is by no means a new mechanism for enabling workforces to access financial services and make payments, its potential for encouraging the accumulation of savings and accessing more affordable credit has increasingly been recognised. Yet, as this report demonstrates, there appears to be a lack of any available research on the topic of payroll saving or evidence relating to either the effectiveness or possible beneficial impact of payroll deduction on staff or the employer.

Therefore, this MaPS-funded research on payroll saving with credit unions is both timely but also much needed. Encouragingly, even at this extremely early stage, there are already a number of standout findings from the baseline surveys completed across the entire workforces of our two participating employers.

The most promising discovery from the workforce surveys relates to the emerging positive relationship between credit union membership within workforces and more frequent and persistent (or disciplined) saving habits. Those employees that are already making deduction from their salary directly into their credit union saving account appear to be far more likely to save every single month and save roughly the same amount each time, compared to their fellow workers.

Other important findings include the almost universal satisfaction amongst workers already using payroll deduction with their credit union, with existing users recognising the ease and simplicity of saving using this method. It also highlights significant potential interest in payroll deduction but a lack of awareness across workforces was the principle barrier preventing engagement.

As well as these promising results, the preliminary research has also uncovered a number of key emerging questions that will require additional focus during the remaining part of the study. Given such encouraging saving persistency results identified amongst existing payroll users, why is this not translating into more noticeable improvements in financial resilience and wider financial circumstances amongst this group? One potential explanation could be that the beneficial impact resulting from accumulating savings on individual's financial stress and overall improvements to financial resilience is overstated. Alternatively, there could be underlying differences in the demographic profiles and financial circumstances of those that become credit union members and save via payroll that might be disproportionately likely to have lower incomes or great financial vulnerabilities. These aspects will be investigated further utilising any available evidence the demographic profiles and financial circumstances of credit union membership as well as the further quantitative surveying of payroll savers and workforces during the rest of the research. Furthermore, we will also use the qualitative consultations to explore these potential impacts in greater depth.

Further consideration will also be given to the apparent low levels of payroll deduction take-up both by employers and then amongst workforces that already have access to such scheme. Given the identified saving behaviour benefits and the overwhelming satisfaction amongst existing users, the question is, how can more employers be encouraged to establish payroll partnerships with credit unions and then how can greater workforce penetration be achieved?

These initial findings, in particular the results of our large scale workforce analysis, should prove valuable to individuals credit unions looking to make the case to establish new payroll partnerships. Moreover, it should provide insight and greater reassurance for every employer to seriously consider implementing a payroll deduction scheme for their workforces. Working with a credit union to encourage savings and access to affordable credit should be seen as an important part of their package of financial well-being and how they can help their staff develop greater financial resilience through regular savings.

We hope that it will also stimulate further interest and add to the debate amongst policymakers and other civil society organisations about how to effectively address the financial problems of wider society. Workplaces offer huge potential to deliver at considerable scale and in an extremely cost-effective way that should bring benefits for all parties.

Timetable and outputs

The practical delivery of the 12-month test and learn research phase will continue over the next six months and is set to be completed by February 2020.

Once concluded, the subsequent 4-5 month period will be used to undertake the final post intervention evaluation activities, namely the:

- Follow-up workforce surveying and participant tracking surveying.
- Qualitative in-depth interviews with selected payroll participants and employer representatives.
- Final data analysis.
- Evaluation report writing.

It is anticipated that the final detailed Evaluation Report will be published towards the end of summer 2020 together with a number of practical tools and promotional materials that can be utilised by both credit unions and employers.

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