



Using behavioural science to help employees save

Evaluation of a payroll savings scheme - final report



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1. Executive Summary

This project was a collaboration between BIT, the Money and Pensions Service (MaPS), Capita, a consulting, digital services and software organisation, and Level Financial Technology, a financial wellness platform that provides a payroll savings product for workers.¹ Capita employees were invited to sign up for the Level payroll savings scheme. The Level payroll savings product works by automatically depositing a portion of an employee's salary each month into a savings account with competitive interest rates.

The objective of the project was to understand the best ways to encourage take-up of the payroll savings scheme. We also wanted to understand who signed up, why, how they've used the account and their savings, and the initial impact on their savings and financial wellbeing.

Evaluation approach

We used a range of research methods:

1. Early user testing to understand the experience of using the app and to help design the emails which were sent to employees encouraging them to sign up
2. A Randomised Controlled Trial (RCT) to test and identify, conclusively, which version of the email worked best at encouraging people to sign up;
3. Interviews with users to understand the user experience of the product and motivations for signing up;
4. Administrative data provided by Level to understand the profile of users;
5. Surveys with people who signed up (at sign up and seven months later) to understand whether and how financial wellbeing changed after signing up; and
6. Follow-up interviews (six months after sign-up) to understand how financial wellbeing changed after signing up.

Key findings

Behavioural insights are an effective tool in attracting new payroll savings users. Four times as many people signed up for payroll savings when they received an email which included the 'soft default' message "we've opened an account for you" compared with a standard promotional email which just announced the launch of the product alongside information about its features.

Inertia has a powerful influence on behaviour. Most users stuck with the preferences they chose when they signed up, with very few adjusting their monthly savings amount. The

¹ The Financial Capability Lab ('the Lab') is a multi-year programme to develop, test and scale innovative ideas to improve financial wellbeing, funded by the Money and Pensions Service ('MaPS') and implemented by the Behavioural Insights Team ('BIT'). This project is part of the Lab.

median monthly savings amount was £50, which was also the default recommended by the app. Those who did sign up said it was easy to do so and that they liked the automated 'set and forget' nature of payroll savings, which allowed their savings to build automatically over time.

As well as increasing sign-up rates to payroll savings, using behavioural insights can be effective when applied to the design of the payroll savings product. By their nature payroll savings offer an easy way to save but the Level savings platform has a few features which draw on behavioural science principles:

- The initial set up is simple and quick, taking just a few minutes. Users also appreciated the streamlined user journey, which was one of the key features of the Level product.
- Level's proprietary technology allows the user to set everything up on the app without having to fill out additional paperwork as is often required by more traditional payroll savings schemes.
- The employer (in this case Capita) takes on an administrative role in setting up the scheme to work directly with payroll, significantly reducing the burden on employees to set up the account.
- Savings are separated from the user's everyday spending account, discouraging frequent withdrawals.

The payroll savings product was most attractive to people who earn under £25,000 each year, have little or no savings, and find it difficult to save consistently. This suggests that it might be an especially beneficial tool for those who are financially squeezed and struggling.²

People who signed up for payroll savings increased their confidence in managing their money, had built a regular savings habit and also built a small savings buffer.

The payroll savings product had a bigger positive effect for people with lower incomes, who had struggled with their finances and found it difficult to save previously; some even described the product as "transformative".

There are benefits for employers from offering a payroll savings scheme to employees as part of their employee wellbeing strategy. In this project, users saw the provision of the payroll savings scheme as a sign that their employer valued their financial wellbeing. Additionally the [What Works Centre for Wellbeing](#) recently reported that positioning financial wellbeing within a wider organisational wellbeing programme is, according to the evidence, likely to be most effective for employee wellbeing and performance.

Although we managed to get more people saving, still a minority of employees actually used the product; despite many saying they would like to. This is in line with

² Based on the MaPS Market Segmentation, the squeezed are mostly working age, in work with low-medium household income, likely to be renting privately or mortgaged, likely to have children, have a high dependency on credit, and are highly digitally literate. More information can be found [here](#)

findings from other projects. Other research has found that more intensive interventions, such as in person events, were not more effective and cost more than other engagement campaigns.³

Employers should trial the effectiveness of other methods of engagement, for example through testing more personalised support and guidance, regular prompts when employees join or change roles, and opt-out payroll savings schemes. An opt-out emergency workplace saving programme is currently being trialled by Nest Insight in partnership with MaPS and BlackRock.⁴

2. Background on payroll savings

Payroll savings schemes consist of automated payroll deductions diverted to a savings account on a regular basis. The link with payroll means that the user only has to enable the feature once; subsequently the savings are withdrawn with each payroll cycle. Payroll savings schemes have the potential to reach a large number of people and can help achieve one of the National Goals in the UK Strategy for Financial Wellbeing⁵, of encouraging 2 million more people to save regularly.

There is promising evidence on the impact and appeal of payroll savings. A recent study reported findings from payroll savings schemes at two large employers.⁶ Members who had been part of a payroll savings scheme for longer were less likely to feel financial anxiety and appeared to have greater financial resilience than newer members. The scheme also appears to successfully target and help employees who are on lower incomes. Interim findings from another study of payroll savings shows promising results with people who sign up saving regularly and over ¼ of savers are making deposits in addition to payroll saving.⁷

A key challenge to harnessing the potential of payroll savings schemes is encouraging both employers and employees to take them up. While national data on take-up doesn't currently exist, conversations with payroll savings providers suggest that sign-up rates with employers who do offer such schemes are in the single digits and on average less than 5% and very

³ MaPS report [Getting Workforces Saving: Payroll Schemes with Credit Unions](#) (2021)

⁴ Nest Insight, [Workplace Emergency Savings](#)

⁵ Money and Pensions Service: [UK Strategy for Financial Wellbeing](#)

⁶ Inclusion Centre: [Better and Brighter?](#)

⁷ Nest Insights is testing a workplace savings tool called 'Jars', which combines short- and long-term savings. Savings are made via payroll deduction, firstly into an emergency savings account and later, when a savings target is reached, into the individual's workplace pension. [Interim findings](#) were published in July 2021

rarely above 10% in an opt-in context.⁸ Payroll savings are only offered by about 3% of UK employers with over 100 employees.⁹

Employees seem to feel positive about payroll savings. A survey conducted in 2015 showed that over half of all employees surveyed were interested in enrolling in payroll savings.¹⁰ A survey in the US found that 71% of employees aged between 25-64 would be very or somewhat likely to enrol.¹¹ Recent Nest Insight research found a need and demand for saving through payroll when employees are asked. 8 in 10 employees said they think it is important to save money for emergencies, and 6 in 10 thought that a payroll savings product could help them, rising to 8 in 10 amongst those struggling with bills and financial commitments.¹² Recent research published by Wagestream suggests that employers underestimate how much their employees worry about money and would benefit from being more focussed in their support for employees' financial wellbeing. 18% of employers are considering implementing savings products to help employees save in 2022, despite it being the most desired form of financial wellbeing support, with 50% of employees wanting it.¹³

⁸ Nest Insight research [What do employers and savings providers think about an opt-out approach to emergency saving via payroll?](#)

⁹ It is estimated that only 850 of a total of 25,430 UK employers with over 100 employees have a payroll scheme [How payroll saving schemes can increase financial resilience](#)

¹⁰ [SMF Working Well Report](#), (n = 5,053)

¹¹ [Saving at Work for a Rainy Day Results from a National Survey of Employees](#) (n = 2,603) AARP (September, 2018)

¹² Nest Insight research [What do employers and savings providers think about an opt-out approach to emergency saving via payroll?](#)

¹³ Wagestream State of Financial Wellbeing Report 2022 <https://wagestream.com/en/state-of-financial-wellbeing-2022/>

3. Project and research methodology

Bearing this overall positivity of employees towards payroll savings in mind, it should be possible to improve on the low enrolment rates seen in payroll saving schemes to date. The aim of this project was to understand how to increase take-up of the Level payroll savings product¹⁴ which is offered to Capita¹⁵ employees. We did this by redesigning the emails that were sent to Capita employees to encourage them to sign up for the payroll savings product. As well as trying to increase the number of people saving, we wanted to understand who signed up, how and why, what they thought of it and whether it had an impact on their financial wellbeing.

3.1 Project methodology

BIT uses a five-stage methodological framework called TESTS - Target, Explore, Solution, Trial, and Scale - for our projects (Figure 1).

¹⁴ The Level payroll savings product is part of its financial wellbeing platform, which is offered to employers for them to use as a staff benefit. [Level Financial Technology](#) aims to help employees move from a culture where debt is the norm each month to a culture where people save, and to give employees the means and the knowledge to own their financial future.

¹⁵ Capita is a consulting, digital services and software organisation which aims “to create better outcomes – for (our) employees, clients and users, suppliers and partners, investors, and society”. Capita works with Level through its Capita Scaling Partner (CSP) team. CSP works with start-up businesses to bring new technology to market and help them grow quickly.

Figure 1: BIT's TESTS methodology






Project stages		Research activities completed
Target 	Define the problem and determine the measurable target outcomes	Literature review, interviews
Explore 	Map relevant behaviours and the wider context	
Solution 	Consider and design the intervention(s)	Tested 4 emails during pilot stage, refined down to 2 for full roll out
Trial 	Design and launch trial, evaluate, learn, and adapt	<p>RCT of 2 new sign-up emails (compared with business-as-usual email)</p> <p>Interviews and UX testing with users to understand their experience of the product and motivations for signing up</p> <p>Analysed administrative data to identify the profile of users</p> <p>A survey with users (at sign up and seven months later) to understand whether and how financial wellbeing changed after signing up</p>
Scale 	Increase adoption of effective interventions	

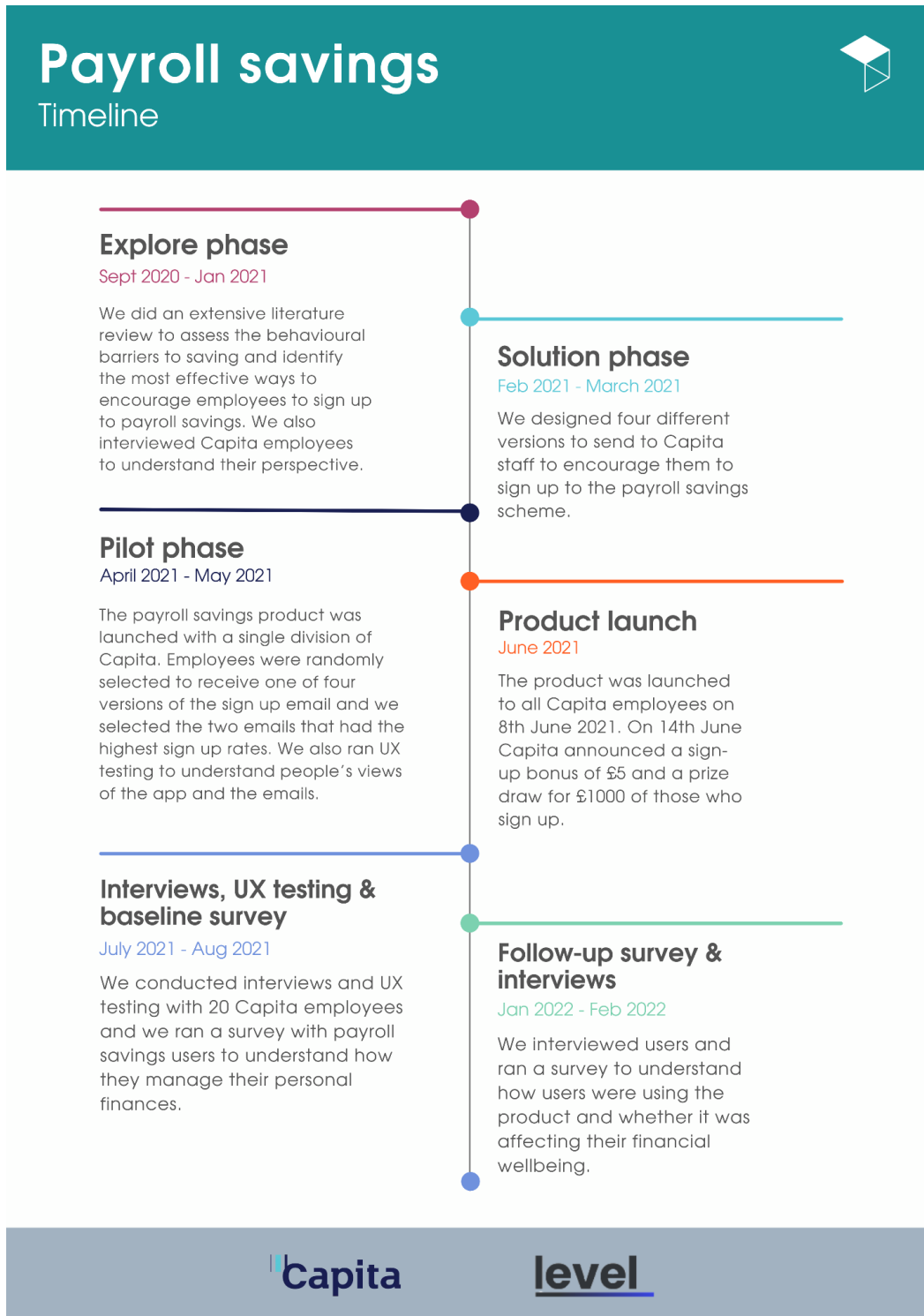
Table 1 below shows how the different methods were used to identify different findings.

Table 1: Research areas and methodology

Research areas	RCT	Qualitative research	User survey	Follow up interviews	Administrative data
How do we encourage more people to take up payroll savings products?	X	X	X		
Who used payroll savings?	X		X	X	X
How does using payroll savings help people save?	X	X		X	X
What did users think of their experience with Level payroll savings?		X	X	X	
How did financial wellbeing change for users?		X	X	X	

3.2 Timeline

Figure 2: Timeline of project stages



3.2 Explore, Solution & Pilot phases

In the Explore phase we conducted an extensive literature review and interviewed Capita employees to help identify barriers to saving and ways to overcome the barriers and encourage sign up. A summary of the literature review is provided in [Appendix B](#).

Following this review, we worked with Capita and Level Financial Technology (Level) in the Solution phase to design four different versions of the emails that announced the launch of the product.

The product was piloted with a single division of around 4,000 Capita employees in April 2021 (the pilot). Each employee in that division was randomly selected to receive one of the following pilot emails, informed by principles from behavioural science, to estimate which was more effective at encouraging people to sign up to the product.:

1. **Gain frame.** The gain frame email highlighted the “peace of mind” that savings can bring. One of the key phrases in the email was *“you can have peace of mind knowing you have money set aside for unforeseen expenses such as your washing machine breaking down”*
2. **Soft default.** The soft default email highlighted how easy it is to set up an account and start saving. The email’s subject line included the words *“We’ve set up a savings account for you”* and encouraged staff to log in and start saving right away.
3. **Sign up later.** The email highlighted the option to start saving now or in future. This was intended to overcome the feeling that people might not have enough money to start saving immediately. The key message was *“If you can’t afford to start saving now, don’t worry about it! You can set the savings now and choose when you’d like to start saving.”*
4. **Future self.** The email encouraged people to save by asking them *“what do you want your financial future to look like?”* in the title of the email and then saying *“Imagine yourself a few months from now, buying tickets for a holiday trip, shopping for a new car, or making an offer on that house you had your eyes on. Wouldn’t it be great if you had money set aside to help you do that?”*

In the pilot testing, versions 1 and 2 were more successful than ideas 3 and 4 and they were therefore kept for the product launch. A full discussion of the two emails, including the evidence for the approach, is outlined below ([Section 3.3](#)). In this phase BIT also did some early user testing on the payroll savings aspect of the Level app before the pilot launch in April. Based on the user testing and our literature review we provided advice to ensure the designs incorporated findings from previous projects on payroll savings. We recommended the following changes to the design of the app:

- giving the users the option to start saving in a month’s time rather than immediately,

- increasing the level of the default savings amount to £50 to increase the levels of saving, and including sufficient information about the withdrawal charge.

3.3 Product launch and randomised controlled trial

A randomised controlled trial (RCT) is a quantitative impact evaluation method. Participants in the trial are randomly split into two, or more, groups. Each group then receives a different intervention (in this case a different version of the email). We can then compare outcomes between these groups, and this comparison gives us the impact of the intervention.

In this project we randomly divided 30,000 Capita employees into three groups and sent each group a different version of the email which was sent to encourage people to sign up for the Level savings product.¹⁶ We measured a number of outcomes, including whether someone signed up to the payroll savings product or whether they expressed interest in the product (as measured by clicking on the email or signing up to the Level platform). More information on the quantitative analytical strategy is provided in [Appendix D](#).

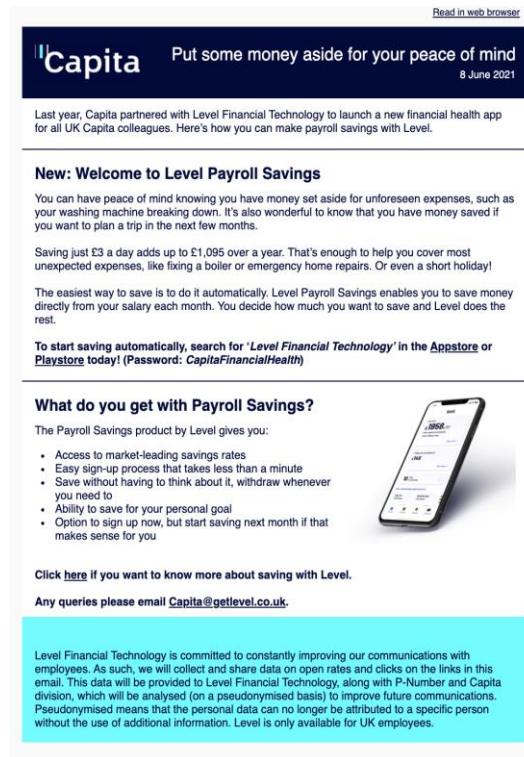
We compared two new emails, informed by behavioural science, with a business-as-usual email to measure their impact. Each email included a different introductory paragraph to explain the benefits of savings and encourage employees to sign up. We also varied the email subject line. The remainder of the emails did not change. Full-size versions of all emails can be found in [Appendix C](#).

¹⁶ Employees were stratified on their division. There are a total of seven divisions of differing sizes at Capita. One of the divisions was excluded from the main analysis as they were part of the pilot launch of payroll savings in April 2021.

Email 1 - Gain frame

The gain frame email highlighted the “peace of mind” savings can bring. One of the key phrases in the email was *“you can have peace of mind knowing you have money set aside for unforeseen expenses such as your washing machine breaking down.”*

Figure 3: Gain Frame email



Supporting evidence

We drafted the email based on the following research:

- Messages that emphasise peace of mind, such as “having money tucked away out of every paycheck for emergencies will relieve some stress”, are well received.¹⁷
- Whilst people are often successful at predicting what they will spend on everyday items, they tend to underestimate their spending on exceptional purchases (such as fixing a broken boiler).¹⁸
- Optimism bias refers to people thinking that good things are more likely to happen to them than to other people, whereas bad things are less likely.¹⁹

¹⁷ AARP (September 2018) [Saving at Work for a Rainy Day Results from a National Survey of Employees](#)

¹⁸ Sussman, A. and A. Alter, “[The Exception Is the Rule: Underestimating and Overspending on Exceptional Expenses.](#)” Journal of Consumer Research, 39, 800–14, 2012.

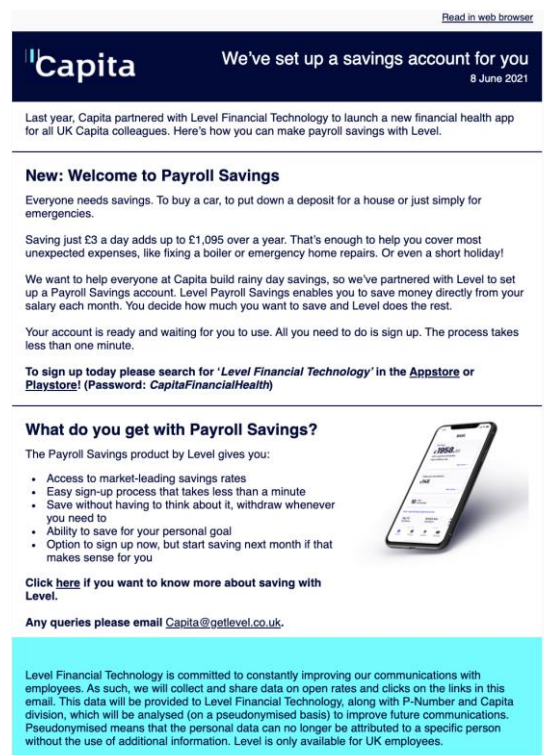
¹⁹ Weinstein, N. D. (1980). “[Unrealistic optimism about future life events.](#)” Journal of Personality and Social Psychology, 39, 806-820.

- Information avoidance affects many people’s financial management. People avoid information (for example about unexpected expenses) if it causes them to feel bad and threatens their feelings of psychological safety.^{20,21}
- Experimental work demonstrating that showing people financial vulnerability scenarios (alongside risk information) can help them adjust their financial predictions and prevent them from underestimating future expenditure.²²

Email 2 - Soft Default

The second treatment highlighted how easy it was to set up a savings account. The email’s subject line was “*We’ve set up a savings account for you*”. We used the same message from the gain frame email about unforeseen expenses.

Figure 4: Soft Default email



Supporting evidence

We drafted the email based on the following evidence:

²⁰ Golman, R., Hagmann, D., Loewenstein, G., 2017. “[Information Avoidance](#)”. Journal of Economic Literature, 55 (1), 96-135.

²¹ Shepperd, J. A., & Howell, J. L. (2015). *Responding to psychological threats with deliberate ignorance: Causes and remedies*. In P. J. Carroll, R. M. Arkin, & A. L. Wichman (Eds.), *Handbook of personal security* (p. 257–274). Psychology Press.

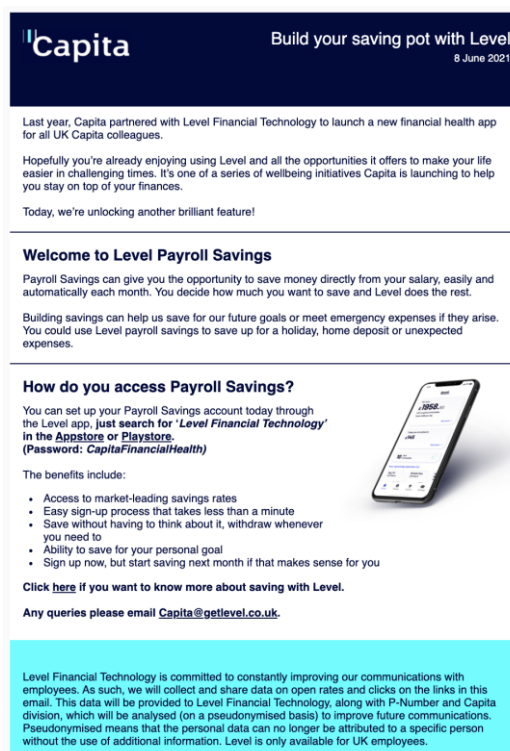
²² Dilek Önköl, D., Ahmed, W., de Baets, S. (2020). [Nudging For Improved Projections Of Future Expenses And Savings](#). Technical Report. Think Forward Institute.

- Small obstacles (known as friction costs) can have a surprisingly large influence on behaviour. For example, simplifying enrollment for retirement savings to ticking one box (rather than asking about different preferences) increased participation rates in retirement savings from 9% to 34%.²³
- Emphasising the ease of setting up a payroll savings account appeals to working adults.²⁴

Email 3 - Business as usual

The business-as-usual email was drafted based on previous communications from Level to Capita employees. It is a standard promotional email which announces the launch of the product and provides information about its features. The email is shown in Figure 5.

Figure 5: Business as Usual Email



Prize draw and financial incentive

Six days after the launch of the product (when the emails were sent) Capita launched an incentive scheme that rewarded all customers for signing up with a £5 bonus and entering them into a lottery to win £1000.

²³ Carroll, G. D., Choi, J. J., Laibson, D., Madrian, B. C., & Metrick, A. (2009). Optimal defaults and active decisions. *The quarterly journal of economics*, 124(4), 1639-1674.

²⁴ AARP (September, 2018) Saving at Work for a Rainy Day Results from a National Survey of Employees. Accessed from: <https://www.aarp.org/content/dam/aarp/ppi/2018/09/rainy-day-national-survey.pdf>

Capita sent an email to all its employees. The email announced the incentive scheme and reminded people about the payroll savings product. The email was designed by Capita and Level with support from BIT and MaPS. A follow-up email announcing the first winner and extending the prize draw by another month was sent to Capita employees the following month. The gap between the launch of the emails we designed and the incentives enabled us to measure the additional impact of the incentives (without them changing the relative impact of the emails). The impact of the incentives is explained in the results section below.

3.4 Surveys and interviews

User survey

We ran two rounds of surveys in July 2021 and January 2022. The surveys were designed to understand the characteristics and behaviour of the people that signed up to the payroll savings product, we conducted two rounds of surveys in July 2021 and January 2022. Both surveys are included in [Appendix F](#).

We sent the baseline survey to all payroll savings users in July 2021. We received 87 responses. We collected information on:

- Demographic data (e.g., education level)
- Reasons for signing up to Level payroll savings
- Level of satisfaction, confidence, and sense of control of personal finances
- Level and frequency of savings (excluding the payroll savings product)
- Financial resilience and capacity to manage emergency expenses

We sent a follow up survey in January 2022. We collected the same data set out above and collected data on:

- Interactions with Level payroll savings (logins, withdrawals)
- Perceived effect of Level payroll savings on financial situation

Forty three out of the 87 users who responded to the baseline survey also responded to the follow-up survey.

Interviews

The RCT was complemented by two phases of qualitative research. In the first phase, we explored the barriers and facilitators to people signing up to the product and tested the Level app with users to understand their experiences. In the second phase, we explored how people were using the product and how it impacted their financial wellbeing.

Phase 1: Exploring employees' attitudes, testing communications, and user testing the product

The first phase of the research aimed to understand users' journeys and the impact of the communications, as well as conducting user testing of the product. The fieldwork comprised:

- **Interviews with 22 Capita employees** asking them their opinions of Level payrolls savings, and of the communications they received on this product. In the interviews we also conducted user testing exercises with the app. The interview sample included:
 - Level payroll savings users
 - Level users who didn't sign up to payroll savings
 - Non-Level users
- **Interviews with key stakeholders** including the Level CEO and Capita's Head of Wellbeing. We also held a focus group discussion with the core team from Capita and Level that helped deliver the project. This was intended to help understand the impact on the various businesses of implementing payroll savings, so that the potential of implementing the intervention more widely would be better understood.

Phase 2: Follow-up interviews with users

Six months after the launch of the product we interviewed 15 people who had signed up for the Level product. The interviews investigated whether people had kept saving, how and for what reasons, the users' experience of the product and the impact on their financial wellbeing. The participants recruited for this phase were different from those included in Phase 1 of the qualitative research.

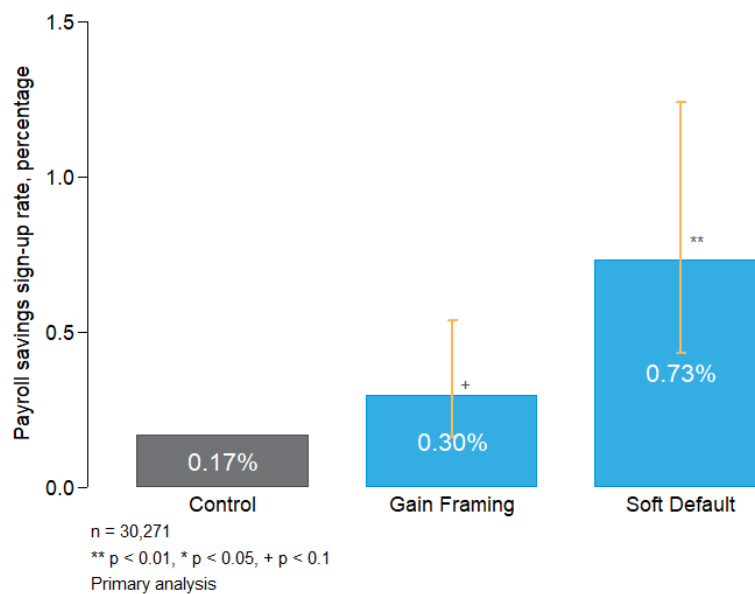
More information on the qualitative research methodology is provided in [Appendix E](#).

4. Findings

4.1 How do we encourage more people to take up payroll savings products?

Behavioural insights encouraged more people to sign up to payroll savings schemes. The “soft default” email which included the message “we’ve opened an account for you” was **four times** as effective as the standard promotion email at getting people to sign up. It was also significantly more effective than the “gain framing” email which placed more emphasis on the benefits of savings (see Figure 6 below).

Figure 6: Signup rate to payroll savings in the first week after launch

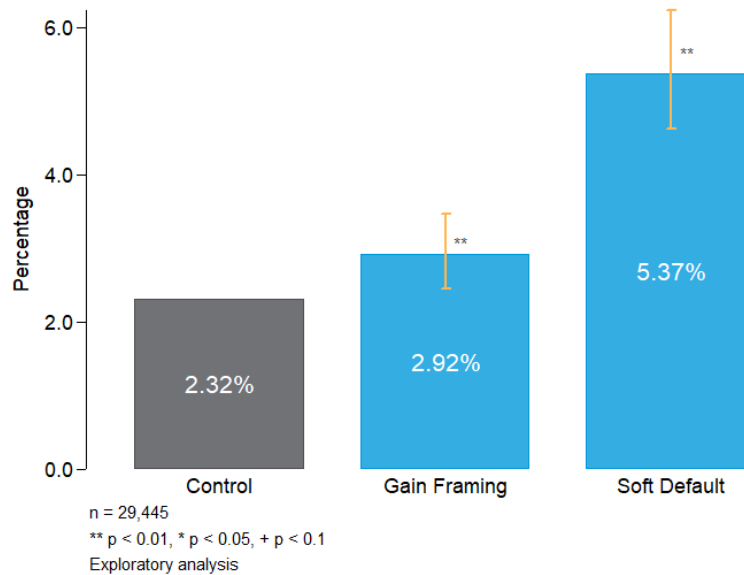


As well as sign ups we measured whether people opened and clicked on the links included in the email. For both of these, the soft default was also the most effective message. Email open rates for the “soft default” email were five percentage points higher than the control.²⁵ Clickthrough rates²⁶ were twice as high in the soft default message (Figure 7).

Figure 7: Email clickthrough rates

²⁵ 43% of recipients of the ‘soft default’ email opened the email, compared to 41% for the ‘gain framing’ and 38% for the control

²⁶ The emails provided two links that recipients could click on, one to the app store and one to an FAQs page on the Level website which provided further information on the product. The large majority of clicks were on the FAQs page because most people who are interested in downloading the app would go to the app store directly.



Why did the emails work?

We interviewed people to understand why the emails worked and how people responded to them. This research showed that:

- People appreciated the convenience and automation conveyed by the “we’ve set up an account for you” message,
- Some participants also said they liked the emphasis on “peace of mind” in the ‘gain framing’ email as this reflects how they feel when they have savings.
- Others liked the clear, non-corporate tone and appreciated the inclusion of real world and relatable examples on the benefits of saving (such as putting down a deposit for a house in the future).
- The sentence “Saving just £3 a day adds up to £1,095 over a year” was motivating as it made saving a significant amount seem an achievable goal.
- Some people said the emails could have been improved by removing jargon, such as “market-leading interest rates” and “financial health” which they found vague and confusing.

What motivated users to sign up for payroll savings?

There were a range of reasons people signed up:

- **Automation** - this was one of the aspects of the tool which mattered most to participants, one interviewee mentioned that payroll savings “*provides an easy method of regular saving direct from earnings and separate from the bank before an employee has a chance to spend money.*” The easy method of saving was also accentuated by the straightforward user journey that the Level app offered.

- **Starting to save** - a user who had not previously managed to save said they found that Level was a *“simple platform on which to start saving into a rainy day saving pot”*. Others also said that the app helped them to start saving.
- **Good interest rates** - savers liked the relatively high interest rates on offer by Level, with one saver noting that the product provided *“Higher interest rates than bank, with the promise of switching provider if better rate is available”*
- **Specific goals** - users who had a particular goal in mind like that the app could be configured to aim for that goal, for example *“for a specific purpose such as Christmas, a holiday or house deposit”*.
- **Prize draws and bonuses** - Our research shows that monetary incentives (combining a guaranteed cash reward and a prize draw) increased sign-up to payroll savings.
 - The prize draw and £5 bonus tripled sign-up rates during the two weeks after they were announced. Most people were attracted by the prize draw rather than the £5 bonus. Following the first prize draw, the incentives were kept for a further month, but sign-ups were much lower, suggesting that the impact of incentives wears off. These findings are consistent with other other studies which suggest that prize draws are powerful tools to promote behaviour change.²⁷
 - Across the interviews several respondents mentioned that the cash incentive was a key motivator to signing up. People mentioned that they had seen the previous communications about payroll savings, but when the prize draw was introduced, there was a clear incentive to sign-up.
 - The fact that the incentives were time-bound also encouraged people to sign up now rather than later. Potential users felt the possibility of winning a large sum was “attractive” and “exciting”. As put by one of the respondents *“One of the key reasons for signing up was an opportunity to win the £1000 prize draw”*. Despite the interest in the prize draw, a few of our respondents were also attracted by the guaranteed £5, and they thought it was a great way *“to get the account going”*.

What prevented people from signing up?

To understand the reasons why people didn't sign up to the product we asked non-users what deterred them from payroll savings, and the reasons they gave included:

²⁷ Behavioural Insights Team (2017). [Using Prize Draws as an Incentive](#).

- Already having a saving method that works for them - none of the interviewees expressed a wish to save in more than one place
- The interest rate not being high enough
- Concerns around data sharing with a third party (Level). For example, one employee who didn't use the product said, *"I would make the assumption that they would use the data to see how much employees are saving, but it doesn't really say why"*.
- Worry that the app was connected to their employer. One employee said, *"I know it wouldn't necessarily come down to a certain person knowing how much I'm saving but I don't really think it's anything to do with my employer how much I'm saving."*
- Not seeing this as an employee benefit but instead as simply a prompt from their employer to save money.
- Finally, many employees wanted more information before committing to deposit part of their salary in a third-party account.

4.2 Who used payroll savings?

The payroll savings product was most attractive to people who earn under £25,000 each year, have little or no savings, and find it difficult to save consistently. This suggests that it might be an especially beneficial tool for those who are financially squeezed and struggling.²⁸

Specifically, we found that:

- More than half of users were earning less than £35,000 and approximately two in five were earning less than £25,000. The full salary distribution is shown in Figure 8.
- People in their 30s and 40s were most likely to sign up to Level payroll savings. The age distribution is shown in Figure 9.
- One in three users reported having no savings before signing up. Even among those who had saved previously, the majority indicated that they would not be able to cover expenses for more than three months if they lost their main source of income.
- Nearly three in ten payroll saving users said that they could cover expenses for a month or less, while over half could only cover expenses for the next six months (see Table 2).

Figure 8: The salary distribution of Level payroll savings users (%)

²⁸ [MaPS Market Segmentation](#)

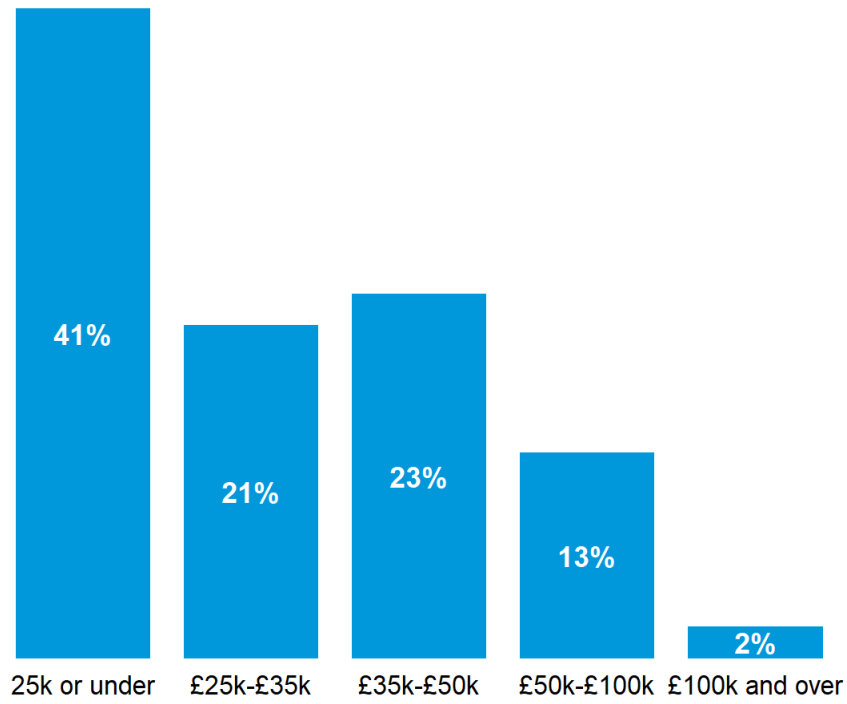


Figure 9: Level user profiles by age

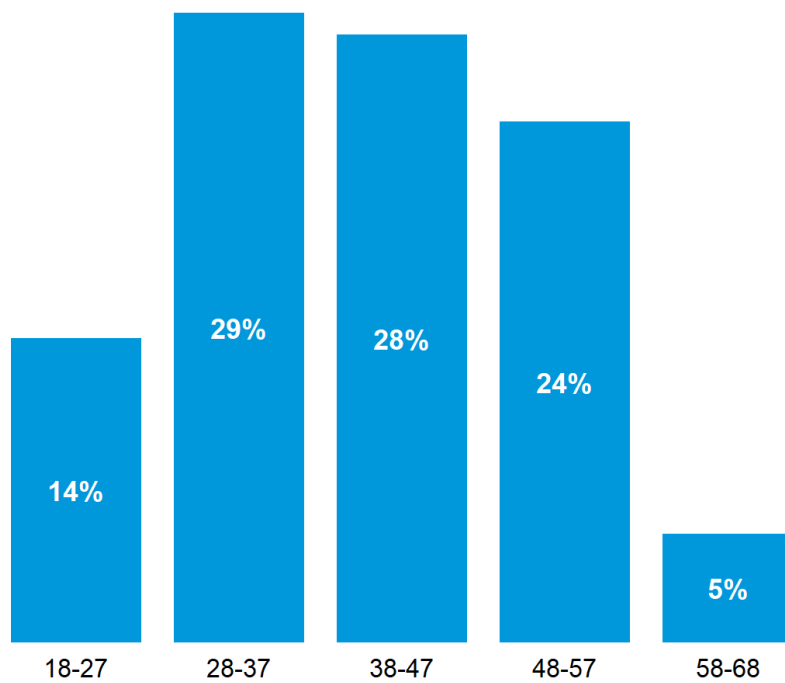


Table 2. If you lost your main source of household income, how long could your

household continue to cover living expenses, without having to borrow any money or ask for help from friends or family?

Time household could cover living expenses	Percentage of respondents
Less than a week	6%
1 week to less than 1 month	21%
1 month to less than 3 months	29%
3 months to less than 6 months	18%
6 months or longer	20%
Don't know or prefer not to say	6%

User profiles

We identified two types of distinct users based on their income level, savings habits and reasons for signing up to the product.

- lower-income users with little to no prior savings, who signed up to build a savings buffer.
- higher income users with prior savings who signed up primarily because they found the interest rates attractive.

Below are two examples of users we interviewed, representing each of these two types.

Lower-income non-savers	Higher-income savers
<p>“Anya” is a 41-year-old single parent, with two daughters on a £29,000 salary. She travelled to the UK to be with her husband, but they divorced 3 years ago. They are no longer in contact. She feels that her financial situation is vulnerable because her family is not in the country, and they would not be able to lend her money in case of an emergency.</p> <p>She has always felt that she could save a bit more every month - but the money just disappears from her account.</p> <p>The fact she has no savings distresses her. For instance, she needs her car to go to work, but if it breaks down, she may need to get a payday loan to pay for it.</p> <p>When she saw the email about Level she thought: <i>“This is the just the right thing for me”</i>.</p>	<p>“Rose” has been at Capita for 3 years working in their sustainability team. She is 30 and earns a £44,000 salary. She has just bought a house with her partner who is a banker in the city. She says if anything happened to her, she could always move back home, or her partner would be able to support her. She has a substantial pot of savings, and a pension fund that she has been contributing into for years.</p> <p>“Rose” often thinks about the future and plans her finances meticulously. She plans to sell the house in a few years so that they can buy a bigger one where they plan to start a family.</p> <p>When she received the email about payroll savings, she thought it was a good tool to save a little extra. Also, she thought that the interest rates were attractive. She doesn’t plan to withdraw money any time soon.</p> <p>She signed up to Level thinking: <i>“This sounds like a good product, why not?”</i></p>

4.3 How does payroll savings help people save?

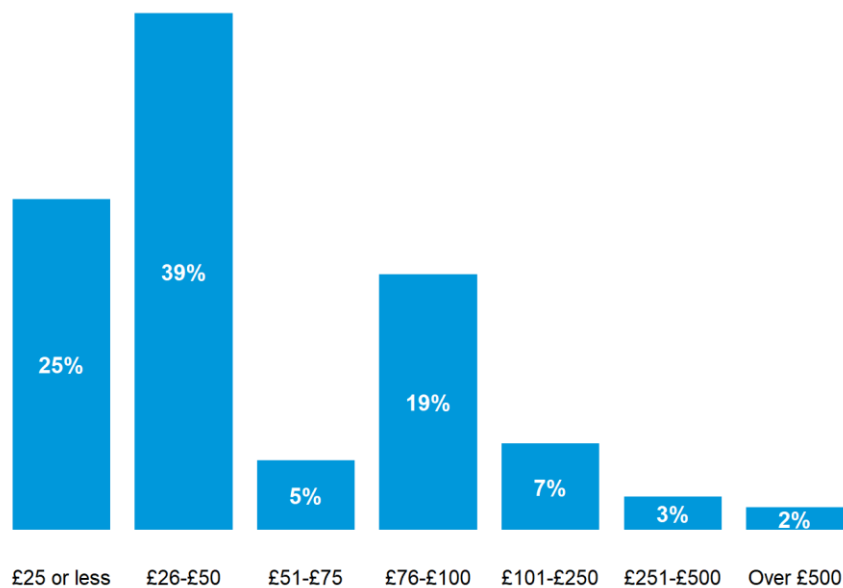
Level payroll savings had a range of features, settings and preferences to help users personalise how they save.

How much did users save?

A key finding was that the default saving amount shaped how much employees saved. As shown in Figure 10, most users (around 60%) saved the default level (£50) or below.

A small percentage saved between £50 and £75 each month. Unsurprisingly, levels of savings correlated with salary. We also found that younger users saved significantly less than older users in monetary terms, but slightly more as a proportion of their salaries.²⁹

Figure 10: Distribution of savings levels, June - August 2021



Setting saving amounts

Most people who used Level payroll saving did not change their preferences after the sign-up process. Three quarters of users kept their savings the same once they had signed up, 16% of users increased the amount they saved. Six months after signing up users reported the main reason they kept their savings levels the same was inertia: once they had set the choices up they didn't wish to change them.

“You know once I set the initial amount I didn't really change it. That is the good thing about the app for me: you don't really have to do much, you sort of forget about it.” [User]

²⁹ The mean savings rate was 3.9% of salary for those aged 38 and under, and 2.8% for those above the age of 38 (medians 1.9% and 1.7% respectively).

Although most people kept saving the same amount, they did monitor their savings. The vast majority of users logged in to the app at least once between June 2021 and January 2022, more than half of users logged in at least once a month.

Did users withdraw their savings?

25.1% of users withdrew money from their account over June-August 2021. Almost one third of those with a salary of £35,000 per year made a withdrawal compared to 16% for those above £35,000. Younger people were more likely to make a withdrawal.³⁰

The number of withdrawals increased in later months of the study (peaking in December). Users felt that having the account separate from their bank account helped stop them making impulsive withdrawals. Instead, they used money from their Level account for expenditures such as Christmas gifts, birthdays, or for specific needs such as a car or home repair.

Did people choose to save now or save later?

“Save now or later”, gave users the option to either start saving immediately or in a month. Users selecting this feature still needed to complete the signup process, but their first deduction from their salary would happen the following month. One in five users chose to start saving in the following month. Younger people and those earning lower salaries were more likely to choose to save later.

Those who chose to start saving immediately saved almost 50% more initially than those who started the following month. In the follow-up qualitative interviews, it was clear that those who started to save later were those who could not afford to save much:

“I started to save later because I wasn’t so sure I could afford to save even £20 a month you know, but actually I haven’t really missed the money.” [Payroll Savings User]

“Goal” vs. “buffer” saving

Users could choose between saving for a particular goal or simply building a generic savings buffer. The goal function enabled users to save for one specific expense at a time, such as a new car or holiday. The buffer function was a more general savings fund. The large majority of users (95%) saved to build a buffer rather than towards a specific goal; these numbers remained consistent throughout the first six months. Interviewees reported that they did not tend to think about having a specific pot for a specific outcome, instead preferring to have a rainy-day savings account for emergencies and holidays.

Whilst interviewees commented that setting up a goal was seen to require more thought and monitoring, those who chose a target were very committed. They reported obtaining great

³⁰ 37.5% of users aged 38 or younger made a withdrawal over June-August 2021 compared to 15.6% of users aged over 38.

results and satisfaction from their savings, as they were often saving for specific once-in-a-lifetime events such as weddings.

4.4 What did users think of their experience with Level payroll savings?

A positive user experience with the payroll savings product itself is key to helping people save. Overall, employees' experience with the Level product was very positive although there were some suggestions for improvements.

What was good?

All respondents found two key design features of the product valuable;

1. The fact that savings were separated from their main spending account (although were kept in one account with Level, so users could see their savings easily in one place. The separation of funds provided enough friction to help them avoid impulsive withdrawals and stick to their savings goals.

“It is like moving the candy jar off the kitchen counter. You think twice about taking a sweet” [Payroll Savings User]

2. The automated withdrawals of savings from payslips compared with previous saving accounts which relied on them proactively transferring savings each month.

“I had a savings account, I did put some money in it from time to time, but since it relied on me doing it, it worked at the start and then I wasn't so good with it- the fact that Level takes the money automatically is a big plus for me.” [Payroll Savings User]

Users also noted the simple user interface that had all the relevant information without any unnecessary information. Users found the set up of Level payroll savings quick and simple: Level's proprietary technology allows the user to set everything up on the app without having to fill out additional paperwork as is often required by more traditional payroll savings schemes. The employer (in this case Capita) takes on an administrative role in setting up the scheme to work directly with payroll, significantly reducing the burden on employees to set up the account. Users also appreciated the competitive interest rate that Level provides through its partnership with Flagstone³¹, by pooling all savings accounts together, whilst ensuring that deposits are protected by FSCS limits.

³¹ [Flagstone](#) is a technology business that partners with banks to offer market-leading interest rates to savers. Individual account holders are able to open multiple accounts easily across the Flagstone partner banks, meaning that users are able to find top interest-paying accounts, whilst ensuring that deposits are protected by FSCS limits.

“I like it, there is very little I would change about the app. Everything I need is there, and it is clean and clear. There is nothing there that I don’t need, which is rare (be)cause so many apps are over-engineered these days.” [Payroll Savings User]

“When I log on it is very clear to me how much money I have saved so far, I also found that withdrawing has been really smooth”. [Payroll Savings User]

What could be improved upon?

Some users said that more communication from Level would have improved their trust in the product and encouraged them to save more. These users felt like they did not have proof of their account or a way of accessing their money if the app failed.

“You know I wasn’t able to access my account, but I didn’t know who to contact where the customer support number is?” [Payroll Savings User]

“I would put more money in, but I feel like I am not super sure, I don’t want to put the money in and then not be able to access it. Also what would happen if I left Capita. It just make me uneasy” [Payroll Savings User]

Providing payroll saving made employees feel valued

Six-months after sign-up all users considered Level’s product as an important employee benefit. Employees saw the product as a sign that Capita valued them and their financial wellbeing. Some argued that it should be more widely advertised by Capita and should be put on their benefits dashboard.

“Yes it is definitively a benefit, cause if I left Capita I wouldn’t be able to use it, would I?” [Payroll Savings User]

“To be honest with you I have been at Capita for 13 years, and when I saw this I said to myself: Wow they are really changing their ways - they are starting to care about their employees and their personal finances. Especially in these difficult times it’s very appreciated” [Payroll Savings User]

4.5 How did financial wellbeing change for users of Level payroll savings?

We surveyed Level users in July 2021 about their self-reported financial behaviours and wellbeing before the research started (87 responded). Six months later, a follow-up survey asked similar questions to assess the impact of payroll savings on users' self-reported financial wellbeing.

Participants were **more confident** about managing their finances after six months of using the product. Whilst the number of people who completed both surveys was relatively small (43), those who reported high confidence levels in managing their finances rose from 79% to 88%,³² financial wellbeing also rose.³³ Several interviewees commented on the positive changes in their financial wellbeing.

I finally managed to store away a small pot for any emergencies, it gives me peace of mind if I have any needs with the house or the car [Payroll savings user].

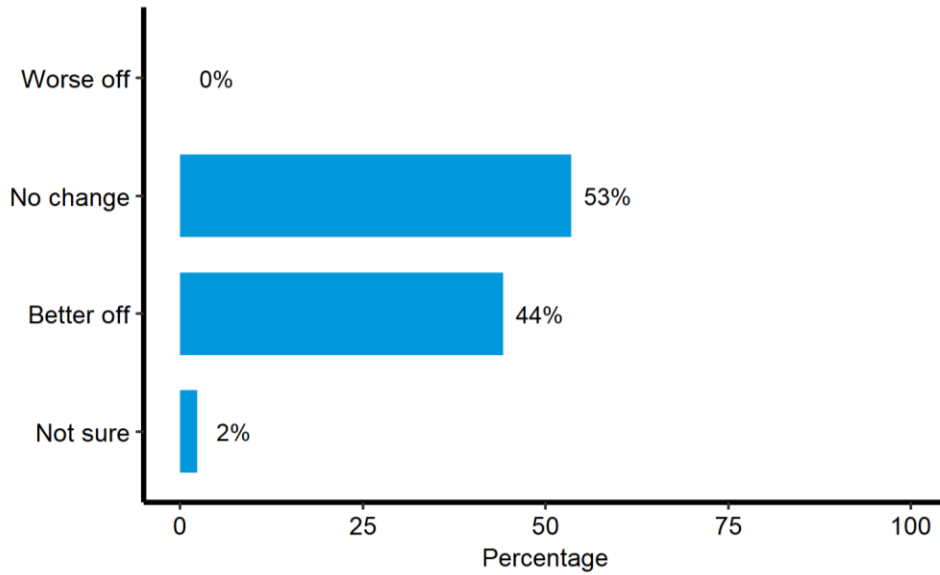
"It has completely changed the way I save." [Payroll savings user]

Many savers (44%) attributed their improved financial situation to the Level payroll savings product, with no participants reporting that their financial situation had worsened whilst using the product.

Figure 11: How has saving with Level payroll savings changed your financial situation? [follow-up survey results]

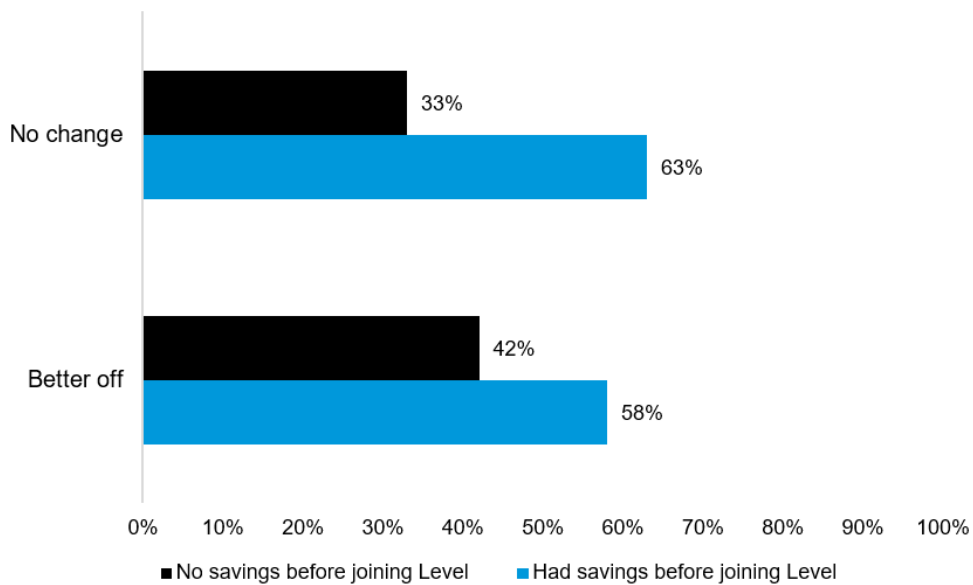
³² (measured by counting those responding 6 or more on a 10-point scale)

³³ Those who gave 6 or more on the financial wellbeing scale rose from 67% to 74%



The findings further suggest that payroll savings was more likely to support those who had struggled to save in the past. Across 44% of those who said it made them better off reported not having savings before joining, compared to 33% for those who reported no change (see Figure 12). These survey findings were corroborated by qualitative follow-up interviews.

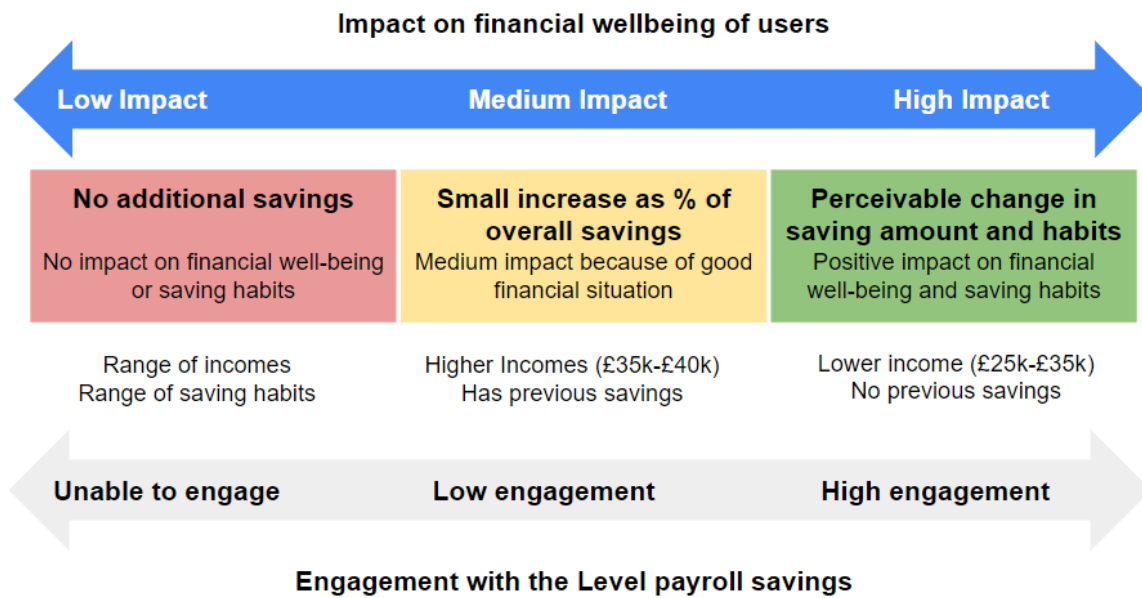
Figure 12: Changes in financial situation divided by previous savings [follow-up survey results]



Differences in impact between users

The impact on financial wellbeing varied between individuals. Three different groups emerged in the interviews: 'High impact', 'medium impact' and 'low impact'. Figure 13 shows how the impact on financial wellbeing varied across these 3 groups.

Figure 13: Impact on financial wellbeing across 3 groups



High impact group

The 'High Impact' users who benefited the most were those who had no previous savings and who had struggled to save in the past due to impulse spending. Employees with high debts and mortgages also fell into this group. These users were also more likely to have lower income than those in the other two groups.³⁴ High impact users interacted frequently with the product: they monitored their savings, changed their settings and withdrew money.

³⁴ 44% of those who said it made them better off had a median annual income of £33,000-£34,000 which is substantially lower than the median income of those who said the product did not impact their financial wellbeing (£35,000-£40,000).

Case-study: High Impact

"Kinoti" is a man in his 30s, on a £38k salary, and a father of two. He has been working for Capita for 3 years, he took a pay-cut to join because he really wanted the job. When it comes to his finances he says they "*are okay but could be better*" - he has to budget and plan extensively for any unusual expenses such as gifts for his children or family holidays.

He had been trying to save for a long time - but felt helpless. He had used his bank's savings accounts and had made plans on how to put some money aside each month. But these weren't very effective. Since signing up to Level payroll savings he feels that he finally has a tool that works for him.

Level works for him because he doesn't have to manually put money in a savings account, and the fact they are in a separate account reduces the temptation of withdrawing. "Kinoti" set an ambitious target for himself that he was able to achieve. He spent the money on surprising his wife for their 10th anniversary, buying her the gift she always wanted. He has already set another target so he will be able to afford a holiday for his family.

"The savings made me feel proud, successful and ecstatic. I often checked the app to see how many steps were missing to reach my goal, and I felt great when I finally reached it."

Medium impact group

'Medium impact' users were more affluent, had previous savings, and were financially comfortable. They used the tool as an addition to their existing portfolio, which included other saving accounts, investments, bonds and pensions. They interacted less with the product: They were less likely to set a target or withdraw money, and instead just waited for their savings to grow. These users were attracted by the higher interest rates available.

Case Study: Medium Impact

“Tom” is a man in his 50s, he earns more than £55,000 a year, and holds a senior position at Capita. He was not always well-off financially, and has learnt how to carefully manage his finances and invest throughout his life. When thinking about his finances the words that come to mind are “monitored, stable, and planned”.

Tom is financially savvy and takes advantage of many other benefits offered by Capita such as corporate discounts and offers - he is highly aware of all the programmes offered by Capita to improve financial wellbeing of employees. Aware of the interest rates offered by other banks and saving accounts, and felt that the Level interest were relatively “attractive”. He joined Level because he liked the “psychological design behind it” and felt it could help him save a little extra with very little effort.

“It is just a small portion of what I do to save. But it is nice to know I have that pot I can withdraw from for an extra expenditure- and the interest rates are good.”

Low impact group

The low impact group were those who started using the Level payroll savings tool, but they felt it did not have a positive impact on their saving behaviours or their financial wellbeing. These users ended up removing the app after a few months, after seeing no impact. These low impact users generally had good existing savings behaviours and other savings tools in place and felt that the payroll savings did not add much to their toolkit.

Case Study: Low Impact

“Arnav” is a man in his 40s on a £35,000 salary who is a good saver and a savvy spender. He has a savings account with his bank, where he deposits what is left over every month. “Arnav” says that saving has always been part of his life, he knows where to go to get the best deals on food and clothing, and is very careful when it comes to bills and other house expenditures. He likes finding deals and discounts so that he can make his money go a little further. Alongside his savings account, he also has a healthy pension fund, which he plans to increase contributions to soon.

“Arnav” is married with no children, and finds that his expenditures are stable and easy to predict. He signed up to Level because it seemed like a good tool. He opened a rainy day savings account, and chose the start to save later option because he was unconvinced that the app would work for him. He chose to start depositing £20 a month from his payslip. After 4 months he felt that he would be saving that money anyway with his usual savings account, so he decided to close the app since it just felt like he was complicating his

finance management.

"I decided to delete the Level app after a few months, because I really didn't see the point. I would have been saving the money anyway, at least when it is all together it is easier for me to manage and keep track of."

5. Conclusions

Behavioural insights can encourage more people to sign up for payroll savings but more needs to be done to achieve the UK Strategy for Financial Wellbeing National Goal to develop a 'Nation of Savers' - 2 million more working age people who are 'squeezed' and 'struggling' becoming regular savers.³⁵ Based on this project, and other research,^{36 37} we recommend that MaPS works with other employers to test the effectiveness of other methods of engagement, such as prize linked savings schemes and opt out payroll saving schemes. Where possible, cash incentives and prize draws can also boost enrolment, though the impact of financial incentives tends to wear off over time.

Inertia has a powerful influence on behaviour and should be used to help people save. The automated nature of the Level payroll savings platform means users could sign up to save regularly and then forget about it, allowing their savings to build over time. Most users stuck with the preferences they chose when they signed up, with very few adjusting their monthly savings amount. The fact that the savings are separated from the user's everyday spending account discouraged frequent withdrawals.

The default savings level should be high enough to help build a meaningful savings pot. In this project the median amount saved each month was the default amount of £50. There is a balance between setting the default high enough to build a useful savings pot while not setting it so high to seem unaffordable. Product designers can influence the level of savings set up by users at the beginning by choosing the default savings level.

As well as using behavioural insights to encourage people to sign up, make sure they are applied to the design of the payroll savings product. By their nature payroll savings offer an easy way to save but the Level savings platform has a few features which draw on behavioural science principles:

- The initial set up is simple and quick, taking just a few minutes. .
- Savings are kept in one account with Level, so users can see their savings easily in one place.
- Level's proprietary technology allows the user to set everything up on the app without having to fill out additional paperwork as is often required by more traditional payroll savings schemes.
- The employer (in this case Capita) takes on an administrative role in setting up the scheme to work directly with payroll, significantly reducing the burden on employees to set up the account.

³⁵ [The UK Strategy for Financial Wellbeing 2020-2030](#)

³⁶ [Nest Insight, 2021, Briefing paper 3 – early learnings of the employee experience of workplace sidecar saving](#)

³⁷ [MaPS, 2021, Getting Workforces Saving: Payroll Schemes with Credit Unions](#)

- Through its partnership with Flagstone³⁸, Level is able to offer competitive interest rates by pooling all savings accounts together, whilst ensuring that deposits are protected by FSCS limits. Flagstone has over 45 banks on their platform and Level's software chooses the best instant access account available at the point of sign-up. If better rates become available, Level's software then provides the opportunity to move savings to a better option.

Payroll savings can be very helpful in helping people who have struggled to save in the past to develop a savings habit. The payroll savings product was most attractive to people who earn under £25,000 each year, have little or no savings, and find it difficult to save consistently. This suggests that payroll savings might be an especially beneficial tool for those who are financially squeezed and struggling.³⁹ We recommend that MaPS try to encourage more employers to offer payroll savings. We recommend that MaPS focus on companies with many employees on lower incomes and whose financial circumstances are changing - for example, employees who are transitioning to part time work or increasing the size of their family. Adopted more widely, payroll savings schemes hold promise as a key tool to support MaPS's strategic goal to develop a 'Nation of Savers'.⁴⁰

³⁸ [Flagstone](#) is a technology business that partners with banks to offer market-leading interest rates to savers. Individual account holders are able to open multiple accounts easily across the Flagstone partner banks, meaning that users are able to find top interest-paying accounts, whilst ensuring that deposits are protected by FSCS limits.

³⁹ Based on the MaPS Market Segmentation, the squeezed are mostly working age, in work with low-medium household income, likely to be renting privately or mortgaged, likely to have children, have a high dependency on credit, and are highly digitally literate. More information can be found [here](#)

⁴⁰

The '[Nation of Savers](#)' is a national goal of 2 million more working age people who are 'squeezed' and 'struggling' becoming regular savers