



Getting Workforces

Saving:

Payroll Schemes with Credit Unions

Scene Setting Report (Summary)

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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.moneyandpensionservice.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

Summary Report

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.

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>

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.

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 payroll² 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.