In-Work Poverty in Scotland: What Employers Need to Know

A Review of the Evidence on Causes, Impacts, and Responses

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Foreword

The link between not having a job and being in poverty is well known. Less well known is that some in work are also in poverty. Thanks to the generous funding of the Robertson Trust, who want to explore ways of preventing poverty, we have started our three-year programme to find out what employers can do to address the issue.

Business in the Community (BITC) brings responsible businesses together to solve today's societal problems, where the voice and importance of the role of business can often be forgotten.

This review of best practice pulls together actions that responsible businesses can take to improve and support their staff, from identifying an issue to actual implementation. The next stage will be our Lab, to interrogate not just the *what*, but the *how*. Implementation is key to success, as is working with your people to understand their challenges, in identifying and reducing in-work poverty.

To help reduce in-work poverty, employers should focus on creating a clear plan to support their employees' financial wellbeing, help them build strong connections and networks, and ensure lower-paid staff have fair chances to develop and progress in their careers.

BITC Scotland champions the actions that employers can take to help businesses be a force for good on social and environmental issues. If you employ people, you will have a social impact. If you exist and trade, you will have an environmental impact. So how can a business strive to improve both its own actions and work with others, to make business a force for good?

Ola Kolade, Employment and Skills Director & Louisa Macdonell, BITC Scotland Director

Executive Summary. *In-Work Poverty in Scotland: A Brief for Employers*

In-Work Poverty: Why This Matters for Employers

Despite record employment levels, 14% of working households in Scotland—around 410,000 people—are living in poverty.

Employers are not expected to solve this social issue, but they have a role to play. In-work poverty is not just a social concern, it's a business issue. Evidence shows that financial stress among employees can lead to lower productivity, higher absenteeism and turnover and weaker staff engagement.

At a time when businesses face labour shortages, rising costs, and greater scrutiny of their employment practices, job quality has become central to attracting and retaining talent and to fulfilling wider environmental, social, and governance commitments.

Addressing in-work poverty is not only a moral imperative, but also a route to improving operational efficiency and long-term workforce sustainability.

Scotland's commitment to becoming a Fair Work Nation by 2025 adds further urgency. Employers that take meaningful, visible action now will be better positioned to meet public expectations, build employee and customer trust and future-proof their operations.

The Impact on People and Business

In-work poverty affects both employees and employers, with serious human and operational consequences.

For individuals, it can lead to:

- Chronic stress, fatigue, and poor mental and physical health.
- Anxiety, disengagement, and limited capacity to focus or pursue career progression.
- The need to take on multiple jobs to cover basic costs, often at the expense of wellbeing and family life.

For employers, this translates to:

- Higher staff turnover and absenteeism
- Recruitment and retention challenges
- Lower productivity, weaker team cohesion, and reduced engagement.

The UK-wide cost of financial stress to businesses is estimated to be billions. Improving job quality and supporting financial wellbeing isn't just a moral imperative, it's key to building a more resilient and sustainable workforce.

Where Employers Stand

While many employers recognise the importance of financial wellbeing, few connect it directly to in-work poverty.

- Only 28% of senior leaders identify in-work poverty as a business issue
- Just one in four organisations report taking concrete steps to address it
- While 69% say financial wellbeing is part of their organisational strategy, there's a clear gap between intent and action

The challenge for many organisations is knowing where to start.

A lack of accessible tools, practical benchmarks, and sector-relevant guidance means that good intentions often stall at the planning stage. However, a growing number of employers, particularly in sectors like retail and hospitality, are beginning to pilot new approaches:

- Adopting Living Hours and the Real Living Wage
- Developing inclusive progression frameworks
- Providing targeted financial support for staff

These early efforts show that meaningful change is possible, but wider uptake and more consistent implementation are needed.

Enablers of Change: Frameworks, Tools, and Support

Scotland has made strong policy commitments to fair work, and initiatives like Fair Work First, Living Wage accreditation, and sector-specific toolkits have helped set expectations for good employment practices.
Public funding and procurement processes increasingly include fair work criteria, creating both incentives and accountability. However, implementation remains uneven. Voluntary charters, communities of practice, and external accreditation schemes show promise but are not consistently embedded across industries or regions.

Many employers, particularly SMEs, need practical, low-barrier ways to assess and improve job quality in their specific context.

Understanding the Drivers of In-Work Poverty: What Employers Need to Know

In-work poverty in Scotland is driven by a set of structural, interconnected factors that limit income stability and make financial security difficult to achieve. Key drivers include:

Low hourly pay especially in sectors with high concentrations of low-wage roles

Insufficient working hours and **insecure or unpredictable contracts** which make it hard to plan or budget

Single-earner households or reliance on **part-time work** often linked to caring responsibilities

Rising living costs particularly for housing, childcare, and transport, which have outpaced wage growth

In sectors such as hospitality, social care, and retail, due to business models, seasonality and demand, zero-hour contracts and low-wage roles are common. These industries often employ women, younger workers, migrants, and ethnically diverse staff, who face additional barriers to progression due to occupational segregation, discrimination, and a lack of tailored support.

At the same time, essential living costs, especially for housing, childcare, and transport, have risen over the last decade, placing further pressure on working households.

BITC's Action and Next Steps

This review provides the evidence base for BITC's upcoming **In-Work Poverty Action Lab in Scotland**. The Lab will bring employers together to explore challenges and test solutions in real time, focusing on key areas such as pay, hours, contract quality, progression, and financial wellbeing.

Pilots will focus on redesigned shift patterns, more inclusive career pathways, and targeted financial assistance.

Insights from the Labs will feed directly into the creation of a BITC self-assessment tool—a flexible framework designed to help all employers benchmark current practice, identify opportunities, and develop action plans.

The practical tool will support reflective learning, shared accountability, and continuous improvement.

The Opportunity

For businesses, focusing on tackling in-work poverty is the right thing to do and a smart thing to do.
The existing evidence put together in this review shows that working on this topic can improve business outcomes, strengthen employee loyalty, and build organisational reputation.

This is the time for employers to work together to move from awareness to action.

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1. Introduction

In-work poverty is a growing and deeply complex challenge facing Scotland and the wider UK. It affects millions of working people and families—those who are in employment, some even working full-time but still unable to achieve financial security or meet basic needs. Despite record levels of employment in recent years, the proportion of people in poverty who are in working households continues to rise. In Scotland alone, around 61% of working-age adults in poverty live in households where someone is in paid work, a sharp increase from a 52% rate around a decade ago.

This literature review has been developed by BITC to better understand the dynamics, causes, and consequences of in-work poverty in Scotland, and to explore what practical action employers can take to reduce its prevalence. It draws on a wide range of recent research, government data, policy reports, and employer-led interventions to analyse the structural and demographic drivers of in-work poverty, the specific industries and groups most affected, and barriers that prevent people from progressing out of low pay.

The evidence shows that in-work poverty is not caused by low wages alone, but by a combination of intersecting factors: low work intensity within households, insecure contracts, high living costs (especially housing and childcare), limited access to progression, discrimination, and inadequate support for carers and disabled workers.

These pressures can be particularly evident in sectors such as retail, hospitality, health and social care sectors where operational demands (e.g. shift patterns, seasonality) may often contribute to higher levels of insecure, low-paid work and where the workforce is disproportionately made up of women, part-time workers, and people from ethnically diverse backgrounds.

While many businesses want to support their workers, employers often lack clear guidance on what to do, how to prioritise actions, or how to measure progress. This review identifies two key levels of employer action:

- Structural measures that improve pay, contracts, progression and job quality; and
- Supportive practices that enhance financial wellbeing, engagement, and access to external support.

It also recognises the real-world challenges businesses face in implementing change, particularly in sectors with tight margins or complex staffing needs.

This review is not only a synthesis of current knowledge—it is also a starting point for a broader programme of action. In the months ahead, BITC will be convening a series of workshops—In-Work Poverty Action Labs, with employers across Scotland to explore the findings, surface good practice, and pilot new approaches to tackling in-work poverty. These discussions will also support the development of a BITC self-assessment tool, helping employers reflect on their current maturity and identify practical steps for improvement.

The goal is to shift the narrative from awareness to action. By supporting employers to listen to their workers, address systemic barriers, and collaborate across sectors, BITC aims to help create fairer, more resilient workplaces—and, ultimately, to reduce the number of people in Scotland who work hard but still live in poverty.

2. Background: Definition and Measurement

A broad definition of in-work poverty describes a situation where a working household's total net income is insufficient to meet its needs. This definition takes into account the entire household's circumstances rather than focusing solely on the employed individual. It includes all sources of income, deducting taxes, and acknowledges that different household types have varying financial needs (Hick & Lanau, 2017).

Despite already having an existing definition, a discussion paper from Professor Rod Hick – currently informing to the current Labour government Child Poverty Strategy, and Professor Ive Marx, Poor Workers in Rich Democracies: On the Nature of In-Work Poverty and Its Relationship to Labour Market Policies (2022), explores the continuous misconceptions about the nature of in-work poverty. Their research reflects onto two relevant organisations with different approaches: the European Pillar of Social Rights states in Principle 6: "…adequate minimum wages shall be ensured, in a way that provides for the satisfaction of the needs of the worker and his/her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented.” On the other hand, Eurostat defines workers in poverty as individuals who were primarily employed (either as employees or self-employed) during the reference year but whose equivalised disposable household income falls below 60% of the national median. This definition relies on monthly employment calendars completed by survey respondents, considering individuals as "in work" if they were employed or self-employed for at least seven months of the year.

The paper raises a recurrent tendency to equate in-work poverty solely with low pay, as in the European Pillar of Social Rights, and explains further that while many of the ‘working poor’ earn relatively low wages, a significant proportion have earnings above commonly used low-pay thresholds. Additionally, some individuals with decent wages may still experience in-work poverty due to other factors, such as the number of dependent children or job stability throughout the year.

In the UK, in-work poverty is typically defined as affecting working-age adults living in households where at least one person is in paid work—including self-employment—and where the household's net income falls below 60% of the national median, after housing costs and adjusted for household size and composition (JRF, 2024). This broad definition, based on the ILO standard of employment (at least one hour of work in the previous week), is designed to capture all the potentially disadvantaged workers (Hick and Lanau, 2017).

The complexity of the issue already makes it difficult to design targeted policies to address in-work poverty effectively, but moreover, the misconceptions about in-work poverty are also reinforced by individual perceptions —many people experiencing working poverty may not perceive themselves as poor (Hick & Marx, 2022). The aforementioned research gives as an example of the potential case of a single mother working as a clerical employee or teacher who might struggle financially without sufficient child support, even though her occupation is traditionally associated with a middle-class lifestyle. Evidencing the heterogeneity of the workers in poverty and their lack of self-identification as being in poverty, Hick and Marx, highlight on the challenge of an overall limited collective mobilisation and political visibility of the issue while people in in-work poverty remain unheard and overlooked.

Despite this compounded definition and approach to problems, following the UK preferred definition of workers in poverty, it is possible to observe statistical evidence that helps understand more of this phenomenon. Following Scotland and UK trends and identifying specific vulnerable groups while examining existing and potential interventions that can be taken at the government policy level and in the workplace may help in the efforts to alleviate the causes of in-work poverty.

3. In-Work Poverty in the UK and Scotland

In-Work Poverty in the UK

In the latest analysis of poverty in the UK, the Joseph Rowntree Foundation (2025) reported that 15% of working-age adults in households with at least one person in paid work were living in poverty in 2022/23. Around 68% of all working-age adults in poverty —approximately 5.5 million people— lived in a household where someone was working, and 43% of all people in poverty (3.5 million) lived in families where at least one adult was working full-time (JRF, 2025).

The Living Wage Foundation annual report on low pay in the UK (Mignon, 2025), reflected that as of April 2024, 15.7% of UK employee jobs — equivalent to 4.5 million roles — were paid below the real Living Wage. Part-time workers were more than three times as likely to be low paid compared to full-time workers (32% vs. 10%), and women held 61% of all low-paid roles. Low pay was most concentrated in the hospitality sector (54%), followed by retail (30%) and the arts (29%), with hospitality alone employing over 776,000 workers earning below the Living Wage threshold.

Health Foundation's recent analysis (2024) from data also shows that 17% of people in high work intensity families[1] were in poverty in 2022/23, up from 15% the previous year and from 13% in 2012/13. This is nearly double the 9% recorded in 1996/97. While people in low work intensity families remain disproportionately affected, making up 46% of those in poverty in 2022/23—this share has declined only slightly over time.

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[1] Eurostat defines *work intensity* of a household as *the ratio of the total number of months that all working-age household members have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period.* (Eurostat, 2023). Scottish in-work poverty review by the government calculated that a *'low work intensity household' was defined as a household in which work intensity was less than 30 hours per working-age adult.* (Scottish Government, 2020)

In-Work Poverty in Scotland

Joseph Roundtree Foundation analysis of poverty in Scotland (Birt et al, 2024), reported that in-work poverty rate stood at 14% for working households, and the majority, 61%, of working-age adults in poverty —around 410,000 people each year— lived in households where someone was in paid work. This share has risen over time from 52% in 2011–14 to 60% by 2015–17, where it has since remained (Scottish Government, 2025a).

This shift reflects broader labour market trends and broader labour market dynamics, where paid employment does not always guarantee financial security. As noted by the Scottish Government (2025a):

"Having paid work is an effective way out of poverty, and those families where all adults are in full-time work have a low poverty risk. But having a job is not always enough, for example when it does not pay well, or when someone is unable to work enough hours."

Data reviewed from 2024 by the Living Wage Foundation (Mignon, 2025) reinforces this point. It found that 11.4% of all employee jobs in Scotland were still paid below the real Living Wage — the lowest rate across UK nations yet still representing around 288,000 jobs. Women and part-time workers remain disproportionately affected: nearly 23% of part-time roles and 12.7% of all jobs held by women in Scotland were paid below the Living Wage. These trends persist despite Scotland's relatively high uptake of Living Wage accreditation, with 3,858 accredited employers as of early 2024.

As pointed out in Poverty in Scotland 2024 report, the focus on increasing labour market participation has resulted in a situation where the majority of those in poverty now belong to households with at least one working adult: six in ten people in poverty—including 67% of children in poverty—live in working households.

Table 1. UK and Scotland comparison of key in-work poverty indicators

In-Work Poverty Indicators	UK	Scotland
In-work poverty rate (working households)	15%	14%
Working-age adults in poverty living in working households	68%	61%
Employee jobs paid below the real Living Wage	15.7%	11.4%
Low pay – part-time	32.2%	22.9%

Source: Joseph Roundtree Foundation (2025); Joseph Roundtree Foundation (Birt et al, 2024); Living Wage Foundation (Mignon, 2025); Scottish Government (2025)

Demographics of In-Work Poverty in Scotland

This section draws primarily on the findings from the Joseph Rowntree Foundation's reports, *Poverty in Scotland 2023* (Birt et al, 2023) and *Poverty in Scotland 2024* (Birt et al, 2024). These two reports offer the most comprehensive and up-to-date analysis of the factors driving in-work poverty in Scotland, providing a detailed breakdown of how different groups are affected and the structural challenges they face. Their evidence is used here to outline the groups most at risk, the barriers they experience, and the inequalities that intersect to deepen disadvantage[2].

Several demographic and socioeconomic factors contribute to a heightened risk of in-work poverty. Often, these risks overlap, leaving some groups facing compounded challenges that limit their ability to earn a decent income and achieve financial security.

Family Type:

- Single-parent families face a particularly high risk of in-work poverty, with one in four people in working single-parent households experiencing poverty. This is ten percentage points higher than the average rate for all working families, often due to difficulties balancing work and childcare responsibilities.

[2] Any sources cited in this section that are not from the above reports will be referenced individually.

- Large families (defined as those with three or more children) also face a greater risk of in-work poverty, with approximately 25% of individuals in these households experiencing in-work poverty.
- Couple families with children generally have a lower risk of in-work poverty, but they still make up a large proportion of those experiencing in-work poverty. Among families where both parents work full-time, more than one in ten people (13%) still fall below the poverty line.
- Single adults without children experience similar rates of in-work poverty to the overall average for working households, suggesting that living alone does not necessarily reduce the risk.

Ethnicity:

- Ethnically diverse workers in Scotland experience much higher rates of in-work poverty, with approximately 40% affected, more than triple the rate for white workers (12%).
  - Workers in ethnically diverse families where everyone works full-time are nearly twice as likely to experience in-work poverty as white workers.
  - In 2019–22, two in five ethnically diverse people experiencing in-work poverty were in a family where one person was working full-time and one was not working, and one in four had everyone in full-time work. Whereas one in three white people in in-work poverty were in families with only part-time work and more than one in four (28%) had one person in full-time work and one person not working.
  - Analysis over this period seems to indicate that in-work poverty risk varied widely between ethnic groups, with Pakistani, Bangladeshi, and Mixed or Multiple Ethnic Groups facing the highest risks, while Indian households experienced the lowest risk among minority ethnic groups. Other groups, including Chinese, Black, and other Asian backgrounds, also experienced

elevated but comparatively moderate risk levels[3] (Department for Work and Pensions, 2025).

  - Ethnically diverse workers also experience a pay gap, earning on average 10.3% less per hour than their white counterparts.

- Ethnically diverse women are less likely to be in paid employment than both white women and ethnically diverse men. Key reasons include caring responsibilities, involvement in family-run businesses, limited access to affordable and culturally sensitive childcare, and experiences of intersectional discrimination in the workplace.

Disability and Caring Responsibilities:

- In households where someone is disabled, nearly one in five people in work are still living in poverty. These families are also less likely to have all adults working full-time; only about one-third do.
- Carers also have an increased risk of in-work poverty as they are less likely to work full-time due to their caring responsibilities. In many cases, someone in the household must reduce or give up paid work to provide care for a disabled family member.
- Disabled workers also experience an earnings gap. In 2019, the average hourly wage for disabled workers in Scotland was £10.58, compared to £12.63 for non-disabled workers—a difference of £2.05 per hour. For a full-time role (35 hours per week), this translates to an annual income gap of over £3,700.

Gender:

- While poverty is measured at the household level, women are disproportionately represented in low-paid jobs, with over 70% of workers stuck in persistent low pay being women.

[3] Due to small sample sizes and data volatility, figures for some ethnic groups are not considered robust enough to report precise percentages. Insights are based on general patterns observed in the data across the 2019–22 period. These patterns are also aligned with the UK median income by ethnic group figures, where Bangladeshi and Pakistani households sit at the bottom (Brigid Francis-Devine, 2025)

- Women are also more likely to work part-time—three in four part-time workers are women, which is a key contributor to income inequality.
- The gender pay gap remains significant. In 2021, the median hourly pay gap stood at 11.5%, with part-time roles contributing heavily to the disparity.
- Single-adult households led by women are more affected than those led by men: between 2018 and 2021, 20% of women in single-adult households were living in in-work poverty, compared to 15% of their male counterparts.

Age:

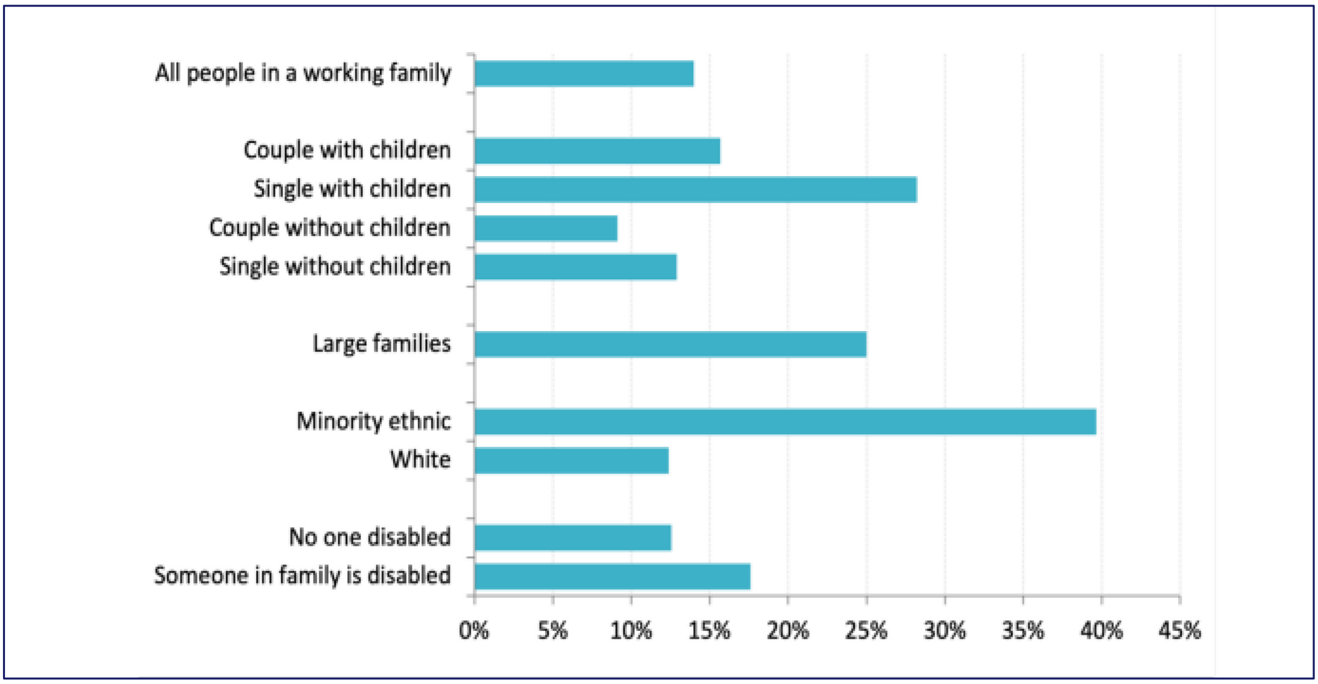
- Around one in ten adults living in in-work poverty are between the ages of 16 and 24. Younger workers are also more likely to be on the lower end of the pay scale due to age-based minimum wage policies.
- Households led by younger adults show higher poverty rates overall. More than one in three households headed by someone aged 16–24 are currently living in poverty.

Other Factors:

- Those in insecure work, such as those on zero-hour contracts, are also at increased risk.
- People with low levels of education or skills may struggle to progress to better-paid jobs.

These risk factors often overlap, leading to more severe disadvantages. For example, a single mother from an ethnically diverse background who is also living with a disability may face intersecting forms of discrimination and structural barriers, making it significantly harder to achieve financial security. Understanding in-work poverty through this intersectional lens is key to designing more effective solutions.

Graphic 2. Risk of poverty for people in working families by family and individual characteristics



Source: Joseph Rowntree Foundation. *Poverty In Scotland 2023* (Birt et al, 2023)

4. The Impacts of In-Work Poverty

Diverse research shows how the persistence of poverty and in-work poverty can have significant implications for health, social cohesion and economic security, making it an urgent focus for policymakers and also for businesses due to multiple effects that can be reflected at the workplace.

Health and Wellbeing

Research suggests that individuals experiencing poverty, in general, are more likely to suffer from stress, anxiety, and depression. Public Health Scotland Annual Delivery Plan from 2023 noted that poverty and low-paid jobs contribute to declining health, acknowledging the broad relationship between employment conditions and health outcomes, both mental and physical. The plan highlights the life expectancy gap between the most and least deprived areas in Scotland: females in the least deprived areas live 10.5 years longer than those in the most deprived areas, while for males, the difference is 13.7 years (Public Health Scotland, 2023). Similarly, Edinburgh Poverty Commission (2018) research stated that the life expectancy gap was up to 24 years between the poorest and wealthiest areas.

Poor health outcomes related to poverty and work conditions are also affecting labour market participation. According to the Trade Union Congress (TUC) research from 2024, long-term sickness has become the leading reason for women being out of the labour market, with the number of women economically inactive due to long-term sickness rising by over 500,000 since 2019, with approximately 60% of those affected being women, compared to 40% men. The TUC (2024) points out that this trend reflects the strain placed on workers, particularly women, by low-paid, insecure jobs and insufficient support structures.

Financial strain associated with in-work poverty forces many individuals to make difficult choices regarding essentials such as food and heating. In 2023, Living Wage Foundation's report *Life on Low Pay as Inflation Begins to Ease* (Witteveen A., 2023) —based on UK parents working full time— found that 39% of low-paid workers regularly skipped meals due to financial hardship, and an equal number have fallen behind on household bills. Similarly, a Chartered Institute of Personnel and Development (CIPD) report, *Reward management survey: In-work poverty and financial support* (Cotton, Marriott, & Perkins, 2022), found that those earning less than £20,000 are more likely to cut back on expenses, including essentials. This same research found that those earning less than £20,000 a year were most likely to say that money worries had affected their work, 34%, six percentage points higher than the overall group.

In addition, individuals experiencing in-work poverty are more likely to exhibit heightened self-criticism and adopt self-blame as a coping mechanism, particularly within precarious employment situations. The evidence suggests that unproductive strategies tend to intensify both financial hardship and psychological distress (Llosa et al., 2022).

The extent of the in-work poverty phenomenon also contributes to a cycle of poor job quality. A systematic review of precarious employment highlighted that those individuals in unstable jobs report higher levels of stress, lower job satisfaction, and elevated biomarkers for chronic disease risk which indicated that in some instances poor-quality work, may be more detrimental to long-term health than unemployment itself (Chandola & Zhang, 2018).

Furthermore, individuals experiencing in-work poverty report lower levels of social support, as social exclusion leads to perceived poverty and isolation. Women in in-work poverty tend to experience a more deteriorated relational sphere, where limited social support contributes to greater self-criticism and stress, further worsening their ability to escape poverty (Llosa et al., 2022).

Social Cohesion, Inequality and Family Life

Financial insecurity caused by in-work poverty places a significant strain on families and social relationships. Oxfam report *When Work Won't Pay In-work poverty in the UK* (Poinasamy, 2011) highlights that many parents in in-work poverty experience "time poverty," sacrificing time with their children due to long and unsocial work hours, which 43% of parents believe negatively impacts their relationship with their children. The Edinburgh Poverty Commission research (2018) states that children who grow up in low-income households have poorer mental and physical health than those who grow up in higher-income households. This can lead to a difficult scenario in the UK and Scotland, where 240,000 children each year were living in relative poverty after housing costs in 2020-23 (Scottish Government, 2025a), and 67% of children in poverty live in working-poor households (Birt et al., 2024).

Families from low-income households also experience higher levels of social isolation due to a lack of financial resources to participate in community activities or maintain social connections (Llosa et al., 2022). Limited cultural exposure and a lack of social contacts make it harder for individuals from low-income backgrounds to build the social capital needed to access good-quality employment, particularly in a labour market that relies heavily on informal recruitment practices like word of mouth, which can cement disadvantages (Hudson & Runge, 2020).

In-work poverty not only affects income and immediate family dynamics but also reinforces deeper, intersecting social inequalities that undermine community cohesion. Structural barriers, such as unaffordable childcare, workplace discrimination, and insecure housing, disproportionately affect women (particularly lone mothers), disabled people, and ethnic minority groups, compounding the challenges they face in building financial security (Edinburgh Poverty Commission, 2018; Birt et al., 2023; 2024). As highlighted by Oxfam report (2011), when people are both income and time-poor, their social capital is eroded, reducing not only their access to opportunities but also their sense of belonging and trust in society. For those at the intersection of multiple forms of disadvantage, this disconnection from social and civic life can result in a cumulative loss of wellbeing, dignity, and agency.

Economic Costs

In-work poverty weakens economic growth by limiting individual earnings, reducing workforce productivity, and increasing reliance on public services. An analysis from 2014 OECD countries (Cingano, 2014) found that low pay, insecure jobs, and underemployment trap workers in unstable roles, preventing skill development and career progression, which leads to an underutilised workforce. This same research projected that reducing income inequality in the UK to the levels seen in France could boost annual GDP growth by nearly 0.3 percentage points over 25 years, with a cumulative GDP gain of over 7%.

Since then, that projection has not taken place. According to the latest ONS data collated in a House of Commons Library briefing, *Income inequality in the UK* (Francis-Devine, 2025), the UK's Gini coefficient for income after housing costs was 39%[4] in 2022/23 — a one percentage point increase from the previous year and part of a broader trend of persistently high inequality since the 1990s. This statistic can be paired with stagnation in relative poverty rates and only slight improvement in absolute poverty over the past twenty years (Cribb et al., 2024). The *Income inequality in the UK* briefing notes that inequality has grown most noticeably between those at the middle (P50) and the bottom (P10) of the income distribution. This disparity is compounded by inflation disproportionately affecting low-income households, who spend more on essentials like energy and food. Looking ahead to 2025, inequality is expected to increase further, with falling real incomes for the bottom half of the distribution and rising returns to savings and investments for those at the top (Francis-Devine, 2025). However, recent and ongoing increases to the National Minimum Wage and National Living Wage — including a rise to — may offer some mitigation for lower-income workers.

In 2016, the Joseph Rowntree Foundation estimated that poverty cost UK public services approximately £78 billion per year (Pinoncely, 2016). In Edinburgh, related public spending was around £408 million annually, covering additional demand in healthcare, education, justice, social services, and housing (Edinburgh Poverty Commission, 2018). Since then, austerity measures and increased living costs have coincided with greater demand for

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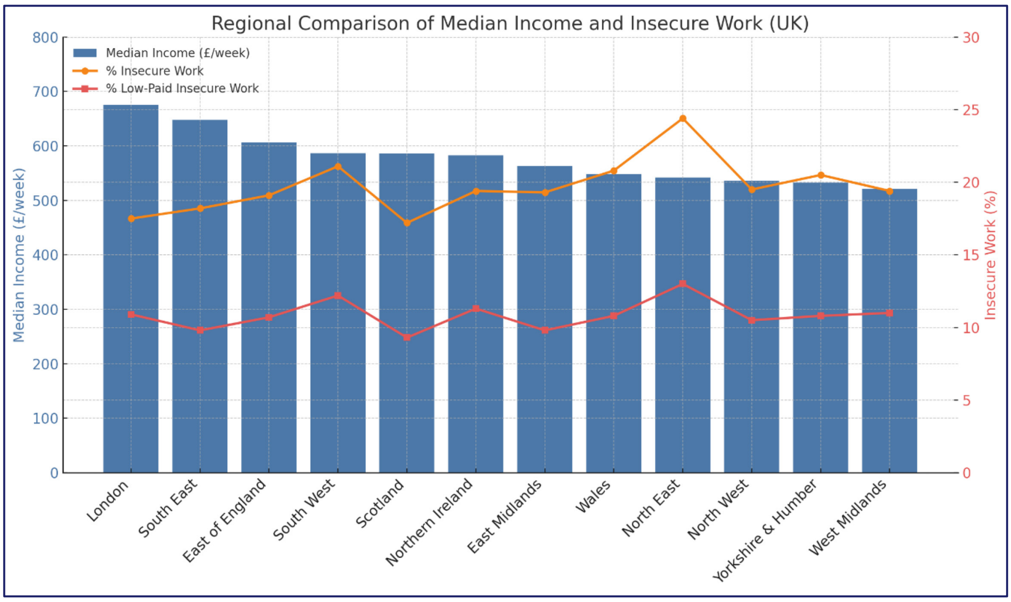
[4] The Gini coefficient is explained in the same briefing as: *This summarises inequality in a single number which takes values between 0 and 100%. A higher value indicates greater inequality.*

services, including a 134% rise in referrals to children's mental health services following the COVID-19 pandemic (Davie, 2022).

A significant proportion of the workforce remain in low-paid, insecure employment with limited opportunities for progression. According to The Sutton Trust (Huband-Thompson, 2024), reduced social mobility associated with in-work poverty could result in a cumulative loss of up to £1.3 trillion in UK GDP by 2050. On the other hand, even a modest rise in social mobility could increase UK GDP by approximately 2%.

These structural inequalities are compounded by deep regional disparities in income, job quality and infrastructure. Many low-wage workers are concentrated in areas with limited access to quality employment, skills training, and transport, which restricts opportunities for progression and reinforces cycles of disadvantage. These areas often face additional challenges, such as higher crime rates, lower-quality public services, and reduced economic output, exacerbating the effects of poverty (Bramley et al., 2016; Pinoncely, 2016).

Looking at key indicators that shape the experience of in-work poverty across the UK, lower-income areas often face higher rates of job insecurity. For example, the North East and South West report insecure work rates above 21% (Richardson, 2023), alongside median household incomes below £550 per week (Francis-Devine, 2025).



Graphic 2. Regional comparison of median income and insecure work in the UK

Source: *Income Inequality in the UK* - House of Commons Library, *Precarious Pay and Uncertain Hours: Insecure Work in the UK Labour Market* - Living Wage Foundation

In contrast, Scotland stands out for combining average income levels, £586/week, (Francis-Devine, 2025) with the lowest rate of low-paid insecure work, 9.3%, and one of the lowest overall insecurity rates, 17.2% (Richardson, 2023), suggesting a relatively stronger position in job quality.

Workplace and Business Impacts

Financial stress associated with it significantly impacts workplace productivity. Poor employee financial wellbeing results in an estimated 4% loss in productivity for every £1 million spent on payroll (Barclays, 2014, as cited in PwC, 2018). Additionally, financial worries contribute to the loss of 17.5 million working hours annually (CIPD, 2023).

PwC's 2023 *Employee Financial Wellness Survey* took account of 2,199 full-time employees who are stressed about their finances; 56% said they spend three or more hours per week managing personal finances during work hours. This distraction, coupled with presenteeism, further exacerbates workplace inefficiencies (Centre for Economics and Business Research, 2021).

Research from 2,502 online interviews with employees in the UK (Zellis, 2023) found that other consequences of financial stress include employees becoming more error-prone, less able to make good decisions, and less able to communicate effectively. Additionally, 45% of financially stressed employees report that financial worries affect their sleep, leaving them more tired at work, further impacting their ability to perform efficiently, and 54% admit a detrimental impact on their productivity at work.

Beyond productivity losses, absenteeism due to financial distress imposes a significant cost on employers, amounting to an estimated £2.5 billion per year in the UK, where approximately 10% of full-time and part-time employees report missing workdays due to financial concerns, with an average of 4.9 days lost per affected employee each year (Centre for Economics and Business Research, 2021).

Financial stress also contributes to higher employee turnover. Financially distressed employees are more likely to seek new employment opportunities, with only 54% believing they have a promising future with their current employer, compared to 69% of those without financial concerns (PwC, 2023). Furthermore, 73% of financially stressed employees indicate they would be drawn to an employer that demonstrates a greater commitment to their financial wellbeing (PwC, 2023). Increased turnover results in additional recruitment and training expenses, further straining business resources (Salary Finance, 2020).

The financial burden extends to operational costs, with absenteeism and presenteeism due to financial distress generating substantial expenses for businesses of all sizes. Small organisations face average annual costs of £4,544, medium-sized organisations £22,746, and large organisations £323,390 (Rickard, 2023). Additionally, an unhealthy financial mindset contributes to presenteeism, leading to estimated annual costs between £12.8 billion and £14.1 billion (Centre for Economics and Business Research, 2021).

5. Understanding the Drivers of In-Work Poverty and The Scottish Context

Common and Structural Drivers of In-Work Poverty in the UK and Rich Democracies

Literature describes in-work poverty as a complex issue shaped by multiple intersecting factors and perspectives. Drawing on studies, already cited in this review, focused on in-work poverty in rich democracies (Hick & Marx), the UK (Hick & Lanau, 2017) (JRF, 2024 and 2025), and Scotland (Birt et al., 2023), it is possible to group and summarise the key drivers most strongly associated with in-work poverty:

Low Pay and Job Quality

- Low pay can contribute to in-work poverty, but it's important to note that low pay and in-work poverty are not synonymous, as many people working for relatively low wages are not necessarily poor.
- Job quality can relate to in-work poverty beyond pay levels (low pay), security and stability of employment. With compounding factors such as insecure contracts or zero-hour contracts, temporary positions, a volatile and marginal labour market attachment and (lack of) opportunities for progression.

Limited Work Hours, Job Quantity and Low Work Intensity

- Underemployment and the availability of consistent hours are key factors. Inconsistent work hours, such as those associated with zero-hour contracts, can make financial planning difficult.

- The number of working adults in a household and their hours worked. significantly impact in-work poverty.
- Low work intensity, as part-time work or intermittent participation in the labour market, is often a primary driver of in-work poverty. As well, the self-employed have a higher risk of in-work poverty.

Household Expenditures/Demographics Factors

- Family structure is significant; the number of dependents in a household (children or adults), single-parent households and larger families (with three or more children) face a higher risk of in-work poverty driven by higher pressure to afford expenditures.
- In-work poverty is associated with various socio-demographic factors as pointed above, but also other factors. Migrant status can increase the risk of in-work poverty, as also having low education levels, and young age.

Housing Costs

- High housing costs, particularly in the private rented sector, can push working households into poverty.

Access to Benefits and Tax Credits

- Changes and effectiveness to both in-work and out-of-work benefits can affect the incomes of households in in-work poverty.

In-work poverty exists across all wealthy economies and is not solely the result of low wages. While some low-paid workers do not experience poverty, a sole provider with dependents may still struggle financially, even with a relatively good wage. Moreover, the working poor are not a homogeneous group, many do not perceive themselves as living in poverty, and households can move in and out of in-work poverty over time, while some escape it by staying in work and increasing their household income. Counterintuitively, some may fall into in-work poverty after transitioning from worklessness into employment (Hick and Lanau, 2017).

The description of the factors above reinforces the need to adopt an intersectional approach to tackling in-work poverty, recognising that it is shaped not only by individual low pay, but by the interplay of household income, employment patterns, living costs, and wider social and demographic inequalities.

Primary Drivers of In-Work Poverty in the Scottish Context

A detailed analysis of the specific drivers for in-work poverty in Scotland was examined by Joseph Roundtree Foundation in their 2023 and 2024 *Poverty in Scotland* reports. Some of the factors described in the previous section are aligned with the broader experience of in-work poverty analysed in research focused on 'rich countries' and the UK, but the specificity of these reports, among a few other, helps highlight relevant regional statistics and delves into more detail on demographic factors and related industries.

Factors directly related to employment and household employment status

- Persistent Low Pay: A primary driver of in-work poverty is that many workers are paid below the real Living Wage[5] (RLW), which is considered a minimum for securing basic needs. Joseph Roundtree Foundation 2023 analysis (Birt et al.) found that *one in ten workers in Scotland are trapped in low-paid work, meaning they were paid below the Real Living Wage for at least four in five years, while a further 5% of workers fluctuate in and out of low pay over this period, meaning they experience recurrent low pay.*
- Insufficient Hours (Underemployment): Many workers are underemployed, meaning they want more hours than they currently have. Part-time work is common and often associated with low pay, but even if the pay is above the Real Living Wage, the lack of sufficient hours may not suffice to sustain some households. This is the case for 9% of workers in Scotland and 16% of low-paid workers and in other cases, some adults are unable to work due to disability or other responsibilities such as caring for young children. In this case, the number of hours worked by all adults in the family is also less than it potentially could be (Birt

[5] The real Living Wage is different to the National Living Wage and is calculated and adjusted since 2016 by the Resolution Foundation, on behalf of the Living Wage Foundation and is overseed Living Wage Commission. It is based on a basket of goods determined by the Minimum Income Standard focus groups, the pricing of those inputs, and the process of deriving wage requirements based on those costs. (Cominetti & Murphy, 2023).

et al., 2023). Another effect is that working part-time can also lead to fewer opportunities for progression (Office for National Statistics, 2021).

- Work intensity (Household Labour Contribution): The risk of poverty increases sharply as household work intensity declines. The latest evidence at the UK level shows that the poverty rate was just 6% for those in households averaging 30+ working hours per adult. This rose to 19% for 20–29 hours, 34% for 10–19 hours, and 46% for 1–9 hours (JRF, 2025).In Scotland, data tells a similar story (Birt et al., 2023), where around three in ten people in in-work poverty between 2019–22 lived in households with one full-time worker and one non-working adult. Another three in ten were in households with only part-time work. Among families where all adults work full-time, 23% remain in poverty, often due to family structure and cost burdens, as six out of ten of these families are headed by a single adult.

- Insecure Employment: The amount and consistency of hours are closely linked to the prevalence of insecure employment, such as zero-hour contracts[6], which contribute to financial insecurity and often impact individuals' mental health. In Living Wage Foundation (Richardson, 2023) analysis Scotland has the lowest regional rates of insecure work, 17.2%, and low-paid insecure work, 9.3% and, although most of the types of insecure jobs have reduced over the years in the UK, except for zero-hour contracts, Scotland has one of the highest proportions among UK regions —3.8%, around 100,000 workers. (Office for National Statistics, 2025).

- Lack of Progression: According to the Joseph Rowntree Foundation (Birt et al., 2023), over a five-year period, one in ten workers are trapped in low pay, and just one in 20 are escaping low pay, indicating a significant issue with progression. Insights from CIPD's *Working Lives Scotland* (Zemanik, 2024) show that workers on lower incomes, in smaller businesses, or without a university degree are consistently less likely to receive training or career development support. In 2024,

[6] Besides zero-hour contract other common types of insecure work that can be considered are: workers with pay/hour volatility, low paid self-employment, non-permanent and zero hours contracts and agency workers. The Work Foundation research has developed a *UK Insecure Work Index 2024*, that expands on their prevalence and trends.

just 44% of employees earning under £20,000 felt they had good opportunities to develop their skills, and only 23% believed they had clear prospects for career advancement, compared to 67% and 47%, respectively, among those earning £60,000 or more. These figures are largely unchanged since the series began in 2020.

- Discrimination: As highlighted in *Poverty in Scotland 2023* (Birt et al., 2023), many of those trapped in low pay face some of the most entrenched structural barriers to a decent income, particularly women, disabled people, and ethnically diverse workers.

  Gender: In 2021, the median gender pay gap in Scotland was 11.5%, with women earning an average of £13.49 per hour compared to £15.27 for men. This equates to a gap of £1.78 per hour, or around £3,200 less per year for a woman working full-time.

  Disability: Disabled workers are also disadvantaged, earning on average £10.58 per hour compared to £12.63 for non-disabled workers—a difference of £2.05 per hour, or approximately £3,700 less annually for full-time work.

  Ethnicity: According to *Poverty in Scotland 2024* (Birt et al., 2024), ethnically diverse workers are three times more likely to be in insecure work, face higher rates of underemployment, and earn £1.26 less per hour than white workers. They also experience in-work poverty at three times the rate of white workers, and even in households where everyone works full-time, ethnically diverse families are nearly twice as likely to be in poverty.

Other factors, broad economy and social welfare

- Costs of Living: Housing, transport, and essential expenses are significant contributors to in-work poverty in Scotland. According to *Poverty in Scotland 2023* (Birt et al., 2023), the majority of people in working households experiencing poverty live in rented accommodation. Between 2019 and 2022, two in three households in in-work poverty were renters. Although this reflects a shift from 2011–2014, when almost one in three people in in-work poverty were pulled into poverty due to housing costs alone, recent figures show that one in five are still affected in this way, equating to approximately 110,000 people, including 30,000 children and 80,000 adults. The same report points out that 45% of those in in-work poverty live in unaffordable housing, where housing costs account for more than 30% of household income. The cost of travel to work also impacts low-income households, especially in sectors and occupations where commuting is essential but not adequately offset by wages. The broader rise in the cost of living continues to strain low-income working households, who are less likely to have financial reserves. Among all working families, 37% had savings of £250 or less, compared to over half of families experiencing in-work poverty. Within this group, 38% had no savings at all. Two in five families in in-work poverty were behind on at least one bill, almost two-thirds reported they would be unable to cover an unexpected expense of £200 from their own money or savings.

Action for Children research (2024) shows that in the UK, approximately 300,000 families with children live in poverty despite all parents being in full-time work (many of these are single parent household working in low paid occupations) and on average, these families face higher housing costs, with median housing expenses £28 per week greater than those of other households with children. Moreover, the report highlighted that even if addressing housing affordability where housing costs were reduced to zero, 39% of low-income families in full-time work would still remain in poverty.

- Inadequate Social Security: *Poverty in Scotland 2024* report (Birt et al.) highlights that in-work poverty has grown despite rising employment levels, reflecting the failure of social security to act as a meaningful backstop. The basic rate of Universal Credit is considered too low to close the gap between low earnings and a decent standard of living, and policies such as the two-child limit and benefit cap restrict support to families most in need (JRF, 2025; Scottish Government, 2025b). Special mentions have been raised about these two specific policies. Evidence from 2023 showed that in Scotland alone, over 80,000 children were currently affected by the two-child limit, and an additional 20,000 children are now in poverty due to the benefits cap (Pooran, 2023). Modelling by the Fraser of Allander Institute suggests that full mitigation of the two-child limit in Scotland could reduce relative child poverty by up to two percentage points, at least lifting around 10,000 children out of poverty (Fraser of Allander, 2024). Other models suggest that the application of the Scottish Child Payment, may help reduce the effects of the two child-cap policy (Scottish

Government, 2025a) and latest evidence suggest that this might be having an impact among other factors as child poverty rates in Scotland, 24%, remain much lower than those in England, 30%, and Wales (29%) (JRF, 2025). Despite this, Institute for Fiscal Studies research (Cribb et al., 2024), also notes that mitigation targeted only at certain age groups or means-tested benefits would likely miss many of the working families affected.

While the drivers of in-work poverty are similar across Scotland and the UK, there are some notable differences

- Poverty and child poverty rates: While poverty rates in Scotland are broadly similar to those in England and Wales, child poverty rates are notably lower in Scotland, likely due to the Scottish Child Payment7.
- Housing: Scotland has a higher share of people living in social housing and lower average housing costs than other parts of the UK, which can help to mitigate poverty. However, there has been a trend shift towards the private rental sector, which has pushed more working families into poverty.
- Employment rates: Scotland has experienced a starker drop in employment rates compared to pre-pandemic levels, with a corresponding increase in economic inactivity. A higher-than-average proportion of working-age adults are either unemployed or economically inactive -inactivity is at a higher rate than in many other regions of the UK. This is partly due to ill health, caring responsibilities, and earlier retirement, which increases the risk of poverty.
- Devolved powers: The Scottish Government has some devolved powers, which enable it to address poverty through policies on social security, employability, and

[7] As stated by Joseph Roundtree Foundation *Poverty in Scotland 2024* there are some challenges to measuring the impact of the Scottish Child Payment but also the overall child poverty rates. The Scottish Government typically reports estimates within a ±6% range (*Poverty and Income Inequality in Scotland 2021–24*). Looking at the trend since the introduction of the two-child benefit cap in 2017, child poverty rates have increased. However, according to the most recent calculations for 2021–24 triennial calculation, the rate has effectively decreased back to 23% —the Scottish Child Payment was introduced in 2021. This downward trend is supported by data from HMRC and DWP (Constituency data: Child poverty) and it shows that relative child poverty in Scotland continue to fall from 17.8% in 2022/23 to 16.3% in 2023/24. This stand in contrast to the UK-wide trend, based on the same database, where child poverty continued to rise, increasing from 21.1% to 21.8% over the same period.

housing. However, many critical powers related to social security are still retained by the UK Government.

In-work poverty in Scotland - Priority Industries

Certain industries are identified as "high-priority" due to the high prevalence of in-work poverty. Of all people in poverty, where someone in their family works, nearly three in four people (72%) have one or more people in their family working in these high-priority industries (Birt et al., 2023).

The Joseph Rowntree Foundation's *Poverty in Scotland 2023* report identifies five high-priority industries that play a key role in maintaining in-work poverty in Scotland. These industries are retail, hospitality, manufacturing, health and social work, and administration and support services. Nearly three-quarters of people experiencing in-work poverty have someone in their family who works in one of these industries. The report provides a summary of each of these industries, including barriers to good work within each. All the following sectoral analysis is based on the aforementioned report:

- Retail: It has the highest in-work poverty reach of any industry in Scotland, 28% of people experiencing in-work poverty had someone in their family working in retail. Large employers dominate the retail sector. The sector has a high proportion of part-time workers, and over half of low-paid workers are on part-time contracts. Women make up around half of the retail workforce in Scotland but are over-represented in low-paid roles. Low-paid workers are also more likely to be disabled. Urgent priorities for the retail sector are pay and hours, with employment security and progression also identified as priorities.
- Health and Social Work: Workers in health and social care are among the largest cohort of low-paid workers with the largest in-work poverty reach, 21% of people experiencing in-work poverty had someone working in health and social work, which contrasts with the elevated status they are given by the general public. The industry suffers from constant funding disputes and increased demand, leaving staff underpaid and overworked. Health and social work is also one of the biggest industries in Scotland. Ethnically diverse people are over-represented within the health and social work workforce, and women make up a significant majority. Health and social work has one of the highest representations of disabled workers

across industries. Priorities for the health and social work sector include hours and progression, while pay and employment security require change.

- Hospitality[8]: The industry is operating under some of the most severe business pressures of any industry in Scotland. Hospitality has the highest proportion of low-paid workers, six in ten (62%), more than any other industry in Scotland. 16% of people experiencing in-work poverty had someone working in hospitality. In addition to having high levels of low pay, many low-paid hospitality workers work part-time, and many are underemployed. Hospitality workers are also at a very high risk of working on insecure contracts. Hospitality has the highest proportion of ethnically diverse workers in the high-priority industries. The key driver of poverty for hospitality workers is low pay, and many aspects of work can make it a greater driver of poverty, such as insecure and part-time contracts. Urgent priorities for the hospitality sector are pay, hours, and employment security, with progression also a priority.
- Administrative and Support Services: While only a small proportion of workers work in administrative and support services in Scotland, a large proportion of people in in-work poverty have one or more people in their family in this industry; 16% of people experiencing in-work poverty had someone working in administrative and support services. A smaller proportion of administrative workers work part-time, and few are underemployed. However, over one in ten are in insecure work. Priorities for the administrative support services sector include employment security and progression, while pay and hours are an urgent priority for low-paid workers.
- Manufacturing: Manufacturing in Scotland now makes up a relatively small proportion of the workforce. It has the smallest proportion of low-paid workers of the five high-priority industries. 10% of people experiencing in-work poverty had

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[8] Beyond the Joseph Roundtree Foundation analysis, the hospitality sector has emerged across the literature as one of the clearest examples of the structural challenges associated with in-work poverty. Several recent inquiries and research initiatives — including those by the Fair Work Convention, *Levers for fair work in hospitality in Scotland* (2024), *Fair Work in the Hospitality Industry* (2024), Living Wage Foundation, *Living Wage in hospitality toolkit: A toolkit for hospitality employers* (Sheikh, H., & Goff, C., 2024), and Serving the Future project— have examined the sector in detail: despite progress on real Living Wage adoption and good practice by some employers, the sector continues to struggle with embedding fair work at scale.

someone working in manufacturing. Fewer workers are on insecure contracts, and few experience underemployment, although very few workers are on part-time contracts. Manufacturing also has a clear under-representation of women workers. The manufacturing sector requires changes to pay, hours, and employment security, while progression is a priority.

6. The Role of Employers in Tackling In-Work Poverty: Awareness, Responsibilities, and Action

Employer Awareness and Financial Wellbeing

Recent research indicates a growing recognition among employers of the link between employee financial wellbeing, productivity, and overall business performance (PwC 2018, 2023; Centre for Economics and Business Research, 2021; Aviva 2024). Nevertheless, explicit action to address in-work poverty remains limited.

The CIPD's guide on *Employee Financial Wellbeing* (Rickard, 2022) highlights that while a majority (77%) of employers implement wellbeing policies primarily to improve employees' mental and physical wellbeing, and half (53%) aim to enhance organisational performance, only a minority (26%) specifically target the reduction of in-work poverty. This suggests that in-work poverty remains an under-addressed area within broader wellbeing strategies.

The Financial Wellbeing research by the Reward & Employee Benefits Association (REBA) (2024), based on responses from 236 HR professionals, found that 36% of employers recognise that employee wages are insufficient to meet rising living costs. Similarly, Aviva's 2024 study of 201 private sector employers found that 56% perceive their employees as worried about their financial situations, despite recent increases in the National Living Wage.

According to CIPD's Reward Management survey (Cotton et al., 2022), nearly all reward professionals, 96%, agree that employers should ensure fair and liveable incomes, yet only 69% currently reported that their organisation pay at least the Real Living Wage. Additionally, there is a consensus that employers should actively support career progression (87%) to improve employee earning potential, although interest in progression notably declines among lower earners—only 42% of employees earning less than £20,000 view career progression as important for their financial wellbeing, compared to 69% of those earning above £60,000.

The same CIPD research asked about awareness of in-work poverty, finding that only 28% of reward professionals reported senior management being aware of the issue, and 36% stated their senior management was unaware. Awareness gaps were particularly pronounced in lower-paid sectors such as retail, hospitality, catering, leisure, and cleaning, where 61% reported senior management's lack of awareness. Additionally, involvement from external stakeholders is limited, with only 34% of the surveyed group believing customers or investors care about in-work poverty, although it is slightly higher in front-line industries like retail and hospitality, at 45%. Furthermore, fewer than half of employers, 48%, feel confident in spotting the subtle signs of in-work poverty among their employees. Despite various financial wellbeing initiatives, only 29% of employers rated their support as good or excellent, indicating significant room for improvement.

Despite these challenges, the Money and Pensions Service (MaPS, 2024) notes that financial wellbeing initiatives enhance productivity, employee engagement, and employer differentiation. A deeper look into the state of action on financial wellbeing strategies REBA's research (2024) notes that 69% of employers state that financial wellbeing is part of their business strategy, and 60% report that it is part of their employee wellbeing strategy. However, while board-level engagement is rising, only 30% of employers currently assign formal accountability for financial wellbeing. Just 19% have key performance indicators (KPIs) in place to track financial wellbeing outcomes and 55% of employers report that they do not collect any direct data from their workforce —which suggests adding another challenge to identifying any impact on understanding the impact of the financial wellbeing policies on workers in poverty.

Meanwhile, the report points out that employers are beginning to segment their financial wellbeing offers to reflect the diversity of employee needs: ...*financial wellbeing risks facing employees relate to their life stage, be they a recent graduate with high student debt, a new parent managing childcare costs or an older worker planning for retirement...*, but *must also consider that unexpected events, such as divorce and bereavement for example, can have a significant impact on an employee's financial resilience* (REBA, 2024). CIPD financial wellbeing guide (Rickard, 2022) suggests a similar approach, where a one-size-fits-all is less likely to help the most vulnerable groups and companies should consider using existing workforce data and segmentation according to their likely financial challenges rather than planning on assumptions. As it might be expected REBA's survey found the following as the top financial wellbeing risks facing workforces*: impact of inflation 76%, costs affecting working parents (e.g. Childcare, maternity leave), insufficient pensions savings 71%, rising cost of rent 64%, lack of financial literacy 62%, mortgage interest rates 58%, high energy prices 58%, cost affecting carers in the workplace 46% —* among the full list there are five issues have increased in relevance: working carers, housing costs, student debt, low pay and retirement adequacy.

CIPD's guide (Rickard, 2022) also considers that any financial wellbeing policy should have three core elements: pay of a fair and liveable wage, support for in-work progression, and financial wellbeing and education support. But looking with more detail into existing employers' financial wellbeing policies, there is a broad range of components in such policies, such as pension schemes, access to debt advice or counselling, financial scam alerts, and free financial education or guidance. Non-financial perks like Christmas bonuses or vouchers, discounted shopping, leisure or hospitality offers, and gifts are also frequently provided. Many organisations offer workplace pension enhancements, including salary sacrifice plans, contribution matching, and bonus sacrifice schemes. A range of more targeted or grade-dependent benefits includes relocation assistance, pre-retirement courses, earned pay access, employee share plans, and workplace loans (both interest-free and interest-charged). Additionally, some employers provide access to credit unions, matched charitable donations, university tuition fee repayment, energy switching schemes, and financial allowances for homeworkers. Notably, paying the voluntary Living Wage was the most common option in the wellbeing benefits offer, further signalling a commitment to financial security for lower-paid staff.

The latter might be the most significant action to support in-work poverty, but according to REBA, increasing wages may affect organisations' wellbeing strategies as it can impact pay differentials, pension contributions and potentially alter broader employee benefit budgets. MaPS (2024) explicitly recommends practical strategies such as payroll-deducted savings schemes and salary-advance options to help employees manage financial stress and build financial resilience. These recommendations align closely with interventions tracked by REBA's survey, that are mentioned as aimed at supporting lower-paid employees, which reports actual or intended adoption rates among employers: Pay-As-You-Earn (PAYE) savings schemes (29%), wage advance schemes (21%), and community finance lending options (10%).

Perception Gaps and Trust Challenges

Employer perceptions and employee experiences regarding financial wellbeing support differ significantly. REBA's (2024) report notes that while 62% of employers recognise financial literacy as a significant risk to wellbeing, only 8% have a mature, integrated financial wellbeing strategy. Most employers (70%) offer financial wellbeing services, but these are often fragmented.

The Money and Pensions Service (2024) underscores the importance of addressing this gap by encouraging employers to facilitate open discussions about money, enhance financial education, and integrate financial wellbeing into wider organisational wellbeing strategies. However, employees' experiences still reflect significant shortcomings. The REBA research (2024) reveals that 41% of employees do not feel supported by their employers in financial education, and only 14% feel comfortable discussing financial issues at work. Salary Finance's 2021 study reinforces this finding, with 44% of employees feeling judged if discussing financial matters, and 50% believing their employers are indifferent to their financial wellbeing.

CIPD (Cotton et al. 2022) highlights a lack of comprehensive data collection and proactive engagement, noting that only 20% of organisations regularly ask employees about their financial wellbeing. Only 10% of employees reported that their employer proactively offered support with financial wellbeing, revealing a significant gap in employer responsiveness and employee experience.

This disparity suggests a critical need for employers to enhance trust, communication, and coherence in their financial wellbeing strategies and actively engage employees through targeted support and transparent initiatives to effectively address in-work poverty and employee financial stress.

Recommendations for Employers[9]

Looking at the reports produced by multiple organisations focusing on issues of poverty, in-work poverty, low pay and progression and employee financial wellbeing that have been mentioned above in previous sections and others, below is a list of recommendations that could the potential and be considered by employers to tackle or alleviate in-work poverty[10].

Pay and Financial Support

- **Adopt the Real Living Wage**: Many low-paid workers earn below what's needed for a basic standard of living. Where possible, employers should commit to paying the RLW, which is independently calculated based on living costs, rather than relying on the statutory minimum wage.
- **Higher Cost of Living Pay Increases:** Inflation disproportionately affects low-income workers. Employers should factor in the rising cost of essentials when reviewing pay and consider one-off financial support for employees facing hardship.
- **Ensure Take-up of Benefits:** Many workers are unaware of in-work benefits such as Universal Credit or employer-provided financial support. Employers can offer signposting, workshops, or payroll integration to help staff access available assistance.

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[9] The following recommendations list are collection based on the following reports: *Poverty in Scotland 2023* and *Scotland Poverty 2024* (Joseph Rowntree Foundation); *Good Jobs in Scotland Report* (Poverty and Inequality Commission); *Collaborating for Change* (Oxfam); *Jobs and Skills in Scotland: Addressing Productivity, Progression and In-Work Poverty* (IPPR Scotland); *In-Work Poverty, Ethnicity and Workplace Cultures* (Carnegie UK); *'We've Not Breached Our Side of the Contract'* (University of Strathclyde); *Families' Experiences of In-Work Poverty in Scotland* (Children and Young People's Commissioner Scotland); *Cost of a Child in Scotland 2024* (Child Poverty Action Group); *Policy Brief: Financial Insecurity, Employment and Work in Scotland* (Carnegie UK); *In-Work Poverty – Financial Support* (Welsh Government); *Employee Financial Wellbeing: How Employers Can Help* (CIPD); *Financial Wellbeing Research 2024* (REBA); *The Employer's Guide to Financial Wellbeing 2021-22* (Salary Finance); *The Workplace: An Essential Guide for Employers* (Money and Pensions Service - HM Government); *How Financial Stress Impacts Employee Wellbeing and Productivity* (Zellis); *Evidence review: Supporting progression from low pay* (Learning and Work Institute), *Supporting progression out of low pay: a call to action* (In-Work Progression Commission).

[10] CIPD, in partnership with Joseph Rowntree Foundation, has elaborated a resource with a similar approach, producing a guide for employers, *Tackling in-work poverty: Guidance for employers,* which includes links to a variety of resources with further information and recommendations.

- **Enhanced Parental Pay:** Many low-paid workers struggle financially after having children. Improving maternity, paternity and adoption pay beyond statutory levels can offer vital support to working families.
- **Promote Earned Wage Access and Emergency Support:** Employers can offer earned wage access schemes and establish hardship funds, enabling employees to manage urgent expenses without relying on high-cost credit.

Secure and Fair Working Conditions

- **Increase Job Security:** Insecure contracts make financial planning difficult. Employers should reduce reliance on zero-hours contracts and instead offer permanent roles with minimum guaranteed hours.
- **Living Hours Accreditation:** In addition to paying the Living Wage, employers should ensure that workers have a stable minimum number of working hours to support financial stability.
- **Four Weeks' Notice for Shifts:** Last-minute scheduling changes can cause disruption and stress. Providing at least four weeks' notice for shifts helps employees manage childcare, travel and other responsibilities.
- **Compensation for Cancelled Shifts:** When shifts are cancelled with little notice, employees can lose vital income. Ensuring full pay for cancelled shifts offers a financial safety net and reflects fair practice.

Career Progression and Skills Development

- **Ensure Equitable Access to Training (focus on low-paid and part-time workers):** A lack of access to training can trap workers in low-paid roles. Employers should offer free or subsidised development opportunities and ensure part-time staff are included in upskilling and progression efforts.
- **Support for Career Progression:** Promotion opportunities should come with meaningful financial and professional benefits, addressing fears of increased responsibility without adequate reward.
- **Create Progression Pathways:** Employers, while listening to employees to understand barriers, should map out clear advancement routes, tailored development plans to actual roles, and design jobs that support skills development and upward mobility.

Gender Equality and Work-Life Balance

- **Revalue Part-Time Work:** Part-time roles are often overlooked for progression. Employers should ensure that part-time staff have access to career development, training and leadership opportunities.
- **Flexible Work Arrangements:** Women, particularly those with caring responsibilities, are more likely to need flexible working. Employers should normalise remote working, adjusted hours and job shares.

Employee Wellbeing and Support

- **Improve Line Management:** Line managers should be trained to identify and respond to signs of financial or emotional stress among team members and to provide appropriate support.
- **Employee Engagement Mechanisms:** Employers should establish regular feedback opportunities, such as forums or staff surveys, to empower employees and improve workplace culture.
- **Promote Financial Literacy and Payslip Transparency:** Payslips should be easy to understand, with clear explanations of deductions and net pay. Employers should also offer access to financial education or one-to-one coaching where possible.

Inclusive Practices for At-Risk Groups

- **Support Disabled Employees:** Employers should conduct accessibility audits and implement adjustments, such as adaptive technology, to ensure disabled staff can thrive in their roles.
- **Advance Racial Equity:** Ethnicity pay gap reporting should be accompanied by tangible action to remove bias in recruitment and progression. Employers should support ethnically diverse employees with clear, equitable development pathways.
- **Support Carers and Parents:** Introduce paid carer leave and offer supportive flexible working arrangements for staff with dependants. Ensure childcare support is accessible and well-communicated.

Payroll and Operational Systems

- **Use Payroll as a Wellbeing Tool:** Payroll data can help identify employees at risk of financial stress. Employers should ensure payslip accuracy, respond quickly to errors, and offer tools such as early wage access or referrals to support.

Broader Social and Policy Advocacy

- **Sector-wide Collaboration:** Employers should work in partnership with policymakers, unions and other organisations to promote fairer pay, employment practices and labour market reform.
- **Support for Childcare and Transport Costs:** Employers can advocate for policies that reduce the cost of getting to work and raising children or work directly with local providers to create affordable solutions.

Frameworks and Initiatives Supporting Employer Action on In-Work Poverty

Living Wage Foundation (nation-wide and Scotland) - encourages employers to go beyond the legal minimum in supporting low-paid workers. With three key existing initiatives: Real Living Wage, Living Hours and Living Pensions:

The Real Living Wage is higher than the government's National Living Wage as it's based on what people need to earn to afford essentials like housing, food, and transport -Real Living Wage £12.60 (£13.85 for London) vs National Living Wage £12.21. Up to today, LWF reports that over 15,000 UK employers have been accredited —3858 in Scotland. The impact of the campaign has been assessed in the past by the Living Wage Foundation (Coulson & Bonner, 2015), including case studies, and also reviewed by Cardiff University for a twenty-year analysis (Heery, et al, 2023).

Since the scheme began, nearly 400,000 employees have seen a wage increase, particularly in low-wage sectors such as care, cleaning, and retail. The initiative has particularly benefited part-time workers, often women, as well as contract workers. Despite some increase in labour costs, most employers absorbed these without cutting hours or jobs, and 99% reported they were likely to continue their accreditation due to strong alignment with their values. This outcome shows a slight contrast on views for potential changes on wellbeing offers due to wage increases captured on REBA's research (2024). Only a few employers reduced benefits or wages elsewhere to fund the wage increase. 2% removed other benefits and just 6% restrained pay growth for higher earners.

As mentioned earlier, and despite the proven benefits from the real Living Wage, low pay is still prevalent. In 2024, over 4.5 million employee jobs across the UK were paid below the Real Living Wage. Scotland has the lowest rate, but still, 11.4% of jobs were below the Real Living Wage (Mignon, 2025), which reveals that there is room for the campaign to grow, especially for hospitality, retail, care and administrative support sectors, which have the highest rate of low-paid jobs.

- **The Living Hours** standard aims to ensure that workers have secure and predictable hours by requiring employers to guarantee at least 16 hours a week, give four weeks' notice for shifts, and pay for last-minute cancellations. Currently, 215 employers have been accredited -interestingly, about half (100) are reported to be based in Scotland. However, by the time the Cardiff University review was carried out in 2021 (Heery, et al, 2023), this accreditation wasn't well known among employers. Preliminary insights found that 50% of surveyed employers expressed interest in adopting Living Hours. From the three actions suggested, the major barrier for adoption of this initiative was the practicality of providing four weeks' notice[11].
- **The Living Pension** builds on this by encouraging employers to contribute at least 7% towards their employees' pensions (with a total minimum contribution of 12%), helping staff save enough for retirement. Cardiff University's review of this campaign found that nearly 80% of employers said they would consider committing to a voluntary pension scheme to support the long-term financial wellbeing of low-paid employees (Heery, et al, 2023) and it was officially launched in 2023 and now over 50 employers have been accredited.

LWF has stated that it is exploring other standards related to sick pay and gig work protections. While no formal standard has been established yet, they seem to have some sectoral support for action in these areas. More recently, they have created a separate accreditation for outsourcing and facilities management companies, Recognised Service Provider and initiatives around cities, regions and zones. As well, the LWF, in partnership with

[11] The Timewise report "Ending the Two-Tier Workforce" may explain the multiple factors that may impact the implementation of the Living Working Hours: lean staffing models, fluctuating customer demand, scheduling complexity, limited use of self-rostering technologies, and a prevailing managerial culture resistant to change. Despite these, it shares a framework that can work on those barriers, and different case studies and pilots taken by businesses. Timewise-Ending-the-Two-Tier-Workforce.pdf

Poverty Alliance, established Living Wage Scotland[12], which embeds the national campaign with a local focus delivering resources and insights directed to Scottish employers.

Good Business Charter - a UK-based accreditation scheme that recognises organisations committed to responsible business practices across ten key components, from pay to ethical sourcing. To achieve an accreditation, employers from the private sector must meet the standards for all ten components. Of the ten components, three are directly relevant to addressing in-work poverty: the Real Living Wage, Fairer Hours and Contracts, and Employee Well-being, and other components that may improve employee financial wellbeing are Employee Representation, Diversity and Inclusion. The rest are part of the broader responsible business scope. The accreditation process involves a straightforward online self-certification with fees based on the organisation's size; not necessarily a complex framework but it remains strict in the evaluation process.

Fair Work Convention and Fair Work First (Scotland) —the Fair Work Convention encourages employers to go beyond legal compliance by embedding five dimensions of Fair Work: Effective Voice, Opportunity, Security, Fulfilment, and Respect. It promotes a values-led approach focused on improving job quality and reducing in-work poverty, especially in low-paid sectors.

Their Fair Work Employer Support Tool[13] provides a free self-assessment for employers to review their practices and receive tailored suggestions for improvement and tracks responses through a Self-Assessment Tool from individuals to measure the current state and overall progress of working conditions for employees based in Scotland. The Convention's sectoral inquiries have highlighted poor working conditions in key industries. Social care: widespread zero-hour contracts and poor progression[14]; Construction: casualisation and false self-employment[15]; and more recently Hospitality: insecure hours and lack of voice[16].

In 2023, the Fair Work Convention commissioned research to support tracking Scotland's progress. The analysis consisted of delivering and updating the Fair Work Measurement

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[12] What is the real Living Wage | Living Wage Scotland
[13] Home | Fair Work Tool
[14] Fair Work in Scotland's Social Care Sector 2019 - The Fair Work Convention
[15] Construction Industry Inquiry - The Fair Work Convention
[16] Hospitality Industry Inquiry - The Fair Work Convention

Framework to track fair work progress in Scotland against the five dimensions of fair work, which found that from 2016,when the framework was established that year, out of the 46 indicators, 20 have improved, ten have worsened, and 14 have fluctuated or remained broadly stable (Alma Economics, 2023). Also, the research produced a set of comparable indicators for an international Fair Work benchmark. Both reviews have helped identify lessons and factors for success at a national policy level.

Building on the campaign and frameworks of the Fair Work Convention, the Scottish Government launched Fair Work First in 2019 as its flagship policy, which requires organisations applying for public sector grants, contracts, or funding to adopt specific Fair Work practices as a condition of support. The policy aims to expand fair labour practices and help tackle in-work poverty through employer commitments across seven areas:

- Payment of the Real Living Wage (mandatory, with limited exceptions)
- No inappropriate use of zero-hours contracts
- Genuine employee voice and effective dialogue channels (mandatory)
- Investment in workforce development and skills
- Action to tackle workplace inequality and support a diverse workforce
- Flexible and family-friendly working practices
- Fair and transparent pay structures

Initial consultations (Scottish Government, 2021) highlighted broad support for the initiative but also revealed cost as the biggest barrier, especially for smaller organisations. Respondents recommended sector-specific approaches and stronger partnerships with key sectors. They also called for more government support through funding, centralised guidance, and free training and mentoring schemes.

In response, the Scottish Government produced updated guidance, which has since been evaluated through further consultations. The 2025 Business and Regulatory Impact Assessment reaffirmed support for Fair Work First but underscored ongoing financial and administrative challenges. Paying the Real Living Wage to all workers, including apprentices and 16–17-year-olds, was linked to improved recruitment, retention, and wellbeing. However, affordability concerns persist, particularly regarding wage differentials and potential reductions in youth employment opportunities. To address this, the government implemented a limited exception mechanism, allowing flexibility for organisations unable to fully meet Real Living Wage requirements. For the mandatory "effective voice" condition, reported benefits included stronger workplace culture and retention. However, challenges related to time, clarity, and suitability for smaller employers remain (Scottish Government, 2025c).

Other regional initiatives: Greater Manchester Good Employment Charter, West of England Good Employment Charter, London's Good Work Standard (GWS) — The Greater Manchester, West of England, and London charters are all voluntary initiatives but are increasingly being integrated into local public sector expectations, although not at the level of Scotland's Fair Work First. The three share a common goal: to improve job quality through fair pay, voice, security, inclusion, and well-being.

- Greater Manchester Good Employment Charter is a framework designed to support employers at different stages of improving job quality, encouraging better employment practices across seven key characteristics: secure work, flexible working, fair pay (including the real Living Wage), employee engagement, fair recruitment, people management, and wellbeing. Employers can join as Supporters, commit to an action plan, and progress toward becoming Members and eventually Advocates, based on their achievements and leadership in promoting good work.
- West of England Good Employment Charter, also, with seven keys and with very small differences to Great Manchester's charter, invites employers to become Supporters by completing an Action Plan identifying areas for improvement against the Charter's standards. As employers make progress, they can apply to become Members, showcasing more advanced practices. The Charter provides practical guidance and peer learning opportunities and is tailored to support small and medium enterprises as well as larger employers.
- The Mayor of London's Good Work Standard (GWS) operates as a more formal accreditation scheme, focused on setting a clear benchmark for what good employment looks like in the capital. To be accredited, employers must: be accredited Living Wage Employers, complete a detailed self-assessment across four pillars (Fair Pay and Conditions, Workplace Wellbeing, Skills and Progression, and Diversity and Recruitment), submit evidence of their practices, and undergo a review process conducted by the Greater London Authority (GLA). The GWS offers two levels of

recognition: Achievement and Excellence, depending on how far an employer goes in embedding high standards.

While all these initiatives promote core principles like fair pay, secure work, and employee voice, Scotland's model is uniquely enforcement-linked, linking fair work criteria directly to access to public funding and procurement, setting it apart as a national framework with practical compliance mechanisms rather than a purely voluntary standard.

The Social Market Foundation (supported by Trust for London) has conducted a comprehensive three-year project addressing the issue of in-work poverty in London producing four reports[17] on the issue from different perspectives - roles of businesses, the role of the public sector and culminating with a proposal for a new In-Work Poverty Benchmark, designed to guide and encourage employers in mitigating poverty among their workforce. The production of the in-work poverty benchmark has been designed in detail in 2024 and was stated to be projected and developed as part of the next stages (Hyde et al., 2024). The work is based on three core domains, each identified as a critical driver of in-work poverty:

- Pay and Conditions: Employers are assessed on measures such as paying the real Living Wage, offering secure hours and contracts, ensuring minimum hours (e.g. 16+ per week), and progression opportunities.
- Cost of Living: This domain captures how employers support workers with high living costs, including transport subsidies, staff discounts, childcare support, and financial advice.
- Financial Resilience: Actions in this area include providing enhanced sick pay, savings schemes, mental health support, training, and tools to help staff cope with financial shocks.

Each domain is split into three tiers of action, allowing employers to start with basic interventions (Tier 1), improving performance (Tier 2) and the frontier of best practice (Tier 3). A points-based system enables employers to qualify for a benchmark depending on their cumulative score, providing a structured pathway for improvement. The benchmark is

[17] In-work poverty benchmark: SMF report series supported by Trust for London - Social Market Foundation.

deliberately designed to be complementary, integrating existing initiatives such as Living Wage, Living Hours, and Living Pension.

Serving the Future Project is a major three-year action research project (2022–2025) funded by the Robertson Trust and delivered by the University of Strathclyde, Fraser of Allander Institute, and the Poverty Alliance. It focused on identifying how employers, industry bodies, and government can reduce and prevent in-work poverty in Scotland's hospitality sector—a sector with persistently low wages, precarious hours, and high staff turnover, particularly affecting parents and carers.

The project has delivered a series of Action Learning Sets with hospitality employers from Glasgow and Argyll and Bute, aiming to create peer support spaces for employers to tackle pressing workforce issues such as:

- Sickness absence and mental health challenges
- Seasonal underemployment and low hours
- Recruitment gaps, especially for chefs and kitchen staff
- Staff retention and engagement, especially during low season

Employers identified and tested practical changes like moving toward annualised hours, restructuring shift patterns, and improving communication around absence and mental wellbeing. However, the report also notes that structural barriers such as limited financial headroom, lack of decision-making authority, and time constraints hindered transformative change during the pilot.

Still, employers reported strong personal development outcomes from the Action Learning Sets, including improved confidence, awareness of HR approaches, and a new peer support network. Some described the experience as the first time they'd received sector-relevant advice or support, illustrating a broader gap in accessible professional development in hospitality.

The research from Serving the Future directly informed Scotland's Tourism and Hospitality Fair Work Toolkit[18], particularly with small business case studies under the Fair Work Overview section. The toolkit aims to make fair work principles actionable for employers, with

[18] Tourism & Hospitality Toolkit

content aligned to the five dimensions of fair work. In addition, the project has informed the Fair Work First policy:

- Providing nuanced views of challenges in adopting fair work in a sector with low union density and fragmented representation.
- Creating evidence for the Fair Work Convention's inquiry into the hospitality sector, ensuring that policy design is grounded in the lived realities of employers and workers.
- Examined the influence of industry bodies (e.g., Hospitality, Scottish Tourism Alliance), noting that while they play a vital policy role, many employers were unaware of their support or felt disconnected from them. This lack of awareness, coupled with time constraints, left many hospitality employers without a clear route to support or voice.

BITC campaigns and related content —BITC has developed a comprehensive set of employer-facing tools and frameworks that address various dimensions of in-work poverty by focusing on financial resilience, job quality, and wellbeing.

Responding to the Cost of Living

BITC has positioned the cost-of-living crisis as a systemic challenge demanding strategic, inclusive, and sustained action from employers. Through a series of briefings and its flagship *Cost-of-Living Action Plan* (Business in the Community 2022a), BITC outlines a practical roadmap for employers to support employees, customers, communities and suppliers. The priority recommendations to support employees are:

- Paying the Real Living Wage
- Ensure employees have the option to work flexibly
- Target support towards your lower income and vulnerable employees using workforce data and employee engagement.

Regarding work with communities, it's encouraged to promote direct outreach through employee volunteering and also to support and work with community partners to help vulnerable groups; for customers, it's vital to understand potential low-income customers and try to provide affordable products and services that are essential for living. To support suppliers, the key recommendation is to ensure prompt and fair payment and to provide any support to reduce their operating costs.

In addition to these foundational actions, through cross-organisational expert input reflected in three Supporting Employees briefings - *Better Pay* (Business in the Community, 2022b), *Work that Works* (Business in the Community, 2022c), *Lower Income and Vulnerable Groups* (Business in the Community, 2022d) - BITC places particular emphasis on improving pay, job quality, and equity for the most affected workers:

Living Wage accreditation as both a crisis response and a long-term strategy for improving productivity, reputation, and employee wellbeing.

Businesses are encouraged to address pay equity and transparency, including monitoring and acting on gender and ethnicity pay gaps, which are often linked to in-work poverty among women and ethnically diverse staff.

Employers should consider how low-income workers, carers, and employees with health needs can access not just location-based flexibility, but also predictable shifts, stable contracts, and progression opportunities. BITC promotes mutual flexibility, co-designed between employers and employees, as a way to reduce financial stress and increase workplace trust.

Beyond monitoring pay gaps, employers are advised to map their workforce against indicators of vulnerability (e.g. income level, protected characteristics) and to embed tailored support into the organisation’s ongoing operations.

Supporting lower income employees through the development of skills and supporting staff to understand their skills, strengths and signpost to available training in and outside the organisation. Mentoring opportunities can provide great opportunities for development.

Employers are prompted to create safe spaces for employee voice, such as through staff networks or champions, which is seen as essential for shaping effective responses that do not overlook the needs of carers, disabled people, single parents, or ethnic minority workers.

Upskilling for All

BITC’s *Upskilling for All* report (2023a) and factsheet (2023b), based on a literature review, workers' survey and stakeholder interviews, provides extensive insights on how businesses can support employees with an inclusive approach to training and development as currently evidence shows that low-paid workers are often excluded from training and development, thereby becoming stuck in insecure and low-wage roles —low-skilled workers are significantly less likely to feel their job uses their abilities (55% vs 76%), to understand what skills they need to progress (48% vs 70%), or to have access to training (45% vs 14%) compared to higher-skilled peers.

Through this work, BITC calls on employers to work around three building blocks for inclusive upskilling: using data to identify and address skills gaps; empowering and equipping line managers to support development; and fostering a culture of continuous learning across all levels. The report offers business case examples, such as Boots, Thames Water, and Amey, to show how tailored support for learning can unlock progression opportunities for low-paid workers. By calling on employers to ringfence resources for those most in need, embed progression into job design, and train line managers to nurture growth, BITC's work provides a practical and strategic approach to tackling in-work poverty through workforce development.

BITC's Equality Campaigns:

Race

BITC's work to advance racial and gender equity in the workplace is aligned with its social mobility and in-work poverty agenda, particularly in relation to pay equity, progression, and supplier diversity.

In 2022, BITC published socioeconomic factsheets using BITC's Race at Work longitudinal data (2015, 2018, 2021) on pay ranges by ethnic group in the UK (Business in the Community, 2022e). The findings linked ethnicity to disparities in pay, wealth, and assets, underscoring the cumulative impact of income inequality on ethnically diverse communities. Through this work, BITC encourages employers to address pay disparities by ensuring candidates are paid within the advertised pay range and being transparent about pay progression.

As well, BITC's *Diverse and Inclusive Supply Chain Insights Report* (2024c) further highlighted systemic barriers faced by ethnically diverse small business leaders, including self-employed individuals. While 56% of White leaders in small businesses reported funding their start-up using personal savings, this dropped to 44% among racially minoritised leaders. Additionally, 9% of ethnically diverse founders reported being denied finance in the past 18 months, compared to 5% of their White counterparts. Black, Asian, Mixed Race, and other ethnically

diverse business founders were nearly twice as likely to be turned down for funding.
The report also found that only 17% of procurement professionals in large organisations said they had signed up to the Prompt Payment Code (PPC), despite evidence from BITC's *Race at Work Charter 2023* showing the importance of prompt payment for diverse suppliers. BITC's calls to action focused on embedding fairness into procurement practices, improving access to finance, and increasing transparency and accountability in both pay and supply chain processes to dismantle barriers that perpetuate in-work poverty for underrepresented groups (Business in the Community, 2023a).

Gender

BITC's work to advance gender equity in the workplace is aligned with its broader agenda on social mobility and in-work poverty, particularly in relation to pay equity, access to progression, and workplace inclusion. Gender remains a critical axis of inequality in the UK labour market, with women overrepresented in low-paid, part-time roles and underrepresented in higher-paid sectors and senior positions. BITC's *Who Cares?* research (2022f) highlights that more than two thirds of all lone carers are women (69%) while four in ten carers say their caring responsibilities have prevented them from applying for a job promotion, and a majority of women in work (64%) have at some point worked part time in comparison to men (31%) —placing them at significant risk of in-work poverty. These structural inequalities are compounded by caregiving responsibilities, which disproportionately fall on women and limit access to full-time, secure work. Building on this, BITC's *The Business Case for Gender Equity* (2025) notes that carers—again, predominantly women—are twice as likely to reduce their hours or exit the workforce. BITC calls on employers to explicitly recognise unpaid caregiving within job design, workforce planning, and flexible working policies. BITC's *Times Top 50 Employers for Gender Equality* reports (2023b, 2024d) show incremental progress, but also highlight persistent challenges. The 2024 cohort demonstrated greater action in identifying and supporting women on low pay including more employers paying the Real Living Wage and delivering targeted retraining and upskilling offers in lower-paid roles. Still, this remained one of the lowest scoring areas overall. BITC recommends continued investment in targeted development and flexibility measures that address the realities of women's working lives. It also calls for organisations to monitor intersectional promotion data and address occupational segregation, especially in maledominated, higher-paying sectors such as tech, finance, and construction, where women remain significantly underrepresented.

Business in the Community's 'Good Work for All'

BITC's Good Work for All framework laid the groundwork for improving job quality and tackling in-work poverty through responsible business practices (Business in the Community, 2019). Although the core resources and recommendations were developed before the pandemic, they remain relevant in today's context of financial precarity, rising living costs, and post-pandemic inequalities in the labour market.

The Good Work for All Model was structured into three core pillars of employer action and supported by three enabling factors:

- <u>Fair Pay and Benefits</u>: Pay the real Living Wage. Ensure all hours worked are paid, including training and prep time. Provide accessible benefits, including for casual and agency staff. Offer support for financial wellbeing and cost-of-living relief.
- <u>Job Security and Structure</u>: Move workers onto more secure contracts where possible. Make flexibility mutual and predictable. Improve job design to enhance variety, autonomy, and lower travel costs
- <u>Skills and Development</u>: Establish and communicate clear progression pathways. Ensure part-time and low-paid staff can access training. Offer flexible learning formats and focus on developing transferable skills.
- <u>Key Enabling Factors</u>: Strong leadership to champion good work as a business priority; workforce insight through HR data and feedback from low-paid employees; and effective communication and line management to support engagement and uptake of support.

The core of the framework was complemented with research on the role of employee benefits and leaders and workers' engagement in supporting or undermining financial wellbeing. Drawing on insights from employer roundtables and supported by research from the Work Foundation and Joseph Rowntree Foundation, the toolkit (Business in the Community, 2019a) outlines an action framework to help employers reduce financial insecurity among their workforce:

- Champion Culture Change: Encourage open conversations about money and ensure senior leaders understand the business impact of financial stress. Normalise financial discussions and reduce stigma across the workplace.
- Identify the Needs of Low Earners: Use surveys, focus groups and interviews to understand how employees may be struggling. Use the Minimum Income Standard as a guide to cover as many people as possible who might be struggling financially.
- Offer the Right Benefits: Employers are urged to design benefit packages that genuinely meet the needs of low-paid and financially stretched employees:
    - Review statutory pay-related benefits (e.g. sick pay, carer's leave, paid uniform or training time) and go beyond the minimum:
    - Offer access to salary-linked loans, hardship funds, or draw-down pay schemes to help cover unexpected costs without turning to high-interest debt.
    - Provide discounts on food, transport, and childcare, and ensure benefits are relevant to those on lower incomes.
    - Offer tools for saving, budgeting, and financial literacy training, ideally through accessible workplace platforms.
- Remove Barriers to Access: Ensure benefits are simple to access, inclusive, and don't require upfront costs. Use multiple communication formats to avoid digital exclusion and equip line managers to guide staff toward support.

Also, in connection with the Good Work for All campaign, further research was carried out in Scotland (Business in the Community, 2019b), which aimed to support the Scottish Government's Fair Work Action Plan. Through consultations with 50 organisations, employers stressed that the business case for fair work must be practical, employer-led, and communicated in simple, measurable terms. They wanted to see real-world examples from similar businesses, clear implementation journeys, and evidence that fair work improves productivity and competitiveness. Challenges discussed were varied and located at different levels:

- Employers were often confused by overlapping frameworks (e.g. Living Wage, Business Pledge, UN SDGs), leading to inaction.

- Leadership gaps, particularly at the middle-management level, meant that support for fair work did not always translate into consistent practice.
- A lack of measurement tools left businesses unsure of where they stood or afraid to uncover uncomfortable truths.
- SMEs faced resource constraints, needing simple, low-effort tools to engage meaningfully.
- Cost-driven procurement practices were seen to discourage investment in job quality.
- Limited employee engagement and a trust gap between business, workers, and government, which hindered co-creation.
- Absence of relatable case studies made it hard for employers to envision how fair work could be implemented in practice.

Some of BITC's responses to the challenges back then might still be relevant: calling for clear alignment between the Fair Work Action Plan and other frameworks like the Scottish Business Pledge (which has now been discontinued), UN Global Goals, and national employment strategies. This could help employers understand how Fair Work fits within their broader goals, especially those operating across regions. They also highlighted the need to develop leadership capacity, recommending training, mentoring, and partnerships to equip managers to implement fair work in practice.

Business-Led Actions and Case Study Examples

Alongside policy responses, there is a growing body of practical examples demonstrating how employers across sectors have implemented measures to reduce in-work poverty and improve financial security for employees. These examples span industries such as retail, construction, healthcare, finance, and hospitality. Common themes include the adoption of the Real Living Wage, enhanced financial wellbeing strategies, increased contract security, and inclusive upskilling practices. In many cases, these interventions were designed with input from staff and aligned to core business strategies, leading to positive outcomes not only for employees but also in terms of retention, engagement, and employer reputation.

For instance, Wolseley UK Group implemented a reward strategy combining pension reform and benefits tailored to staff needs. Salesforce launched a global financial wellbeing strategy for over 80,000 employees. In the utilities sector, Severn Trent Water and Thames Water used workforce data to support long-term skills planning and learning engagement. West London NHS Trust addressed cost-of-living pressures with free breakfasts and targeted financial wellbeing support. Co-op supported employees with rental deposit loans and financial education. Whitbread's *Pay for Progression* programme links skill acquisition to pay increases, reducing turnover and saving over £2 million in its first year. These examples show that business-led action, when aligned with strategy and designed inclusively, can produce tangible improvements in job quality and financial resilience.

Additional examples include:

- Belron UK: Flexible pay and increased support during inflation.
- Boots: Learning access for frontline staff.
- Capita: Essential Skills integration into career planning.
- John Lewis Partnership: Inclusive benefits for part-time workers.
- Yorkshire Building Society: Payroll-linked savings addressing financial vulnerability.
- Leek Building Society: £1,600 cost-of-living payments and tiered pay rises.
- Greggs: Trial promotion scheme offering temporary experience in senior roles.
- McDonald's: Internal career path model from entry-level to management.
- SUEZ: Autosaving scheme increased savings participation by over 200%.
- Tesco: Pay advance options and 850,000 extra hours picked up through flexible shift tools.

These cases illustrate that employers can play a meaningful role in tackling the drivers of in-work poverty, from wage security to progression and savings resilience. While not all initiatives are cost-neutral, many have been reported to have delivered clear business benefits such as reduced absenteeism, stronger retention, and improved morale[19].

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[19] A wide range of employer case studies were reviewed from sources including the Living Wage Foundation, Serving the Future project, Business in the Community, CIPD, REBA, Scottish Living Wage, University of

7. Policy Recommendations for Reducing In-Work Poverty

As seen in the literature reviewed, in-work poverty is deeply rooted in structural conditions beyond individual wages or employment status, and which is somehow less evident, is more strongly linked to a household's overall work intensity and the cost of living. This complexity reveals the limitations of policies that focus solely on individual pay. For example, increasing minimum wages may have a limited impact on multi-child households with a single full-time earner if overall household work remains low (Hick & Marx, 2022). That said, modelling by IPPR Scotland estimates that paying all workers the real Living Wage could lift around 70,000 people out of poverty in Scotland alone (Whyte, 2024).

In Scotland, Joseph Roundtree Foundation's *Poverty in Scotland 2024* (Birt et al.) highlights how UK-wide reforms have reduced the value of social security and pushed people into any job without regard for suitability or sustainability, with little concern for the quality or adequacy of pay. Evidence shows that "work-first" activation approaches—focused on rapid job entry—can trap people in low-quality, low-hour roles with little progression. Only one in 20 low-paid workers in Scotland escape low pay over five years, challenging the assumption that job experience alone leads to mobility (Birt et al., 2023).

A recent policy review commissioned by the Scottish Government on behalf of the Fair Work Convention highlights how Scotland has developed a distinctive and more embedded fair work architecture than elsewhere in the UK (Findlay et al., 2024). Since establishing the independent Fair Work Convention in 2015 and launching the Fair Work Framework in 2016, the Scottish Government has taken a coordinated approach to promoting fair work across sectors. This includes a Fair Work Action Plan, recently updated, to guide implementation. Advocates of this agenda recognise its broad benefits, not only for workers but also for employers, the wider economy, and society.

Drawing on the NATO framework (Nodality, Authority, Treasure, Organisation), the review identifies twelve non-legislative levers available to the Scottish Government to advance fair work within devolved powers. These range from embedding fair work principles in

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Strathclyde, In-Work Progression Commission and the Institute for Employment Studies. Full details are provided in the reference list, and sources that informed the case study analysis are marked with [CS] employability services to leveraging public procurement and supporting Living Hours. Notably, the review also highlights the role of voluntary charters, fair work accreditation schemes and communities of practice as tools to drive employer engagement, enable benchmarking of good practice, and support the wider adoption of fair work standards across sectors.

Despite this advancement, sectoral realities may also complicate broad national interventions. Through mapping employment and household status, the reviewed documents point out that low-paid, insecure jobs are concentrated in sectors like hospitality, retail, and social care, where business models, employer capacity, and structural constraints differ.

Despite potential unintended consequences and trade-offs, the literature consistently identifies a core set of policy directions and/or is built on key consequential measures that can be taken[20]:

Social Security and Family Support

- Increase the Scottish Child Payment (SCP), with recommendations to raise it to £30–£40 per week
- Expand SCP eligibility and improve take-up mechanisms e.g. automatic enrolment and inclusion of migrant families where possible
- Use devolved powers to mitigate the impact of the two-child limit and benefit cap
- Reform Universal Credit to improve adequacy, reduce conditionality, and adjust taper rates
- Childcare and School Cost - expand access to affordable and flexible childcare, especially for low-income and ethnically diverse families.
- Align SCP and other support with school-related costs such as meals, transport, and uniforms.

Housing and Living Costs

[20] Sources (Birt et al,2023, 2024; JRF 2025, Scottish Parliament Information Centre, 2024; Action for Children, 2024; Child Poverty Action Group, 2024; McNeil et al., 2023; Hick & Lanau, 2017; Phillips et al., 2023; Alma Economics, 2023; Whyte, 2024; Serving the Future, 2023, Ahmed et al., 2022; Findlay et al., 2024; Hick & Marx, 2022).

- Increase investment in affordable and social housing
- Rebase Local Housing Allowance (LHA) to reflect actual market rents
- Coordinate housing policy with income and employment support

Employment Quality, Progression and Pay

- Strengthen Fair Work First and integrate job quality into public contracts and funding
- Promote Living Wage and Living Hours standards.
- Develop a national strategy to support progression for low-paid workers
- Shift from “work-first” to “fair work” principles that prioritise stability, hours, and prospects
- Ban or increase the pay of zero-hour contracts and require predictable shift scheduling

These recommendations align with parliamentary concerns raised in recent debates, which called for stronger national leadership on in-work poverty, increased investment in social security, and policy coherence across housing, employment, and family support services (Local Government Association, 2023). Also, after the release of Joseph Roundtree Foundation's Poverty in the UK 2025, questions were raised on what actions the government will take to address in-work poverty (UK Parliament, 2025).
Recent policy proposals from the UK Government, including the *Employment Rights Bill* (Department for Business and Trade, 2024) and the *Get Britain Working* White Paper (Department for Work and Pensions, HM Treasury, & Department for Education, 2024), signal a shift toward addressing long-standing structural issues in the labour market that contribute to in-work poverty.

The *Employment Rights Bill* introduces measures to ban exploitative zero-hours contracts, enhance protection from unfair dismissal from day one, and establish Fair Pay Agreements in sectors like social care. It also proposes the creation of a Fair Work Agency to enforce basic rights such as the minimum wage and holiday pay. The *Get Britain Working* strategy complements this by focusing on employability, skills, and place-based solutions. Key initiatives include a national careers and jobs service, local employment support devolution, and the integration of employment advice within health services. The strategy also introduces a Youth Guarantee and reforms to the Apprenticeship Levy to enhance progression opportunities.

These reforms could have a transformative effect for low-pay and insecure jobs, offering greater predictability, improved pay security, and redress for exploitative practices and addressing barriers to stable, good-quality employment, supporting vulnerable groups.

8. Call to Employers - BITC's Strategic Focus

Key areas for employers: Financial Wellbeing Strategy, Social Capital and Progression

BITC recognises that employers have both the opportunity and responsibility to address in-work poverty by reshaping how they support their workforce. The evidence presented throughout this review shows clearly that in-work poverty in Scotland is not simply a matter of low wages - it is the result of multiple intersecting factors, from insecure work and high living costs to limited progression and persistent inequalities in access to opportunity. In response, BITC proposes an initial framing on a people-centred approach that focuses on three priority areas: strengthening financial wellbeing, building social capital, and improving access to career progression.

Develop a Comprehensive Financial Wellbeing Strategy.

Employers should adopt a more comprehensive and intentional approach to financial wellbeing. While fair pay remains fundamental, financial security is also shaped by workers' ability to navigate rising living costs, plan for future needs, and access support when facing hardship. Employers can help address this by aligning wages with the real cost of living, not only through paying the Real Living Wage but by ensuring that annual pay reviews account for inflationary pressures and, where possible, offering targeted hardship support to staff during periods of economic stress. Equally important is the role employers can play in signposting available financial support, including access to Universal Credit, and improving how financial information is communicated, ensuring that payslips are transparent and understandable, and that financial education, budgeting tools, or coaching are made available to those who need it most. Creating a culture in which conversations about money are not stigmatised is key. This includes equipping line managers with the training needed to recognise signs of financial distress and confidently direct staff toward relevant support services.

Build Employees' Social Capital.

Social capital is often overlooked but is essential to long-term resilience and opportunity. Employees in low-paid roles frequently face barriers not just in terms of income, but also in access to informal networks, confidence-building opportunities, and connections that can support career mobility. Employers have a role to play in fostering environments where trust, voice, and inclusion are actively nurtured. Creating spaces for peer support, encouraging participation in employee networks, and facilitating regular feedback mechanisms can help build stronger connections and a sense of belonging at work. Additionally, organisations can support staff in growing their professional networks through mentoring, shadowing, access to external events, or opportunities to connect with senior leaders. These actions not only help employees feel more engaged and valued but also contribute to a more equitable distribution of opportunity within the organisation.

Improve Careers Advice and Progression for Lower-Paid Employees.

Career development is a key to ameliorating inequalities and can be particularly beneficial for those in low-paid or part-time roles. Many employees remain stuck in roles with limited progression because training is inaccessible, undervalued, or disconnected from real advancement. Employers must take active steps to make development visible and achievable. This includes removing the financial and time barriers to training by covering costs and offering study leave but also ensuring that learning is tied to genuine opportunities for progression, with fair and transparent recruitment practices in place for internal roles. Career development should not be confined to performance reviews or limited to those already on management tracks. Coaching, mentoring, and accessible skills workshops can help build confidence and clarify pathways for progression. Employers should also challenge the structural inequalities that often limit development for part-time or flexible workers, ensuring that access to leadership development and promotion is not reserved only for those in full-time roles. Promotions must be meaningful, accompanied by pay rises and opportunities to grow, not simply added responsibility.

Next steps —Workshops, Assessing Measures and Challenges and Tool Development

The actions outlined in this review reflect the growing consensus that employers play an essential role in addressing in-work poverty, not just through fair pay, but also by improving working conditions, job design, and access to development and support. To help employers think practically and holistically, these actions can be grouped into two broad levels of impact: structural and supportive.

Structural measures refer to longer-term, systemic changes such as improving contracts, investing in progression, and addressing inequalities that can directly reshape the conditions that produce in-work poverty. These often require shifts in policy, culture, or operational models. *Supportive measures*, by contrast, provide more immediate relief, helping employees to manage financial pressure, access available support, or feel more confident and valued at work. While supportive measures alone cannot end in-work poverty, they play a crucial role in improving resilience and wellbeing, particularly for those in low-paid or precarious roles.

Level or impact	Area	Actions
Structural	Pay and Contracts	▪ Pay the Real Living Wage (RLW) ▪ Link pay increases to the cost of living ▪ Provide secure contracts with minimum guaranteed hours ▪ Ensure fair shift notice and compensation for cancellations
	Career Progression	▪ Offer subsidised training and clear career pathways ▪ Ensure promotions include meaningful pay increases ▪ Revalue part-time work with access to training and progression
	Inclusive Work Design	▪ Mainstream flexible working across roles ▪ Improve parental leave and pay beyond statutory levels ▪ Provide paid carer leave ▪ Make adjustments for disabled employees ▪ Address inequalities in pay and progression for underrepresented groups
Supportive	Financial Wellbeing Support	▪ Offer financial literacy workshops or one-to-one coaching ▪ Simplify payslips and explain deductions clearly ▪ Use payroll data to identify staff at risk of financial stress ▪ Provide hardship funds, salary advances, or other employer-led financial tools
	Line Management and Culture	▪ Train managers to recognise and respond to financial stress ▪ Promote stigma-free conversations about money and wellbeing
	Employee Voice and Engagement	▪ Run regular staff surveys and feedback forums ▪ Ensure all employees have safe and accessible ways to raise concerns
	Access to External Support	▪ Help staff claim in-work benefits and tax credits ▪ Clearly communicate available support options, including childcare or housing assistance ▪ Tailor information and assistance for carers or those under financial pressure

	External Influence	▪ Advocate for policies that reduce the cost of living (e.g. childcare, transport) ▪ Collaborate on sector-wide initiatives to improve standards ▪ Partner with unions or policy bodies to influence change

While these categories provide a useful framework, the implementation of these actions will differ by sector, region, and organisational size. What may be feasible and impactful in a large retail business might look different in a small care provider or logistics firm. Employers will also face a range of practical and cultural challenges as they try to make changes, particularly around structural reforms like guaranteed hours, flexible work redesign, or inclusive progression pathways.

For instance, efforts to meet the Living Hours standard—providing minimum guaranteed hours and fair shift notice—have been raised by some employers as operationally difficult, especially where shift patterns vary week to week. Yet, others have found pragmatic ways to improve predictability and income security, even without achieving the full standard. Listening to employees, using technology to optimise rotas, and rethinking how roles are scheduled have helped some businesses offer greater stability and build trust, with employees reporting improved financial confidence and reduced stress.

Likewise, businesses looking to revalue part-time work or address progression gaps often face internal cultural resistance or resourcing limitations. Change in these areas is not always linear. Employers may need time, experimentation, and cross-team collaboration to move from principle to practice.

To support employers through these challenges, BITC will be convening a series of In-Work Poverty Action Lab in the coming months. These Action Lab will enable businesses to:

- Engage with the findings of the review
- Discuss barriers to implementation in their own contexts
- Share real-world examples of what is working and pilot innovative approaches
- Explore opportunities for collaboration, co-design, and peer learning

Pilots emerging from these Labs may focus on redesigning shift patterns, embedding inclusive progression models, improving financial support pathways, or other areas where collaborative innovation can help address persistent challenges.

Importantly, the IWP Action Lab is not just a discussion space - it is intended to act as a launchpad for pilot activity and address key implementation gaps identified in the *Fair Work Policy Levers in Scotland* report (Findlay et al., 2024). While the review endorses mechanisms such as voluntary charters, fair work accreditation schemes, and communities of practice, it notes that these levers are currently underdeveloped or inconsistently applied. BITC's approach aims to help fill these gaps by supporting employer-led benchmarking, co-design, and shared learning across sectors.

Through the Action Lab and the development of a new self-assessment tool, produced in response to this review and learnings from the Lab, BITC seeks to provide employers with a practical and flexible way to assess their current approach to in-work poverty. This also responds to wider calls for simplified, actionable guidance, particularly from employers who recognise in-work poverty as an issue but are uncertain about where to begin or how to prioritise action. For example, the Social Market Foundation's proposed London benchmark highlights both the appetite for clear standards and the current fragmentation of schemes.

The tool will offer a flexible, reflective framework—not a compliance checklist—that supports businesses to identify strengths, surface gaps, and plan next steps across key areas such as financial wellbeing, job quality, employee voice, and equity. It will also allow organisations to track progress over time and contribute to wider sectoral learning and improvement.

By embedding reflection, measurement, and shared learning into this next phase, BITC hopes to enable not only individual employers to act but also to foster a collective shift in how in-work poverty is understood and tackled across sectors and regions.

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