

Payroll Savings: Why bother?

People who have savings to fall back on have greater financial resilience, improved financial wellbeing and are less prone to mental health issues such as anxiety and depression. This can improve productivity and staff turnover, which can boost profitability. The business case for employers to encourage and help employees to save is clear, and the time to act is now.

Baroness Ros Altmann
CBE, Former Pensions Minister

Your staff/ Your business

A recent report¹ shows that

- 30% of British people have less than £500 set aside for a rainy day
- 16.8m of working age in Britain have less than £100 in savings
- 18% of households earning over £55k a year have no cash savings

The same report analysed the impact of poor financial stability (resilience) on employees - and the consequences for employers:

‘Our 2018 survey of 10,053 working Brits showed that 40% have financial worries and this has a clear impact on their mental health and performance at work. Those individuals were 8.8 times more likely to have sleepless nights, 7.6 times more likely to not finish daily tasks and 6 times more likely to have a reduced quality of work. Those with financial worries were also 4.9 times more likely to suffer from depression and 3.8 times more likely to suffer from anxiety and panic attacks.’

¹The Employer’s Guide to Financial Wellbeing – UK Edition, Salary Finance, 2018

Executive Summary

If your company employs 10 or more people we can offer a payroll savings scheme to help your employees to save regularly. Regular savers are less likely to face a 'money crisis', and regular Credit Union savers are able to access some of the most affordable loans when the need arises. No more doorstep or payday loans means less interest paid, and more disposable income retained by your employees.

Setting up and operating a payroll savings scheme is easy and the ongoing cost to the employer is administrative only. We can help with literature, posters etc. and hold 'sign up' days on your premises.

A payroll savings scheme is a great employee benefit that costs the employer little and benefits you and your employees a great deal more: employee time lost through money problems is reduced, money-induced stress is reduced, money-related family issues are reduced.

We have operated payroll savings in partnership with Stirling Council for almost 20 years, and Stirling University, Care Visions, and WPS (Falkirk) also partner with us; these employers are confident in our service and the benefit it brings.

As a responsible employer you take employee welfare seriously, and as a local business you want to see a thriving local economy: payroll partnership with Stirling Credit Union is your logical next step.

Operation of Payroll Deduction

Stirling Credit Union will provide all artwork, documentation, posters etc. to support the launch of a payroll deduction scheme. We encourage you to enclose Credit Union information with all new staff joining information. We will support periodic membership campaigns with [jointly] branded brochures and publicity materials.

Most payroll systems (in-house or outsourced) already make deductions and payments to third parties on behalf of employees. The process for Credit Unions is identical: send us an excel file output from payroll and create a BACS transfer for the total sum. We take care of the rest.

All of your payroll staff in the United Kingdom can join Stirling Credit Union - our Common Bond permits it:

“Admission to membership of the Credit Union is restricted to residents, employees of a business,..... situate in the Scottish Midland Area.....”

The contractual relationship is directly between the Credit Union and the member of staff. There is no risk to the employer regarding loan repayments and savings are secured by our membership of the Financial Services Compensation Scheme (FSCS) up to £85,000. An additional benefit is that in the unfortunate event of death while repaying a loan the Credit Union will write off that loan, putting your employee’s family in a better financial position.

The employee’s personal financial status is protected as no data is shared with the employer except the amount of the employee monthly savings. The employer will not even know whether any part of that savings deduction is being used as loan repayment: the employer only acts as a conduit for the transfer of funds.

The employer is not required to stand guarantor or become involved in any way in the financial affairs of the Credit Union member.

The straightforward payroll process is as follows:

1. Employer agrees to provide payroll deduction services to its staff;
2. Credit Union recruits new members;
3. New member signs a payroll deduction instruction for your payroll department;
4. Employer deducts the monies and sends to the Credit Union a list of deductions followed by a BACS payment for the total amount;
5. Credit Union allocates the amounts to the relevant member’s accounts.

We will provide a draft service level agreement between [your company] and SCU setting out mutual obligations and responsibilities.

Endorsement for Payroll Savings with Credit Unions: CIPP and Scottish Government

The Chartered Institute of Payroll Professionals (CIPP) has solidly endorsed, and supports, Credit Union payroll deduction schemes. They have supported an agreed standard for data comms, and most external payroll service providers have now agreed to provide Credit Union payroll savings service free of charge as part of their CSR. CIPP states

“How can Payroll help? Offer a credit union facility in your workplace, or if you are a payroll service provider agree to administer on behalf of your customer without charge; just like a payroll giving scheme.”

The Scottish Government has published (February 2016) a report on Credit Unions ('Scotland's Credit Unions: Investing in our Future'). The report is the culmination of an in-depth, multi-year study. Two key directions emerge

Theme One: *Support for payroll deduction schemes, especially encouraging all public funded employers to develop Credit Union partnerships and promote payroll savings.*

Theme Two: *Support for school savings clubs through Credit Unions.*

Key Scottish Government recommendations for Employers:

- *“Offer payroll deduction schemes to staff as a standard workplace benefit and highlight in induction packs;*
- *Once such schemes are in place, keep in communication with credit unions to allow periodic awareness raising.”*

In addition, a Credit Union payroll savings scheme is strongly encouraged as a key component of the Scottish Business Pledge, launched by First Minister, Right Hon Nicola Sturgeon during 2015. In an open letter to Scottish business she stated:

“So I am urging employers across Scotland to get in touch with a credit union to explore establishing a payroll deduction relationship with a view to improve financial health and boosting the productivity of Scotland's businesses.”

Next Steps for your business

1. Decide to partner with Stirling Credit Union to offer payroll savings to all staff
2. Meet with SCU to confirm process and service level agreement
3. Identify a 'sponsor' within your business who will champion payroll savings and responsible borrowing
4. Develop the launch marketing campaign and communications (with SCU materials and support)
5. Agree the 'go live' date and plan launch events