

Prizes Facilitate Saving by Youth

Report on a Pilot Project



Introduction

Every year, youth across the country join summer youth employment programs (SYEP). They learn new skills, gain experience, expand their networks, and develop positive relationships with adults. For many young people, this early work experience is also their introduction to earning income and managing a paycheck. Commonwealth sought to leverage this pivotal moment by using prizes to motivate young workers to start a savings habit early in their working lives.

In the summer of 2015, we worked with the New York City Department of Youth and Community Development (DYCD) to design and pilot a Payroll Savings Program for around 50,000 youth participating in their summer youth employment program. The goal of the program was to encourage young workers to save a portion of their summer earnings, an important first step in developing life-long financial security. Commonwealth has successfully implemented prize-linked savings programs for adults nationwide and has worked with youth to build their financial capability by making financial education fun.

This pilot reveals that prizes can be highly effective in encouraging young workers to sign up for tools that can help them save a portion of their summer earnings. This is exciting news for summer youth employment programs- in addition to providing youth with important early work experience, such programs can employ prizes to help young workers establish positive financial behaviors that can lead to future financial security.

“Prizes can be highly effective in encouraging young workers to sign up for tools that can help them save”

Methodology

The Payroll Savings Program (the “Program”) was designed to make it easy for youth to save. Previous program design research has found that ease of access is a critical first step. To do so, the Program encouraged young workers to receive their wages in the same “container” as they saved. Specifically, it encouraged those who had a bank account to have their wages directly deposited into that account, and those who would be receiving their wages via a payroll card to establish and activate a savings pocket on that card.

The Program ran for 6 weeks—or three pay periods— during the summer of 2015. Youth could begin saving as soon as they received their first paycheck. Youth were introduced to the Program during the SYEP registration. Prior to the start of the Program, SYEP providers were trained on the importance of saving and on the Program’s structure so that they could encourage youth to participate. The program design varied depending on how the youth chose to be paid.

Direct Deposit Users

Youth could only sign up for direct deposit during SYEP registration at the start of the program. To sign up they were required to provide valid bank account information for an existing bank account at the time of registration. If they signed



up for direct deposit, they were automatically enrolled in the prize drawings which took place once every pay period, in addition to the \$500 grand prize. The prize was linked only to the act of enrolling in direct deposit, not to saving behaviors.

Payroll Card Users

In contrast, youth that received their wages via payroll card could open a savings pocket on their card at any time during the summer. They received guidance on how to activate the savings pocket on their payroll card from their SYEP providers, had access to a step-by-step guide on the payroll card website, received e-mails every pay period encouraging them to save, and pop-up messages appeared on the payroll card provider's website.

Payroll card users were automatically entered into the prize drawings every pay period after they activated their savings pocket. In addition to being entered into prize drawings for activating a savings pocket on their card, payroll card users were also offered the chance to win prizes for saving in every pay period that they held \$10 in their payroll savings pocket, until they reached a maximum of \$50 in savings. Every payroll card saver was also eligible to win the grand prize of \$500.

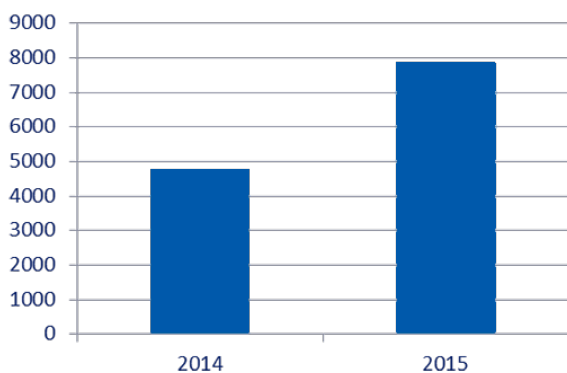
Young workers could elect to have a portion of their wages directly transferred into their savings pocket in every pay period or they could make their savings allocation manually.

We were not able to collect transactional data about specific savings behaviors due to data agreement limitations. We did collect self-reported beliefs, knowledge and savings behavior by the youth through an on-line survey. A full report on the findings from this survey will be available in Spring, 2017.

Key Findings

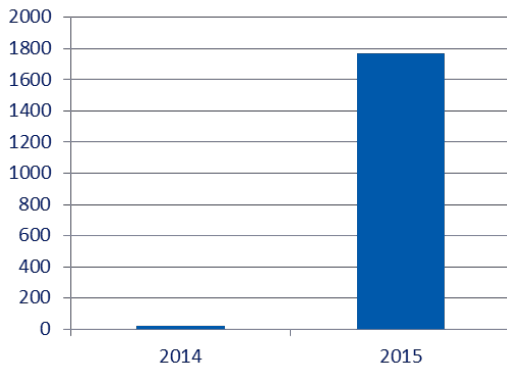
Direct Deposit Users

In 2015, 7,835 youth elected to have their earnings paid via direct deposit to their account. This was a 65% increase from 2014. These are encouraging results given that they only had one chance to sign up for direct deposit, during the upfront registration process, and they needed to present valid bank account information at that time.



Payroll Card Users

In 2015, 1,789 youth activated a savings pocket on their payroll cards, up from 18 in 2014. This was a 1,000% growth in the number of saving pocket users.



“36% of youth reported that the opportunity to win prizes prompted them to use direct deposit or save on their payroll card.”

20% of the youth chose to enroll either in Direct Deposit or activated the savings pocket on their payroll card. These are encouraging results given that youth only had one chance to sign up for direct deposit and that 45% of youth reported not knowing about the program or being confused about how the program worked.

3,084 youth completed an online survey administered at the end of the program. 75% of these youths reported saving money during the summer in a range of ways – a bank account, payroll card, or a jar at home, to name a few. In addition, 36% of youth reported that the opportunity to win prizes prompted them to use direct deposit or save on their payroll card. A report on this survey will be available in Spring, 2017.

Future Research

This pilot clearly showed the impact that prizes can have on youth signing up for tools that support savings behaviors. Additional research on the impact of prizes on youth transactional savings behaviors would be an important addition to understanding effective ways to motivate youth to save.

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