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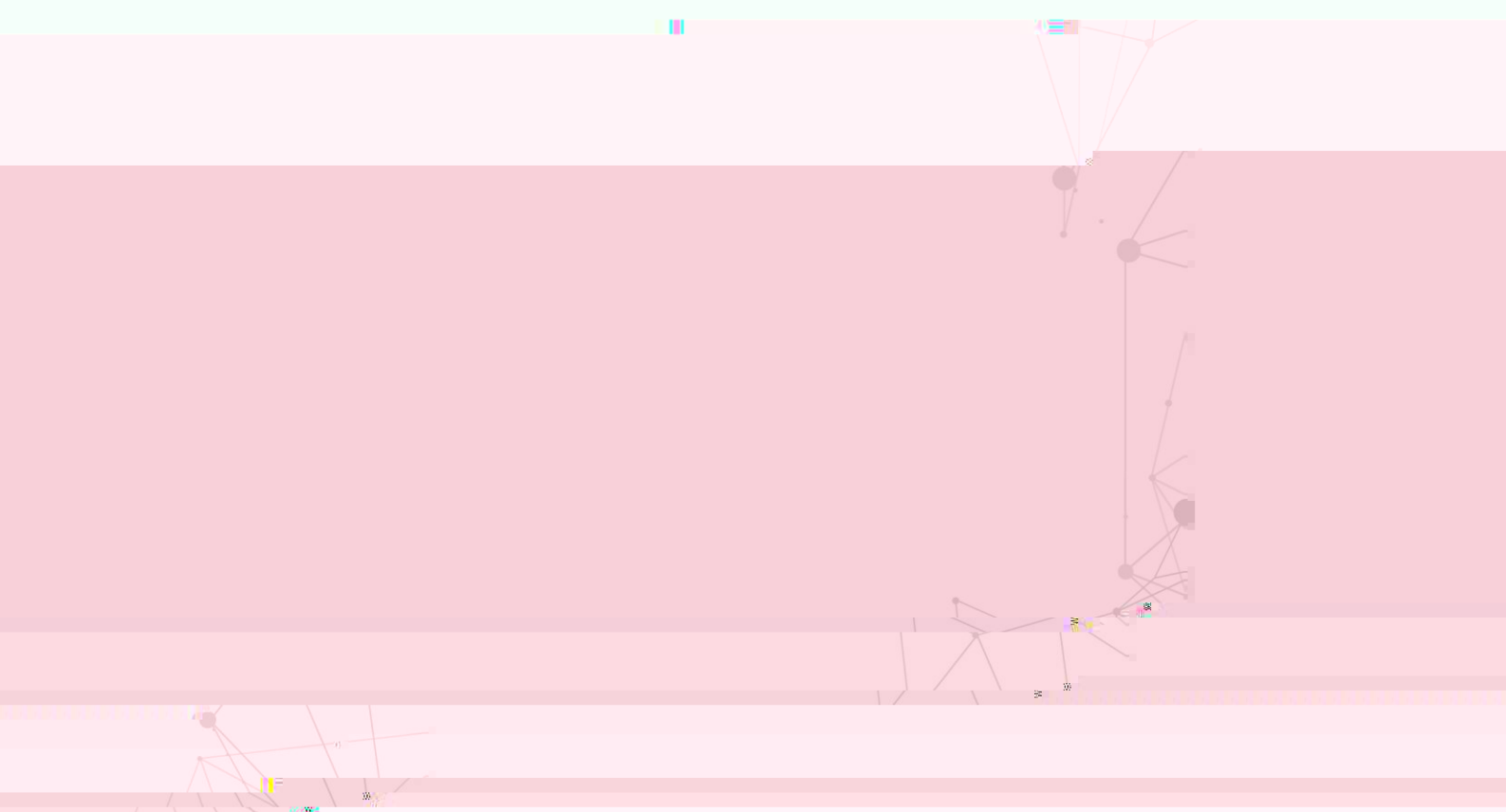






The slowness of the UK to tackle this type of insecure work has seen it fall behind several other countries who have either banned zero-hour contracts, or heavily regulate their use, including New Zealand, Italy, France, Germany, the Netherlands, Ireland, Finland, and Norway.

As other countries have shown, banning the exploitative use of zero-hour contracts can be done





Our analysis suggests that three in four people on zero-hour contracts (73.5%) are in severely insecure work, meaning that they are experiencing contractual insecurity, financial insecurity, and a lack of access to rights and protections. A further 20.4% are in moderately insecure work and only 6.1% are in secure work, meaning they have a regular income and access to rights.

Figure 1: The characteristics of zero-hour contracts that measure of overall levels of insecurity



Research by the Chartered Institute of Personnel and Development (CIPD) found that 76% of employers classified staff on zero-hour contracts as employees, while only 10% classified them as workers.<sup>3</sup> It is positive that the majority of employers want to consider their zero-hour workers as employees. However, in practice the fluctuating nature of work under these contracts means many people will not accrue the two years of continuous service needed for entitlement to key employment rights such as protection from unfair dismissal. Just one week without work can constitute a break in employment meaning the clock counting someone's continuous service would be reset.<sup>4</sup> Hiring people on a contract with guaranteed hours would better enable them to accrue the rights and protections afforded to other employees.

### A decade of indecision on zero-hour contracts

The debate as to whether the pernicious elements of zero-hour contracts outweigh the apparent benefits of flexibility they offer has rumbled on for over a decade. In 2013, the Coalition Government conducted a review to examine the steady rise in the number of zero-hour contracts.<sup>5</sup> While the Work Foundation welcomed this review at the time, it was noted that it lacked a systematic approach to the problem.<sup>6</sup> Others also criticised the Coalition Government for failing to act on proposals.<sup>7</sup>

In 2014, the Zero-hour Contracts Bill, a Private Members' Bill sponsored by Ian Mearns MP, that sought to limit the use of zero-hour contracts was introduced to Parliament.<sup>8</sup> However, the Bill failed to progress through the House. A review was commissioned by Ed Miliband MP, then Labour leader, who later committed to ban zero-hour contracts so that every worker gets a guaranteed number of hours each week.<sup>9</sup>







Figure 3: Proportion of workers on zero-hour contracts, by industry



Zero-hour contracts are used most commonly for elementary roles but managers can be impacted too

Nine in ten workers (89.7%) on zero-hour contracts are employed in non-supervisory or managerial roles. Among managers, only 0.6% are on zero-hour contracts, whereas 4.9% of non-supervisory workers are. In the hospitality sector, where the use is much broader, 7.2% of managers are on zero-hour contracts, compared with 27.7% of non-supervisory/non-managerial staff.

Women and people from ethnic minorities are overrepresented

We find that when we control for other factors, women are 1.2 times more likely than men to be on zero-hour contracts (4.2% compared with 2.8%). People from ethnic minority backgrounds are also overrepresented in zero-hour contracts. Using regression analysis, we find that Black workers are 2.7 times more likely than white workers to be on zero-







(£2.4 billion to £2.96 billion) respectively.<sup>38</sup> Furthermore, this system does not appear to be delivering the right kind of flexibility to healthcare workers. The Royal College of Nursing reports high numbers of flexible working requests made by their members are rejected, some of which result in cases pursued in employment tribunals.<sup>39 40</sup>

As an alternative, certain NHS trusts and social care providers have looked to provide secure, flexible working through annualised hours systems. These contracts provide staff with a set number of hours per year, with the number of hours worked per week by staff 'flexed' to match requirements. Workers can choose to smooth their pay so they have a fixed monthly income and can agree to core working hours in advance, holding some hours in reserve to provide short term flexibility.<sup>41</sup>

Annualised hours enable organisations to be more responsive to the day-to-day needs of patients and short-term fluctuations in activity, whilst still ensuring pay predictability for workers. They also reduce the need for agency staff, absenteeism and simplify pay administration.<sup>42</sup>

NHS Scotland adopted the use of an annualised hours systems in 2015. They reported having lower absenteeism and noted the potential benefits of reducing the use of bank and agency staff and improved patient care and patient satisfaction through the greater availability of qualified staff.<sup>43</sup> However, ongoing staff shortages have contributed to substantial spending increases by NHS Scotland on bank and agency staff since 2015.<sup>44, 45</sup>

In 2013 Brighton and Sussex University Hospitals introduced an annualised self-rostering system for emergency department consultant doctors. The new system mapped each staff member according to their skills, allowed staff to select dates they did not want to work, and provided them with their shift patterns up to a year in advance. Following the roll-out, doctor wellbeing improved due to greater autonomy and work-life balance. The department, which previously struggled with insufficient staffing levels and high turnover, also increased staffing numbers, and reduced its locum costs from £1.3 million to only using locums for sick cover in 2022/3.<sup>46</sup>

Annualised hours have been adopted by employers outside the NHS, including South Oxfordshire and Vale of White Horse District Council,<sup>47</sup> Aberdeenshire Council,<sup>48</sup> and the National Trust.<sup>49</sup> The approaches taken by particular employers offer alternatives for policymakers to consider. There are precedents set that suggest it is possible to provide guaranteed minimum hours in sectors with fluctuating demand. Meanwhile, staff banks using annualised hours, or some variation thereof, provides a mechanism by which on-call work can be organised whilst still providing both workers and employers with some certainty.



## Low regulation

Sweden

Workers can be hired on on-call contracts that give no fixed hours and the employer is able to vary working hours, up to a maximum of 48 hours per four weeks.<sup>59, 60</sup>

90% of Swedish jobs have hours and pay set by collective bargaining



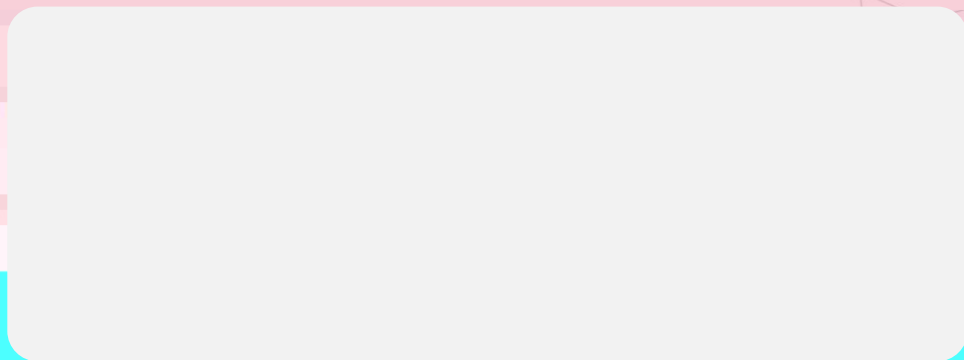


Those casual workers who qualify for zero-hour contracts have the right to receive minimum written terms and minimum payment if they are



## CONCLUSION AND RECOMMENDATIONS

It is possible to design interventions that protect those at the sharp end of the labour market,



2. **Flexibility for all workers:** Ensure all workers have a genuine day one right to flexible working.

The new Employment Relations (Flexible Working) Act 2023 gives employees the right to request flexible working from day one in a job, from 6<sup>th</sup> April 2024. In line with this, should an employee want a zero-hour arrangement for on-call work, as with other forms of flexible work, this can be requested by them, with terms agreed by both parties, ensuring the right to return to their contracted hours once the arrangement ends.

It is important to note that the new Act does not provide a right to flexible working from day one, but instead, a right to request, and this right remains the preserve of employees and not workers. Legislators should consider strengthening this to a right to flexible working for all members of a workforce.

3. **Right to amended contract:** Guard against employers using low-hour contracts to circumvent other requirements

Require employers to provide, if requested, anyone working 25% more than their contracted hours with an amended contract that reflects their actual hours, taken as an average over a three-month period.

Whilst there is no stipulation for the minimum hours of work an employer must guarantee when creating and advertising a job, all workers should have the right to a contract reflecting their actual hours. This acknowledges that working patterns can evolve, whilst guarding against low-hours contracts being created by employers to circumvent other requirements, such as eligibility for statutory sick pay or staff benefits.

4. **Statutory notice period:** Employers must provide a notice period of shift changes

Require employers of people working irregular hours to provide a three-week notice period of their shifts ensuring compensation for shifts changed or cancelled at late notice.<sup>†</sup>

5. **Annual reporting on employment data:** Improve transparency of employment models

Require public, private, and voluntary sector organisations, with a workforce of 250 or more people, to report annually on key employment data such as employee turnover and employment models used, including employee/worker, full-time/part-time permanent/temporary, and those hired via agencies or outsourced via third-party contracts.

Changes should also update legislation to include contingent workers, alongside direct employees, within existing mandatory disclosures such as Gender Pay Gap reporting under the Equality Act and CEO-worker pay ratios under the Companies Act.

<sup>†</sup> Legislators should consider whether an exception should be made for safety critical industries, such as healthcare.

To enhance employer transparency and accountability, and lift standards across insecure work sectors, the UK Government should:

**6. Increase funding for labour market enforcement resourcing:**

This should include setting up Secure Work Taskforces in sectors in which insecure work is prevalent, bringing together employers, unions, and regulators to monitor standards and pilot alternatives. This could include supporting employers to introduce measures such as digital self-rostering systems and annualised hours contracts in key sectors; making recommendations to Government to strengthen powers of local authorities, devolved bodies and regulators to tackle work quality; and where there is agreement from employers and worker representatives, initiating a model of collective bargaining to set standards on pay and contractual terms at sectoral level.

## METHODOLOGY

For this briefing, we analysed the experience of zero-hour contracts among working age people (aged 16-65) using predominantly UK Data Service Labour Force Survey (LFS) microdata from April-June 2023.

For the historical zero-hour contract trends from 2015 onwards, we used the Office for National Statistics (ONS) [published tables \(EMP17, August 2023, table 2, 16-64\)](#), that were live until mid-February 2024. This data is preferable to the microdata in this instance as the ONS methodology previously underestimated zero-hour contract use and this methodology has since changed, which is reflected in the published tables. However, the new estimates are only available in the microdata from 2022 onwards.

### Analysis of levels of work security

To measure levels of work security, we use the Work Foundation UK Insecure Work Index methodology and analysed the Office for National Statistics' Labour Force Survey microdata (April-June 2023).

The Work Foundation UK Insecure Work Index uses three dimensions of labour market insecurity: contractual insecurity, financial insecurity and lack of access to workers' rights. These dimensions were used to identify indicators in the Office for National Statistics' Labour Force Survey which contribute to overall levels of insecurity. Using Principal Component Analysis (PCA), we determine how the different job characteristics are correlated and summarise these into an index. The score that we derived from this is then divided into three categories: secure work, low/moderately insecure work and severely insecure work. We have termed the latter 'severe' because we expect that potential negative impacts of insecure work will be concentrated here.

The methodology is set out in more detail in the [Technical Annex](#) that accompanies the [2022 Index report](#).

## REFERENCES

<sup>1</sup> Acas. (2024). 3 in 5 workers are unaware of zero-hours contracts rights. Available at : <https://www.acas.org.uk/3-in-5-workers-are-unaware-of-zero-hours-contracts-rights#:~:text=Acas%20advice%20is%20that%20someone,paid%20holiday>

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