

Low pay and financial wellbeing

Explore the CIPD's point of view on low pay and financial wellbeing, including actions for Government and recommendations for employers

Everyone needs and deserves the right to earn a wage they can live on, and it's in employers' interests to ensure their staff are paid fairly and sufficiently. Employers who pay the UK's voluntary Real Living Wage have reported a range of business benefits – from enhanced reputations and labour relations to improved commitment and motivation.

Since the 2008 financial crisis, average (median) UK employee earnings have not grown as fast as prices. The introduction of the statutory National Living Wage has meant pay rises for those at the very bottom of the pay scale, but in real terms, the average worker has taken a pay cut.

Employee financial wellbeing and workplace productivity have suffered as a result: money worries have been shown to impact employees' ability to do their job and many employers are struggling to make the productivity gains they need in order to enable pay rises across the board.

The COVID-19 pandemic has made money worries an even starker reality for many more working people and pushed the prospect of pay rises for most into the future.

Government support for employers to hold onto their workers during the downturn should help to ensure that many workers avoid losing their jobs and livelihoods as a result of the COVID-19 pandemic. But, not all jobs will be saved and some households may now be relying on a single income, so employers should do what they can to support their people's financial wellbeing – by paying a fair and liveable wage and providing access to information and guidance to help staff manage their finances.

Employers that pay the UK's voluntary Real Living Wage report business benefits including enhanced reputation, easier recruitment, better labour relations and improved commitment and motivation. Some may feel less able to introduce the Real Living Wage in times of economic uncertainty, but those that can afford it should avoid deferring their plans to do so.

In the longer term, the key to making a real living wage a reality for everyone is to help businesses raise their productivity. Evidence suggests that enhancing the support

available to help small firms improve their people management skills could help boost productivity and consequently wages.

Short-term:

- Help wages go further by increasing the tax-free personal allowance and finding ways to reduce living costs – especially those associated with housing, travel, energy and care.

Longer-term:

- Develop a stronger focus within industrial strategy on boosting demand for skills and improving how skills are used at work to boost productivity, for example using sector deals to incentivise employers to take action to improve workplace practices.
- Support small firms to boost their productivity, by investing in providing enhanced support to help boost their people management skills.
- Replace the Apprenticeship levy with a broader training levy that would make it easier for employers to invest more flexibly in the skills that matter to them and their staff, including through greater use of digital learning to strengthen life-long learning provision.
- Run a high profile 'know your pay rights' campaign to raise awareness of this issue among both employees and employers of all sizes.
- Help improve financial wellbeing, by embedding financial literacy in schools, further education, higher education and apprenticeships and working with employers and the financial services industry to improve financial awareness among employees.

Short-term:

- Avoid making sudden decisions to cut people and pay in response to the coronavirus before you have explored all the consequences and alternatives; check out all the government support on offer to help you protect jobs and income.
- Ensure that pay outcomes and processes in your organisation are fair
- Pay your workers as much as you can afford and ensure that those at the bottom of the pay scale earn enough to live on.
- Point employees to useful sources of financial information and guidance, such as the Money Advice Service.

Longer-term:

- Investigate becoming an accredited Living Wage employer.
- Create a financial wellbeing strategy that supports – and is supported by – the organisation's overall health and well-being strategy. This should include running financial education and benefit communication programmes to make employees aware of the options open to them and how to get the most from their decisions.

- Explore how low-waged workers can progress in their careers and increase their earning potential. For example, by providing learning and development opportunities that enable people to learn new skills and take on additional responsibilities.
 - Help stretch employees' earnings by providing staff benefits, either directly or through a voluntary benefits scheme. Explore which benefits suit the needs of the workforce and investigate whether these can be offered flexibly so that individuals can select those that best suit their circumstances.
 - Invest in your people management capabilities to help boost productivity and make pay rises more affordable.
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Reports

- [Financial wellbeing: the employee view](#)
- [Employee financial wellbeing: why it's important](#)
- [CIPD Good Work Index](#)
- [Reward management: focus on employee benefits](#)

Guidance and factsheets

- [Why should employers be concerned about the financial wellbeing of their staff?](#)
- [Pay structures and pay progression](#)
- [Reward and pay](#)
- GOV.UK: [Claim for your employees' wages through the Coronavirus Job Retention Scheme](#)
- Money Advice Service: [What the coronavirus means for you and what you're entitled to](#)
- Alliance Manchester Business School/National Forum for Health and Wellbeing at Work: [Financial Wellbeing Guide](#)
- Joseph Rowntree Foundation: [Improving fringe benefit schemes for low earners](#)
- ONS: [The 2008 recession 10 years on](#)
- Cardiff Business School: [The Living Wage Employer Experience](#)