



EXECUTIVE SUMMARY

In-Work Poverty in Scotland: A Brief for Employers

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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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