



**100**  
**YEARS**  
OF LEADING HR  
INTO THE FUTURE

Research report  
November 2013

## Zero-hours contracts

Myth and reality



WORK



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The CIPD's purpose is to **champion better work and working lives** by improving practices in people and organisation development, for the benefit of individuals, businesses, economies and society. Our research work plays a critical role – providing the content and credibility for us to drive practice, raise standards and offer advice, guidance and practical support to the profession. Our research also informs our advocacy and engagement with policy-makers and other opinion-formers on behalf of the profession we represent.

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Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.



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### WORKPLACE

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The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.

# Zero-hours contracts: myth and reality

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# Foreword

In light of today's globally competitive economy and complex and age-diverse workforce, flexibility has become increasingly important to our organisations. Employers need to be able to respond to the demands of customers and service users outside the traditional 9am–5pm Monday to Friday working week. In tough economic times, employers also need to be able to respond flexibly to peaks and troughs in demand without increasing their employment costs. This places a growing importance on organisations being able to design more flexible employment and working practices.

At the same time, employees increasingly value and in some instances expect greater flexibility over how and where they work in order to manage caring responsibilities, study, improve their work–life balance, or to downshift from full-time work as they move more flexibly into retirement. Evidence suggests that where employees are satisfied with their work–life balance they are more likely to be engaged at work and go the extra mile for their employer.

The use of zero-hours contract working is just one means of providing workforce flexibility, which is particularly suited to situations where work fluctuates unexpectedly and where consequently the employer cannot always guarantee work.

CIPD defines a zero-hours contract as 'an agreement between two parties that one may be asked to perform work for another but there is no minimum set contracted hours. The contract will provide what pay the individual will get if he or she does work and will deal with circumstances in which work may be offered and possibly turned down'.

Evidence from the Office for National Statistics suggests the use of zero-hours working has been on the increase since 2008, which has prompted much debate and many polarised opinions on the rights and wrongs of such arrangements. The CIPD's own research, published in the summer (2013) which suggested that there are likely to be about 1 million people on zero-hours contracts, has received much coverage. However, to date there has been little significant evidence, beyond the anecdotal, on

how employers actually use zero-hours contracts and, just as crucially, how zero-hours contract workers typically view having no set minimum contracted hours.

This research report is designed to address this and provide evidence to inform the debate about the proportionate response to address legitimate concerns where poor practice exists.

We suggest recommendations for employers and policy-makers which we believe, if acted upon, can help address instances where zero-hours contract staff feel they are getting the raw end of the employment deal.

Our research has also helped inform our best practice guidance for employers, produced in partnership with the law firm Lewis Silkin. The CIPD believes that zero-hours contracts used for the right reasons and in the right way can provide flexibility that works for both organisations and individuals.



**Peter Cheese**  
Chief Executive, CIPD

# Executive summary

## 1 Trends in zero-hours contracts use

### *How many people are employed under zero-hours contracts?*

The CIPD estimates that there are just over 1 million people, or 3.1% of the UK workforce, who are employed under a zero-hours contract. This is almost identical to the initial estimate the CIPD provided in August 2013. The latest CIPD estimate is based on aggregated data from the summer and autumn 2013 *Labour Market Outlook* (LMO) surveys conducted in partnership with SuccessFactors, an SAP company (see Methodology section).

In all, just under a quarter (23%) of employers report that they employ people on zero-hours contracts. Seventy per cent do not currently use individuals on zero-hours contracts and 7% do not know.

On average, organisations that use zero-hours contracts estimate that 19% of their workforce is engaged using such arrangements.

### *Why do employers use zero-hours contracts?*

Flexibility lies at the heart of the employer rationale for using zero-hours contracts. The most common reason for using zero-hours contracts cited by employers is that these arrangements provide them with the flexibility to manage fluctuations in demand, with two-thirds of respondent organisations citing this. However, employers also regard zero-hours contracts as a means of providing flexibility for staff. Almost half of employers also say they use them to provide flexibility for individuals.

### *Do zero-hours contract workers choose to have no minimum contracted hours?*

Almost half of zero-hours contract workers (47%) report they are satisfied with having no minimum contracted hours, with 27% saying they are dissatisfied and almost a quarter (23%) neither satisfied nor dissatisfied.

### *Do employers that use zero-hours contract workers expect staff to be available for work?*

Almost two-thirds of employers surveyed that use zero-hours contracts (61%) report that zero-hours staff are not contractually obliged to accept work and are free to turn it down. However, 15% of employers say zero-hours staff are contractually required to be available for work, and a further 17% report that in some circumstances zero-hours contract staff are expected to be available for work.

### *Do zero-hours contract workers feel obliged to accept work?*

In all, 80% say they are never penalised for not being available for work, a further 17% say they are sometimes penalised and 3% say they are always penalised if they are not available.

### *Do zero-hours workers want to work more hours than they typically receive each week?*

Most zero-hours contract workers (52%) don't want to work more hours than they typically receive in an average week. However, 38% say they would like to work more hours, with 10% undecided.

### *How much notice do employers give zero-hours contract staff when arranging or cancelling work?*

About a third of employers that employ zero-hours workers say they have a contractual provision or policy outlining their approach to arranging work with zero-hours workers or cancelling work that had been offered. However, about four in ten employers say they don't have such provisions or policies and a quarter say they don't know.

### *How much notice do zero-hours workers receive in practice when being offered work or when work is cancelled?*

In all, 46% of zero-hours contract workers say they either receive no notice at all (40%) or they find out at the start of a shift that work is no longer available (6%).

### *Exclusivity*

Six in ten zero-hours workers report they are allowed to work for another employer when their primary employer has no work available. A further 15% say they are able to sometimes. Just 9% say they are never able to work for another employer and a sizeable 17% don't know.

### *Pay*

Almost two-thirds (64%) of employers who use zero-hours workers report that hourly rates for these staff are about the same as an employee doing the same role on a permanent contract. Nearly a fifth (18%) report that hourly rates for zero-hours staff are higher than permanent employees. Around one in ten employers report (11%) that they are lower.

However, just less than four in ten zero-hours contract respondents think their pay is the same as comparable permanent members of staff on contracted hours doing similar jobs. About a fifth (21%) say their pay is lower than comparable permanent staff doing similar jobs, while 11% say their pay is higher.

#### *Employment status*

Almost two-thirds of employers (64%) classify zero-hours staff as employees, whereas only just less than a fifth (19%) describes them as workers. Only 3% of employers classify their zero-hours contract workers as self-employed.

Perhaps reflecting the confusion that surrounds the employment status of zero-hours contract staff, 7% of employers have not classified their status and a similar proportion (7%) don't know. The remaining 6% say that they employ zero-hours contracts on a variety of these arrangements.

#### *Employment rights*

Our research suggests there is significant confusion among both employers and zero-hours contract staff over which employment rights people on zero-hours contracts are eligible for.

## **2 Job satisfaction, job quality and engagement**

There is very little difference in overall job satisfaction between zero-hours contract workers and the survey average. In all, 60% of zero-hours contract workers agree or strongly agree they are satisfied with their job with 19% disagreeing, compared with a survey average of 59% agreeing and 20% disagreeing.

On average 65% of zero-hours workers say they are satisfied with their work-life balance compared with 58% of all employees.

In all, 29% of zero-hours contract workers say they feel under excessive pressure either every day (8%) or once or twice a week (21%). This compares with 41% of all employees who feel under excessive pressure either every day (13%) or once or twice a week (28%).

In all, just over half of zero-hours contract workers would recommend their organisation as an employer compared with 56% of all employees.

Just under one in three zero-hours workers are looking for a new job compared with 24% of all employees.

However, zero-hours workers are less likely to agree they are treated unfairly by their employer than the average employee. In all, 27% of zero-hours workers agree that they don't think their employer treats them fairly compared with 29% of all employees.

## **Conclusions**

The research suggests that zero-hours contracts, managed properly, can work for both employers and individuals. Zero-hours workers are much more likely to be satisfied with having no minimum set contracted hours as they are to be dissatisfied. They also report marginally higher levels of overall job satisfaction than the average employee.

However, there are areas of poor practice identified, for example, some employers are not providing written terms and conditions for zero-hours contract staff and a significant proportion of zero-hours workers report having pre-arranged work cancelled with no notice or at the start of a shift. There is also significant confusion among employers and zero-hours workers over the issue of employment status and rights.

Our conclusions include a summary of recommendations for both employers and policy-makers.

# Overview

The context for zero-hours working is a long-term trend towards more flexible and diverse forms of work capable of meeting the needs of employers and individuals (CIPD 2013). Employers seek more variable or contingent forms of work to manage business uncertainty in the face of fierce competition or tight budget constraints. People are looking for work that provides reward and fulfilment but also allows them to blend paid work with other domestic commitments, education or other personal, family or community interests. As a result, we see great variation in when work is done over the course of the day, week and year, in its variability and in its predictability.

In the UK, zero-hours contracts first entered the public debate over employment – and first started to be measured in the Labour Force Survey (LFS) – in the late 1990s (see Figure 1).

There was particular concern over the use of zero-hours arrangements when combined with requirements to be on call at the employer's premises when not being paid. Some employers were seeking to only pay employees for the times when they were busy, but the on-call requirements meant there was no meaningful possibility of workers using unpaid time to find alternative paid work. The regulations implementing the National Minimum Wage contained specific provisions putting an end to this practice.<sup>1</sup> Together with a tightening of the labour market, this probably explains the subsequent decline in the recorded numbers of zero-hours workers in the LFS.

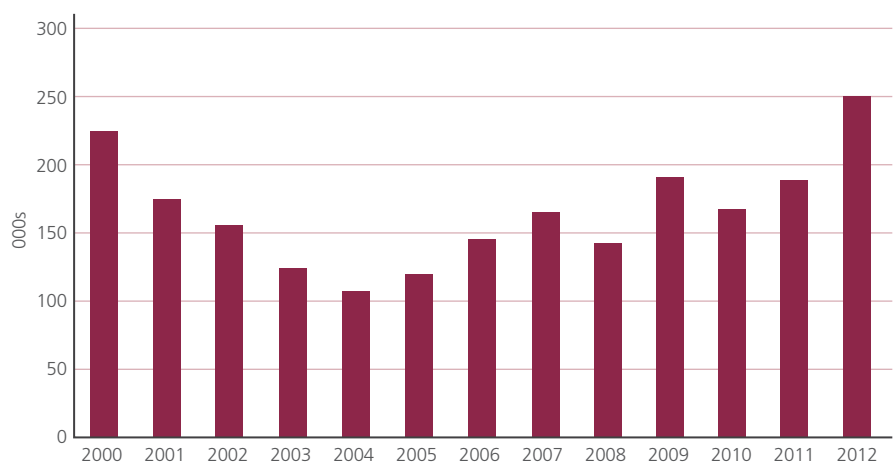
Numbers working on zero-hours contracts appear to have risen again in recent years, to over 250,000 according to the LFS. However, it is widely believed that the LFS understates the number of zero-hours workers because many employees do not know they are on a zero-hours contract or choose to describe their employment arrangements in some other way (such as casual or on-call work). Our initial work on this topic suggested the number could be around 1 million.

The recent debate about zero-hours workers has centred on two main topics. One is where zero-hours contracts have been (or are thought to have been) used to prevent people gaining employment rights or benefits. The other topic is the insecurity associated with zero-hours working – financial insecurity (not knowing how much money

will be earned each week) and the inability to plan ahead (not knowing when work might be offered).

Zero-hours contracts, like casual work, on-call work, agency temping or other forms of contingent work, transfer some of the business risk from the employer onto the employee. But the employer takes on a risk in return: any given individual might not be willing or available when the employer would like to have them, because they are working for someone else or have decided to do something else with their time. Standard employment contracts, with mutuality of obligation, do not involve such risk transfers. Employers' ability to transfer business risk onto employees (which could be through variable pay as well as through variable hours) depends on their bargaining power, which is likely to be greater when more people are unemployed.

**Figure 1: Labour Force Survey estimates of employees on zero-hours contracts, 2000–2012**



Source: ONS

<sup>1</sup> Regulation 3 of the National Minimum Wage Regulations 1999.

# 1 The extent and use of zero-hours contracts

This section of the report is designed to provide evidence on the overall number of zero-hours workers in the UK labour market and in which sectors they typically work in, as well as on how they are typically used by employers. It also shines light on the attitudes of zero-hours contract workers to having no minimum contracted hours and how these arrangements work in practice. It is based on findings from the CIPD's summer and autumn 2013 *Labour Market Outlook* surveys, both based on a representative sample of 1,000 employers in the UK and data from the CIPD's autumn 2013 *Employee Outlook* survey, conducted in partnership with Halogen, of more than 2,000 people in employment in the UK, 453 of whom are zero-hours workers.

There has been a lot of debate about the pros and cons of zero-hours contracts, with opponents accusing employers of using them to minimise employment costs and exploit workers. Advocates believe zero-hours contracts provide flexibility for both employers and workers alike and play an important part in the UK's flexible labour market. The

survey data in this section provides some useful evidence on the reality of zero-hours working from the perspective of both employers and individuals working in this way.

## How many people are employed under zero-hours contracts?

The CIPD estimates that there are just over 1 million people, or 3.1% of the UK workforce, who are employed under a zero-hours contract. This is almost identical to the initial estimate the CIPD provided in August 2013. The latest CIPD estimate is based on aggregated data from the summer and autumn 2013 *Labour Market Outlook* (LMO) surveys<sup>2</sup> (see Methodology section).

In all, just under a quarter (23%) of employers report that they employ people on zero-hours contracts.<sup>3</sup> Seventy per cent do not currently use individuals on zero-hours contracts and 7% do not know. The use of zero-hours contracts is most prevalent in the public (28%), and the non-profit sectors (42%), with private sector organisations least likely to report they use them (19%). See Table 1.

**Table 1: Proportion of UK organisations that report they use people on zero-hour contracts (%)**

	All	Private	Public	Non profit
<b>Yes</b>	23	19	28	42
<b>No</b>	70	75	61	57
<b>Don't know</b>	7	6	11	1

Base: summer and autumn *Labour Market Outlook* survey reports, 2013; all employers: (n=2,054)

<sup>2</sup> The combined data file has been de-duped to remove any respondents who completed both the summer and autumn 2013 surveys to avoid double-counting. Where responses were received to both zero-hour questions, the most recent (autumn 2013) data is included.

<sup>3</sup> A zero-hours contract is an agreement between two parties that one may be asked to perform work for the other but there is no set minimum number of hours. The contract will provide what pay the individual will get if they do work and will deal with the circumstances in which work may be offered (and, possibly, turned down).



The proportion of employers that use zero-hours contracts is particularly high in education (38%) and healthcare (29%). Around one in ten (12%) manufacturing and production employers use zero-hours contracts compared with almost one in five private sector services firms (19%) within the private sector.

On average, organisations that use zero-hours contracts estimate that 19% of their workforce is engaged using such arrangements. Private sector organisations may be less likely than the other two main sectors to use zero-hours contract staff; however, those

that do estimate that a greater proportion of their workforce is on such contracts. In all, private sector respondents that use zero-hours contracts estimate that 24% of their workforce is engaged on such arrangements, compared with figures of 12% for the public sector and 14% for the not-for-profit-sector. The hotels/catering and leisure sector has the highest proportion of zero-hours contract staff (36%). Perhaps reflecting the increase in the use of zero-hours contracts in recent years, a quarter (25%) of employers have introduced them during the past three years. Almost half (47%) introduced them

before 2010, whilst more than a quarter (29%) don't know.

The majority of those LMO employers who don't currently employ zero-hours workers (72%) don't envisage ever using zero-hours staff. Private sector employers (75%) are more likely than public sector employers (58%) to rule out the use of zero-hours workers. However, perhaps reflecting the higher degree of confusion about using zero-hours workers in the public sector, a higher proportion of public sector employers (24%) say they don't know compared with around one in ten private sector employers (12%).

**Table 2: Proportion of workforce that employers using zero-hours workers estimate is engaged on zero-hours contracts (%)**

All	Private	Public	Non-profit
19	24	12	14

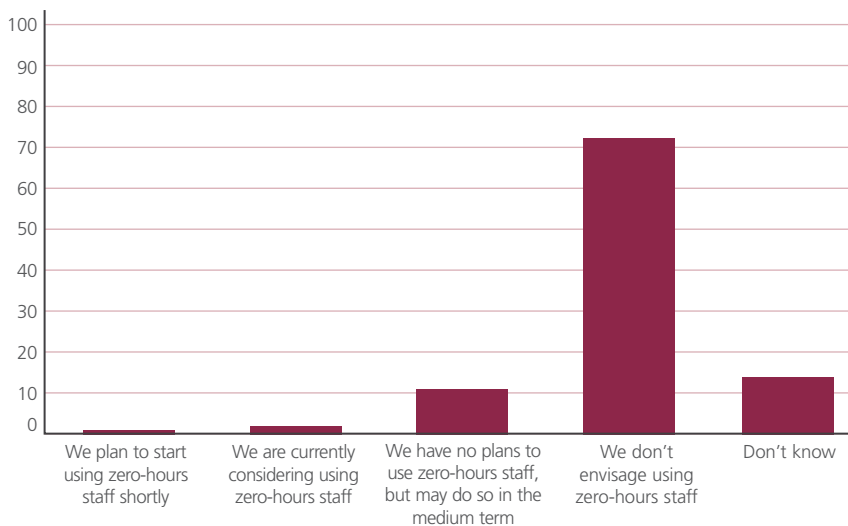
Base: summer and autumn 2013 *Labour Market Outlook* surveys: (n=296)

**Table 3: Proportion of organisations that use zero-hours contracts, by key sectors (%)**

	Manufacturing and production	Education	Healthcare	Private sector services
Yes	12	38	29	19
No	84	57	65	75
Don't know	5	5	6	6

Base: summer and autumn 2013 *Labour Market Outlook* surveys: (n=1,432)

**Figure 2: To what extent is your organisation considering introducing zero-hours working into the organisation?**



Base: autumn 2013, all who don't employ zero-hours workers (n=817)

## Atypical working

Atypical work refers to employment relationships not conforming to the standard or 'typical' model of full-time, regular, open-ended employment with a single employer over a long time span.

On average, employers estimate that 70% of their workforce is made up full-time employees on permanent contracts, 20% is made up of part-time employees on permanent employment contracts, and 10% is made up of a mixture of employees, casual workers, and self-employed and agency workers in atypical employment relationships.

On average private sector employers estimate that 71% of their workforce is employed on full-time permanent contracts compared with figures of 68% and 57% for public sector organisations and non-profit respondents.

**Table 4: The average proportion of organisations' workforces employed as full-time permanent employees, part-time permanent employees or engaged in atypical employment arrangements (%)**

	All	Private	Public	Non profit
<b>Full-time permanent employees</b>	70	71	68	57
<b>Part-time permanent employees</b>	20	18	23	28
<b>People engaged in atypical employment relationships</b>	10	11	9	15

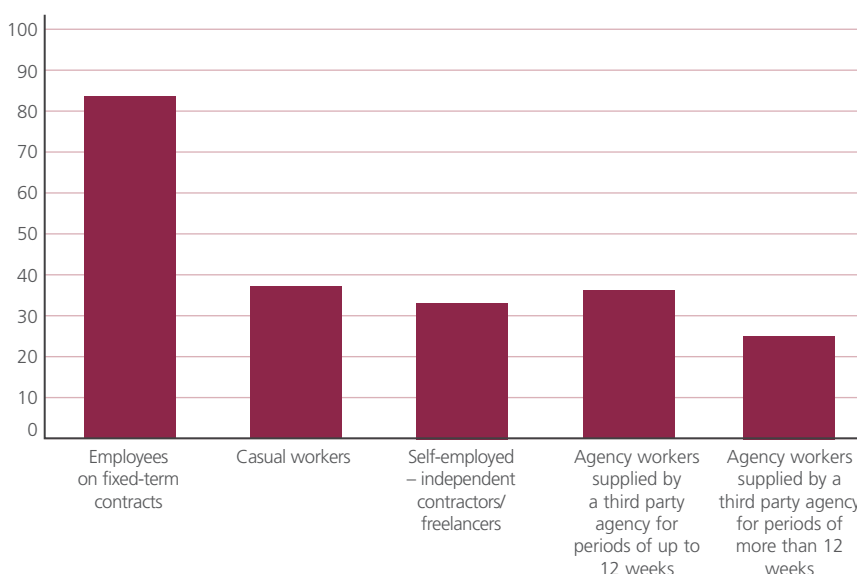
Base: autumn *Labour Market Outlook* 2013: (n=1,020)

More than eight in ten employers engage people on fixed-term contracts, making these the most common type of atypical employment relationship. See Figure 3. Just over a third of respondents use casual staff (37%), and 33% use self-employed independent contractors or freelancers. In all, 36% of employers use agency workers provided by a third party for periods of up to 12 weeks, while a further quarter of respondents use agency staff provided by a third party for periods of more than 12 weeks.

The use of casual workers and agency workers is more prevalent in the public than the private sector. Nearly half (48%) of public sector employers employ casual workers compared with a third (32%) of the private sector. Furthermore, half (51%) of public sector employers employ agency workers supplied by a third party agency for periods of up to 12 weeks compared with 30% of private sector employers.

Within the private sector, the use of agency workers is more prevalent within the manufacturing and production sector than within the private sector services sector, with 43% of manufacturing and production employers employing agency workers supplied by a third party agency for periods of up to 12 weeks compared with 29% of private sector services employers.

**Figure 3: Proportion of organisations that use different forms of atypical employment relationships (%)**



Base: autumn *Labour Market Outlook* 2013 (n=1,020)

Note: for casual workers we mean staff who are not part of the permanent workforce but who work on a flexible, irregular or 'as required' basis to fill a temporary need, but who are NOT supplied and paid by a third party agency

## Case study: Hertz UK

Hertz employs 1,000 staff comprising 500 staff on permanent contracts in its operational business and 200 staff under permanent contracts at the Hertz Europe Limited European headquarters. The remaining 300 are predominantly employed as drivers, who are all zero-hours contract employees who are located around the UK. Hertz also employs around a dozen front-line customer service representatives who are zero-hours employees who are mainly engaged during the summer. There is therefore no typical working pattern for zero-hours contract staff. Additionally, the firm uses a handful of self-employed contractors who tend to be specialised, highly skilled individuals.

### **Business rationale for using zero-hours staff**

Hertz cites several reasons for using zero-hours contracts.

First, it reports that zero-hours contracts are an effective way of managing fluctuations in demand. Hertz describes itself as 'a seasonal business', with the peaks occurring at Christmas, Easter and during the summer. In addition, Hertz employs zero-hours contract staff to cope with the uncertainty of demand in the corporate business part of the business. Hertz claims that contracts are in place for one to three years, which are won and lost due to the competitive nature of the car rental industry.

Second, Hertz cites business conditions as another key reason for employing zero-hours staff because '*the economy is challenged ... the industry is very competitive and pricing is very aggressive in car rental*'. Summarising the importance the firm attaches to the use of zero-hours contracts, it says that '*we need to be even more flexible now than we have been in the past*'.

Third, the company uses zero-hours contracts as a means of filling permanent posts. The company reports that between 10% and 20% of its permanent workforce is made up of former zero-hours contract employees, which reflects their active encouragement to zero-hours employees to apply for full-time permanent roles. Indeed, the company's international president started as a zero-hours employee.

And, whereas the switch to a permanent contract depends on the availability of vacancies, the company reports that there are plenty of opportunities for zero-hours contract employees to apply for permanent vacancies. The company thus concludes that the decision to switch to a permanent contract largely depends on the worker's wish to switch.

### **Employment status**

All zero-hours contract staff are classified as employees and sign an employment contract that is almost similar to the one given to permanent staff. The contract sets out terms and conditions of employment, benefits and clarifies that if the employee is unavailable for work for more than one month, the contract will be terminated and the employee would need to re-apply if they wanted to be re-employed again in the future. The firm claims that the contract is 'easy to understand', in addition to a handbook that accompanies the contract.

### **Does flexibility work both ways?**

Zero-hours contract employees are not obliged to accept work if it is offered to them. However, if work is offered 'continuously' to employees for a month, and it is declined during the same period without prior agreement, the organisation decides that the contract is deemed void. If a shift is cancelled at short notice, zero-hours employees are paid a minimum of three hours' work for that shift. In addition, there are no restrictions on zero-hours employees working for a second employer.

### **Pay**

The hourly rate of pay for zero-hours contract employees is similar to the rate of pay for permanent employees for the same role.

### **Terms and conditions**

Zero-hours contract employees enjoy the full range of terms and conditions, including statutory sick pay. In addition, Hertz pay above the statutory minimum for redundancy pay, encourage participation in the company's share save scheme after four months' service and recognise long-service awards after five years' service.

### **Employee engagement**

The company cites the low labour turnover rate at the firm as a key indicator of the good relations that exist at the firm between management and staff. In addition, the company reports that there are very few grievances at the firm.

### **What would be the alternative to using zero-hours contracts?**

Hertz reports that it would switch to short-hours contracts or agency workers if legislation or regulation made using zero-hours contracts less attractive.

### In what roles are zero-hours staff employed?

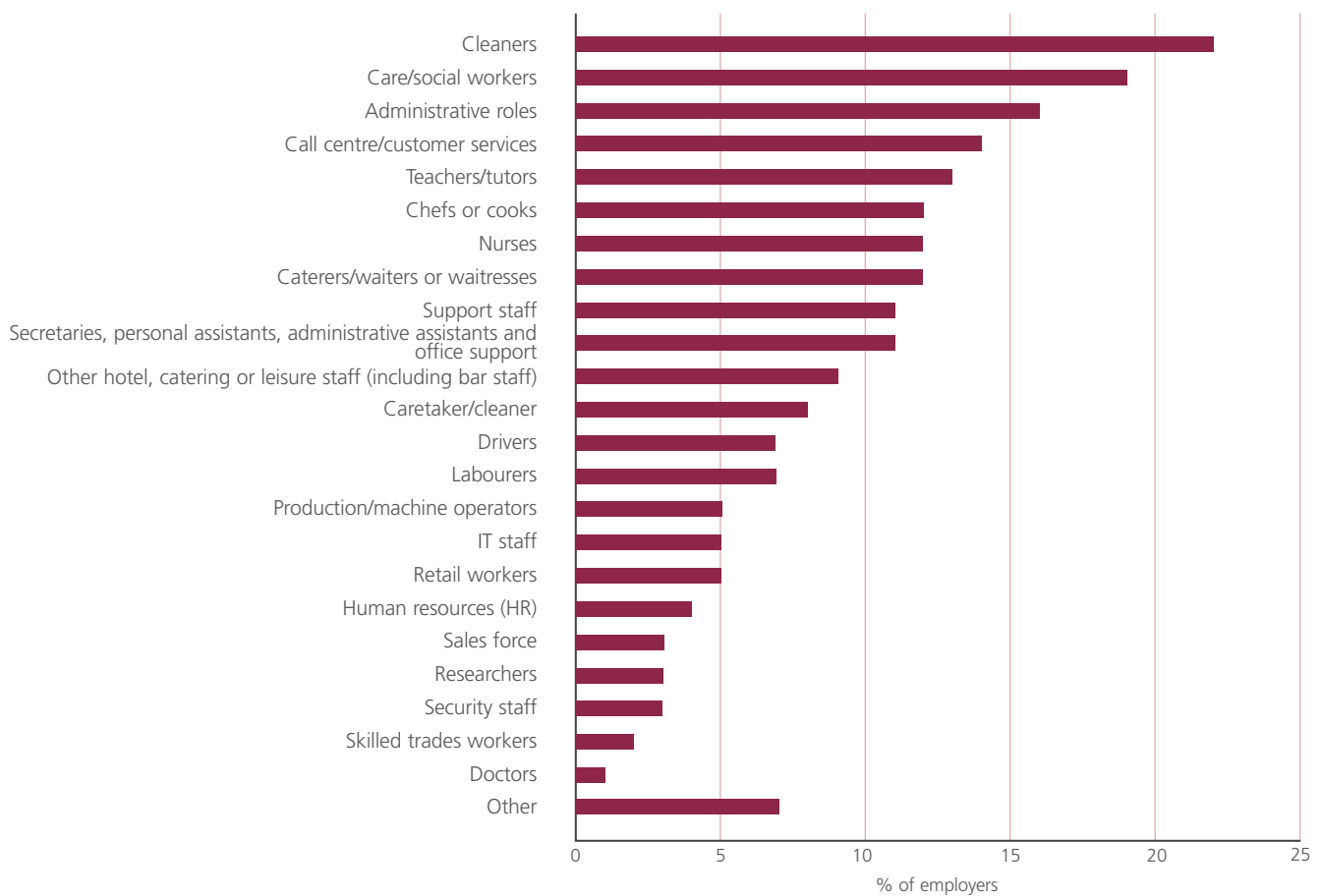
A significant proportion of employers that use zero-hours contracts use them to resource lower-skilled roles. More than a fifth (22%) of employers say that they use zero-hours contracts to employ cleaners. A similar proportion use them to employ care/social workers (19%), administrative workers (16%), and call centre/customer service roles (14%) (see Figure 4). This is consistent with other research, which suggests that more than one in five (22%) people employed under a zero-hours contract are employed in elementary occupations (Brinkley 2013) and (LFS Oct–Dec 2012).

The CIPD’s employer survey finds that 12% of employers use these types of contract to employ nurses and teachers or tutors; this chimes with the same Work Foundation report, which suggests that around one in ten zero-hours contract workers (11%) are professionals. (Brinkley 2013)

### Why do employers use zero-hours contracts?

Flexibility lies at the heart of the employer rationale for using zero-hours contracts. The most common reason for using zero-hours contracts cited by employers is that these arrangements provide them with the flexibility to manage fluctuations in demand, with two-thirds (66%) of

Figure 4: Job roles for which employers use workers on zero-hours contracts.



Base: All organisations that employ zero-hours workers (n=203)

respondent organisations citing this (see Figure 5). However, employers also regard zero-hours contracts as a means of providing flexibility for staff. Almost half (47%) of respondents also say they use them to provide flexibility for individuals.

Managing costs is also a common theme that comes through from the survey. In all, 28% of employers report they use zero-hours contracts to provide cost-efficiency, 20% say it is to avoid recruitment and employment agency fees and 20% say zero-hours contracts are part of a broader strategy to keep wage costs down. A further fifth (21%) of respondents say that the use of zero-hours contracts is a response to uncertain business conditions

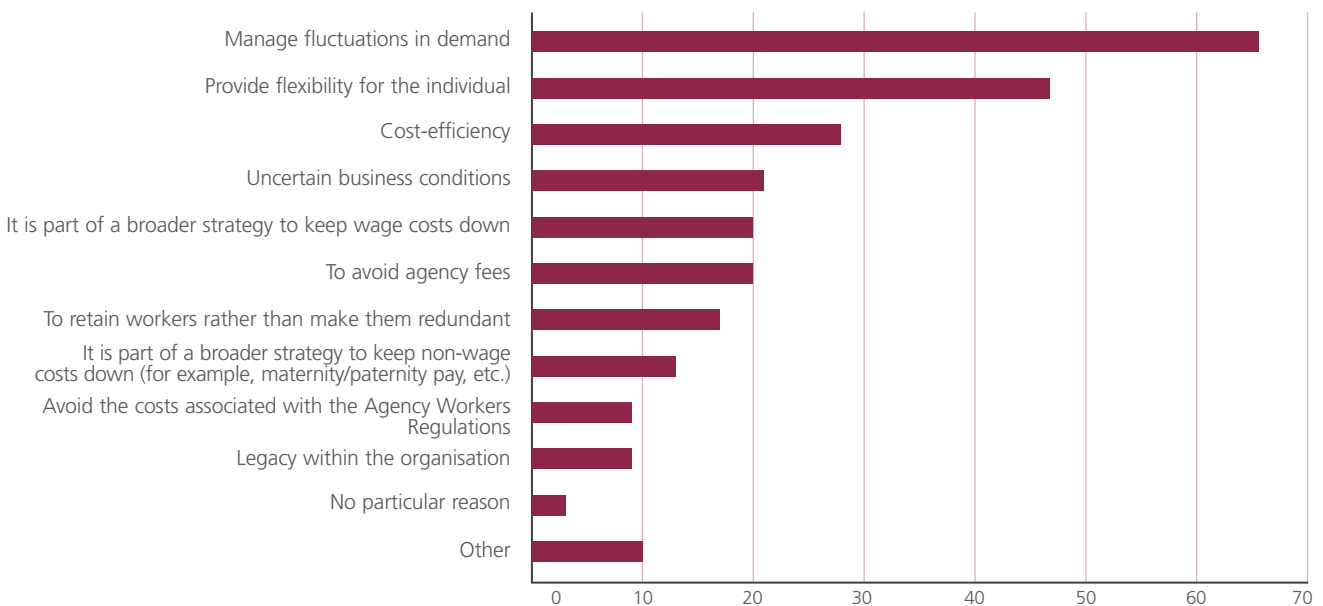
The reasons for using zero-hours contracts hold true across the private, public and non-profit sectors. Managing fluctuations in

demand, providing flexibility for the individual and cost-efficiency are the most commonly cited reasons across the three main sectors.

### What factors decide the working patterns of zero-hours staff?

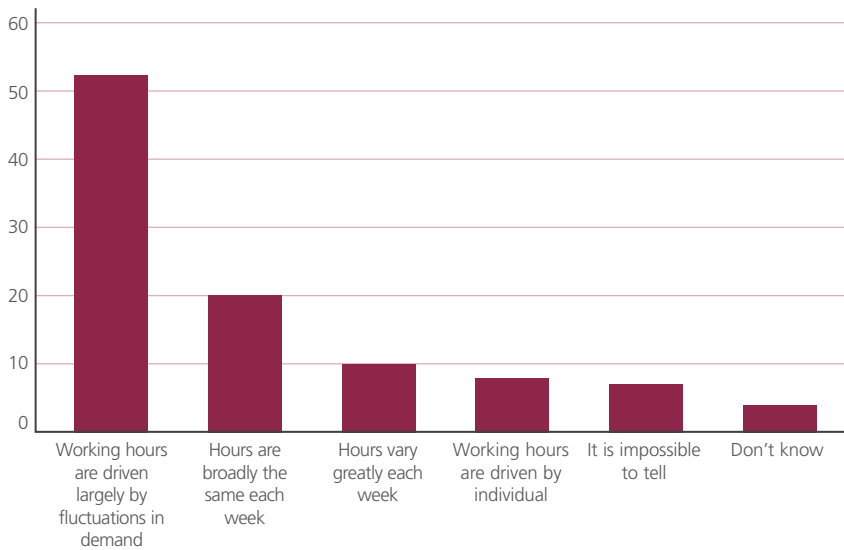
The majority of employers report that the working patterns of their zero-hours staff are driven by fluctuations in demand, with more than half of respondents saying this is the case. One in ten employers (10%) say that hours vary greatly each week at their organisation, while 8% of respondents say the working patterns of the zero-hours staff are driven by the needs of individual workers.

Figure 5: Why does your organisation use workers on zero-hours contracts?



Base: All organisations that employ zero-hours workers (n=203)

**Figure 6: Which description best describes the typical working hours pattern of zero-hours staff at your organisation?**



Base: All organisations that employ zero-hours workers (n=203)

Only a fifth of employers using zero-hours contracts say that the working hours of their zero-hours contract staff are broadly the same each week (see Figure 6).

**Are zero-hours contracts a short- or long-term feature of organisations' workforce planning?**

A majority of employers report the use of workers on zero-hours contracts is likely to be a long-term feature of their organisation's workforce strategy. Forty-five per cent of those employers who use workers on zero-hours contracts report that this is a long-term (that is, in the next four or more years) feature of their workforce strategy. A quarter (24%) of employers report it's a medium-term strategy and a further 15% that it is a short-term strategy.

Public sector respondents are most likely to say the use of zero-hours contracts is a long-term feature of their workforce strategy (58%), while private sector organisations are most likely of the three main sectors to regard zero-hours contracts as a medium-term element of their workforce strategy (32%) (see Table 5).

**Do zero-hours contract workers choose to have no minimum contracted hours?**

Having established why employers use zero-hours contracts, it is now useful to consider the extent to which zero-hours contract workers are satisfied with having no minimum set contracted hours – and, if they are satisfied, the reasons for this.

**Table 5: The extent to which employers' use of zero-hours contracts is regarded as a long-term, medium-term or short-term feature of their workforce strategy (%)**

	All	Private	Public	Non-profit
<b>Short-term (that is, in the next 12 months)</b>	15	17	13	4
<b>Medium-term (that is, in the next two to three years)</b>	24	32	5	22
<b>Long-term (that is, in the next four or more years)</b>	45	40	58	50
<b>Don't know</b>	16	11	25	24

Base: All organisations that employ zero-hours workers (n=203)

**Table 6: Proportion of zero-hours workers who are satisfied or dissatisfied with having no minimum contracted hours (%)**

	Workers/employees with no minimum contracted hours; ie a zero-hours contract	Private	Public	Non-profit*
Very satisfied	28	31	22	15
Satisfied	19	17	21	19
Neither satisfied nor dissatisfied	23	23	27	33
Dissatisfied	11	12	12	11
Very dissatisfied	16	15	17	22
Don't know	2	3	1	0

Base: All respondents (excluding the self-employed) on zero-hours contracts (n=456)

\*Care should be taken when considering the voluntary sector sample because of the small sample size.

Research by the Resolution Foundation (Pennycook et al 2013) on the use of zero-hours contracts concludes that while zero-hours working may suit some groups of workers, for the majority of people employed on these types of contract, the freedom and choice they potentially offer is more 'apparent than real'.

However, the findings from our survey of zero-hours workers suggest the opposite: a minority of people working on zero-hours contracts are dissatisfied with working in this way; however, a much greater proportion are satisfied.

Almost half of zero-hours contract workers (47%) say they are

satisfied with having no minimum contracted hours, 27% say they are dissatisfied and almost a quarter (23%) are neither satisfied nor dissatisfied.

Those zero-hours contract workers in the private sector are most likely to be satisfied with having a zero-hours contract (48%) and least likely to be dissatisfied (27%). Non-profit respondents are the least likely to be satisfied with having no minimum contracted hours (34%) and most likely to be dissatisfied (33%).

Among those respondents that said they are either very satisfied or satisfied with having no minimum set contracted hours, the main

reason cited was that 'they like to work flexibly as it suits my circumstances at the moment', with 44% saying this is the case.

The survey also highlighted that zero-hours contracts suit some older workers. Just less than a fifth (16%) of respondents say they are satisfied with having no minimum set contracted hours because 'I am retired and just need occasional hours to top up my pension'. A further 7% report they are satisfied because 'I am looking to work more flexible hours as I move towards retirement'.

In all, 11% of those satisfied with being a zero-hours contract worker report that this is because 'I am not

**Table 7: Reasons given by zero-hours workers for being satisfied with having no set minimum contracted hours, by gender (%)**

	All zero-hours contract respondents	Men	Women
I am a student	1	0	1
I have caring responsibilities	3	1	5
I have a health problem which restricts the of hours I can work	3	2	4
I am not dependent on work to maintain a decent standard of living	11	14	9
I am looking to work more flexible hours as I move towards retirement	7	10	5
I like to work flexibly as it suits my circumstances at the moment	44	39	48
I am retired and just need occasional hours to top up my pension	16	20	12
I am treated well by my employer in terms of pay, benefits and other terms	7	8	6
Other	9	7	11

Base: All respondents who are on zero-hour contracts and satisfied with arrangements (n=213)

dependent on work to maintain a decent standard of living’.

A further 7% say that being treated well by their employer in terms of pay and other benefits is the reason for their satisfaction.

Just 3% cite having caring responsibilities as a reason for being satisfied with a zero-hours contract, though this does rise to 5% among female respondents.

### Length of service

The survey also suggests that many zero-hours contract workers do not see this type of work as a short-term or temporary arrangement.

More than half of zero-hours contract workers in our survey have been working for their current employer for more than three years. A fifth of zero-hours contract respondents have been with their current employer for over ten years.

A quarter of the zero-hours workers in the sample have been employed by their current employer for a year or less.

However, zero-hours workers are, on average, less likely to stay with an employer as long as other employees in our survey. A quarter of zero-hours contract workers report they have been with their current

employer for up to a year, compared with 13% of all employees.

About a third of zero-hours contract workers report they have been with their current employer for between one and five years compared with 27% of all employees.

Zero-hours workers are significantly less likely to have been with their current employer for longer than five years compared with the survey average. Almost four in ten zero-hours contract workers have been employed by their current employer more than five years, compared with 59% of all employees (see Table 9).

**Table 8: Typical length of service among zero-hours contract respondents for their current employer (%)**

	All	Private	Public	Non-profit
Up to one month	1	1	1	3
More than one month up to three months	5	5	3	2
More than three months up to six months	9	11	7	6
More than six months up to a year	10	11	6	10
More than one year up to two years	10	9	13	0
More than two years up to three years	10	9	15	15
More than three years up to four years	8	7	9	17
More than four years up to five years	6	7	4	5
More than five years up to ten years	18	18	19	15
More than ten years	21	21	21	27
Don't know	2	1	1	0

Base: All respondents (excluding those self-employed) who are on zero-hours contracts (n=456)

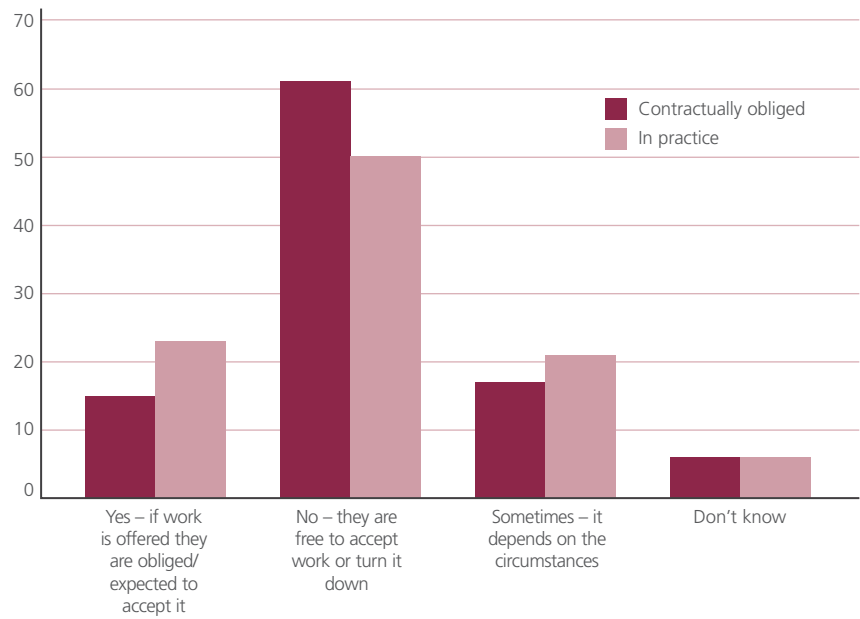
**Table 9: Typical length of service comparison between all employees and zero-hours contract respondents (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Up to six months	7	15
More than six months up to a year	6	10
More than a year up to two years	8	11
More than two years up to five years	19	23
More than five years up to ten years	25	16
More than ten years up to 15 years	14	9
More than 15 years up to 20 years	7	3
More than 20 years	13	11
Don't know	0	1

Base: All employees (excluding the self-employed) (n=2,580)



**Figure 7: Are zero-hours workers obliged to accept work if work is offered to them**



Base: All organisations that employ zero-hours workers (n=203)

**Do employers that use zero-hours contracts expect staff to be available for work?**

Almost two-thirds of employers surveyed that use zero-hours contracts (61%) report that zero-hours staff are not contractually obliged to accept work and are free to turn it down. However, 15% of employers say zero-hours staff are contractually required to be available for work, and a further 17% report that in some circumstances zero-hours contract staff are expected to be available for work.

The employment relationship is not just defined by what the written contract specifies, as it is also affected by what actually happens in practice. The survey of employers also suggests that in practice zero-hours workers are slightly more likely to be expected to be available

for work than is set out in their contract. Just 50% of employers say that in practice zero-hours staff are free to accept work or turn it down, and 23% of employers say that in practice their zero-hours contract workers are expected to accept work when it is available.

Private sector respondents are most likely to report that zero-hours workers are contractually obliged to accept work when it is offered (19%) and to say that in practice zero-hours contract workers are expected to accept work when it is offered (29%). Non-profit employers are most likely to say that zero-hours workers are contractually free to accept or turn down work (79%) and least likely to report that in practice zero-hours workers are obliged to accept work (11%) (see Tables 10 and 11).

**Table 10 Are staff on zero-hours contracts within your organisation contractually obliged to accept work if work is offered to them? (%)**

	All	Private	Public	Non-profit
Yes – if work is offered they are obliged to accept it	15	19	10	8
No – they are free to accept work or turn it down	61	57	63	79
Sometimes – it depends on the circumstances	17	20	12	13
Don't know	6	4	15	1

Base: All organisations that employ zero-hours workers (n=203)

## Case study: Produce World

Zero-hours workers at Produce World Group are very much regarded as part of the core workforce, taking part in their employee engagement survey and being eligible for pay and benefits which are comparable with other permanent members of staff.

About 40 members of staff out of a workforce of 735 are employed on zero-hours contracts at the company, which operates in the agricultural and food manufacturing sector. The company also uses approximately 250 agency staff who work with the company depending on demand.

### Business rationale for using zero-hours contracts

The company's group HR director, David Frost, said zero-hours contracts enable the company to respond to peaks and troughs for demand at one of its factory operations and at the same time provide maximum flexibility for staff.

*'We are a very seasonal business. So, for example, peak demand for our potato business, where we employ our zero-hours workers, is at Christmas when we'll have double the volume running through the plant compared with the lowest level, which is mid-summer.'*

*'We also receive orders from customers the day before they are required, so, for example, if a big supermarket is running a promotion on a particular product line you can suddenly see a severe increase in demand which can't always be easily predicted,'* he said.

### Does flexibility work both ways?

One of the characteristics of Produce World's zero-hours contracts is that employees essentially select the hours they want to work. The factory management team identify the requirements for the production area in terms of hours for the following week and these are posted up in the factory. The firm's zero-hours workers then write their names down against when they want to come in.

In circumstances where the company needs to increase shifts at shorter notice, managers will pick up the phone to offer hours to employees on the rota.

Many of Produce World's zero-hours contract workers have caring responsibilities of different descriptions and a significant proportion are students who fit their working hours around their studies.

Both the company and the zero-hours workers have to give 24 hours' notice if there is a change to circumstances. *'If an individual has a domestic crisis or something else happens which means they can't come in, they are asked to give 24 hours' notice and we will also give them at least 24 hours' notice if there is a drop in demand and hours are no longer available.'*

### Employment status

Frost said that the company's zero-hours workers have employee status and qualify for comparable pay and conditions with other permanent members of staff. This includes life assurance and health insurance as well as training and development opportunities.

Zero-hours contract employees, like all permanent employees, also take part in the company's employee engagement survey.

Frost comments: *'Employee engagement is at the heart of our people strategy. It's a key measure of performance for all of our senior management team members, and it sits right at the top of the strategic priorities for us as a business, to improve engagement on an ongoing basis.'*

*'If you are running a business properly, everyone who has a stake in it, irrespective of their contract type, will feel well engaged and will contribute positively. They're not going to feel well engaged and contribute positively if you're not treating them fairly.'*

### Zero-hours worker interview

Kerrie Coe, a single mum of two, has been working on a zero-hours contract at Produce World since 2002, when she returned to work following the birth of her second child. She typically works 20–24 hours a week, which are agreed the week before. From her perspective, the ability to pick and choose hours means she does not have to pay costly childcare and can fit her working week around her parenting responsibilities. *'As a single mum, being a casual worker suits me. I enjoy the job and the flexibility it allows me to turn down work or not be available for work if it suits me,'* she said. Kerrie receives equivalent pay and benefits to other staff employed on a permanent basis with set contracted hours doing the same job. For example, she is eligible for death in service benefits, loyalty awards for every five years of service and a Christmas bonus paid in the form of a vegetable box and vouchers. Holiday entitlement is accrued on the basis of how many hours a full-time member of staff would have to work to receive a day's holiday.

**Table 11. Regardless of what the contract says, are staff on zero-hours contracts within your organisation expected to accept work in practice? (%)**

	All	Private	Public	Non-profit
<b>Yes – if work is offered they are expected to accept it</b>	23	29	15	11
<b>No – they are free to accept work or turn it down</b>	50	47	49	68
<b>Sometimes – it depends on the circumstances</b>	21	21	23	21
<b>Don't know</b>	6	3	14	1

Base: All organisations that employ zero-hours workers (n=203)

### Do zero-hours contract workers feel obliged to accept work?

The majority of zero-hours workers say they are never penalised by their employer, for example by not being offered hours in the future, if they are not available for work when required. In all, 80% say they are never penalised for not being available for work, a further 17% say they are sometimes penalised and 3% say they are always penalised if they are not available.

The survey of zero-hours workers suggests the majority also feel they have significant choice over the number of hours they work. In all, more than seven in ten zero-hours contract workers say they either have a lot of choice (42%) or some choice (30%) over the number of hours they work each week. A further 18% report they have a little choice over the number of hours they work, while 10% say

they have no choice. Zero-hours contract respondents working in the non-profit sector are most likely to say they have a lot of choice (55%) over the number of hours they work, with public sector respondents least likely to say this is the case (37%).

### Do zero-hours workers want to work more hours than they typically receive each week?

Most zero-hours contract workers (52%) don't want to work more hours than they typically receive in an average week. However, 38% say they would like to work more hours, with 10% undecided.

From a sector perspective, those working in the private sector are least likely to say they would like to work more hours (31%) while zero-hours contract workers in the public sector are most likely to want more hours (52%).

**Table 12: Proportion of those on zero-hours contracts that report they are penalised in any way by their employer (for example does not offer hours in the future or limits the amount of choice over preferred working hours etc) if they are not available for work when required (%)**

	All	Men	Women	Private	Public	Non-profit*
<b>Yes – always</b>	3	3	3	4	1	2
<b>Yes – sometimes</b>	17	14	20	18	15	21
<b>No – never</b>	80	83	78	78	83	77

Base: All respondents (excluding those self-employed) who are on zero-hour contracts (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

**Table 13: How much choice zero-hours workers believe they have over the number of hours they work (%)**

	All	Private	Public	Non-profit*
<b>A lot of choice</b>	42	44	37	55
<b>Some choice</b>	30	31	35	20
<b>A little choice</b>	18	17	18	19
<b>No choice</b>	10	8	10	6

Base: All respondents (excluding those self-employed) who are on zero-hour contracts (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

**Table 14: Proportion of zero-hours workers who would like to work more hours than they typically receive in an average week (%)**

	All	Private	Public	Non-profit*
<b>Yes</b>	38	31	52	37
<b>No</b>	52	58	37	57
<b>Don't know</b>	10	10	11	6

Base: All respondents (excluding those self-employed) who are on zero-hour contracts; (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

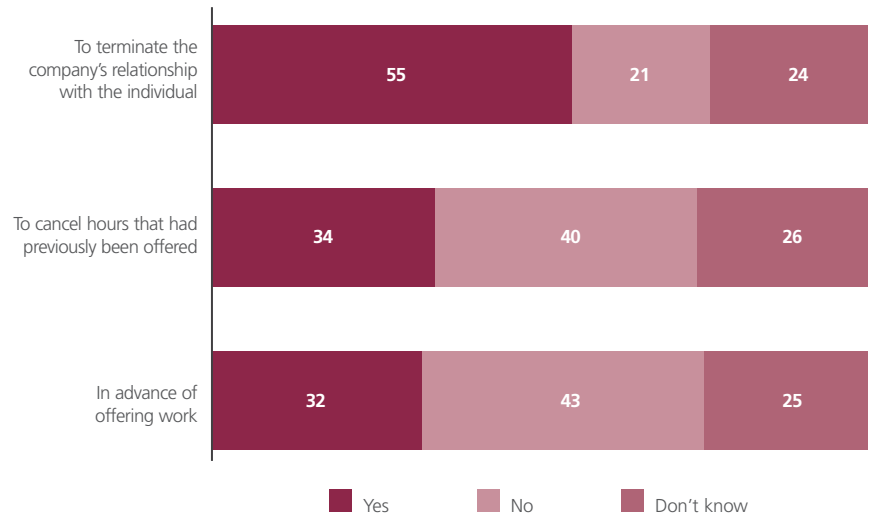
The average zero-hours contract worker works nearly 24 hours a week, compared with an all-employee survey average of 34 hours a week. Almost a fifth of those on a zero-hours contract work between one and eight hours a week and a similar proportion work between 9 and 16 hours a week.

**Table 15: Average hours typically worked by zero-hours workers (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
<b>1–8 hours</b>	4	18
<b>9–16 hours</b>	8	19
<b>17–24 hours</b>	11	13
<b>25–32 hours</b>	11	17
<b>33–40 hours</b>	31	15
<b>41–48 hours</b>	23	6
<b>49–56 hours</b>	7	4
<b>More than 56 hours</b>	3	2
<b>Don't know</b>	2	7
<b>Mean</b>	34.15	23.73

Base: All employees (excluding those self-employed) (n=2,580)

**Figure 8: Does your organisation have a contractual provision, a practice or policy on the amount of notice you give to staff on zero-hour contracts for each of the following? (%)**



Base: All organisations that employ zero-hours workers (n=203)

**How much notice do employers give zero-hours contract staff when arranging or cancelling work?**

The issue of how much notice zero-hours contract workers receive when they are offered work and particularly when work is cancelled has been flagged as a concern in the debate over the pros and cons of zero-hours work.

Our research shows zero-hours contract employers vary significantly in the degree they have a contractual provision or a policy outlining their approach to offering work to staff on these contracts or when cancelling previously offered work.

About a third of employers that employ zero-hours workers say they have a contractual provision or policy outlining their approach to arranging work with zero-hours workers or cancelling work that had been offered. However, about four in ten employers say they don't have such provisions or policies and a quarter say they don't know (see Figure 8).

Over half of employers (55%) which use staff on zero-hours contracts report that they have a provision, a practice or policy on the amount of notice they give zero-hours staff to terminate the company's relationship with the individual. More than a fifth (21%) say they don't have a policy and almost a quarter (24%) report that they don't know.

**How much notice do zero-hours workers receive in practice when being offered work or when work is cancelled?**

However, regardless of whether there is a contractual provision or policy in place, in practice many zero-hours workers receive little or no notice when work is cancelled. In all, 46% of zero-hours contract workers say they either receive no notice at all (40%) or they find out at the start of a shift that work is no longer available (6%). Just less than one in ten respondents say they are notified up to 12 hours beforehand when work is no longer available, and a similar proportion say more than 12 hours up to 24 hours. Those zero-hours contract workers employed in the private sector are more likely to

have little or no notice when work is cancelled (see Table 16).

About four in ten respondents report they typically receive up to 12 hours' notice from their employer informing them that work is available. One in ten respondents say that notice when work is available ranges from 12–24 hours and a similar proportion say they are notified that work is available

between 24 hours and 48 hours beforehand (see Table 17).

Again, private sector workers are more likely than respondents from the other sectors to report they have short notification when work is available, with 44% saying they have up to 12 hours' notice compared with just 38% of non-profit respondents and 36% of those in the public sector.

**Table 16: Zero-hours respondents' views on how much notice they receive from their employer if work is no longer available (%)**

	All	Men	Women	Private	Public	Non-profit*
None	40	47	35	43	33	31
At the start of a shift	6	3	8	4	9	10
Up to 12 hours	9	7	11	10	4	4
More than 12 hours up to 24 hours	10	8	11	10	12	12
More than 24 hours up to 48 hours	5	5	6	5	7	9
More than 48 hours up to 72 hours	5	2	7	5	6	3
More than 3 days up to 7 days	8	8	8	8	7	8
More than 7 days up to 2 weeks	4	6	3	4	7	8
More than 2 weeks up to 4 weeks	4	5	4	5	4	3
More than 4 weeks	9	10	7	8	11	10

Base: All respondents (excluding those self-employed) who are on zero-hours contracts (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

**Table 17: All zero-hours contract respondents' views on how much notice they receive from their employer informing them that work is available (%)**

	All	Men	Women	Private	Public	Non-profit*
Up to 12 hours	42	42	43	44	36	38
More than 12 hours up to 24 hours	10	11	10	11	9	13
More than 24 hours up to 48 hours	9	9	10	11	9	3
More than 48 hours up to 72 hours	4	4	4	3	5	4
More than 3 days up to 7 days	13	12	13	12	12	12
More than 7 days up to 2 weeks	7	6	8	7	6	13
More than 2 weeks up to 4 weeks	5	7	4	4	11	0
More than 4 weeks	9	9	8	7	12	13

Base: All respondents (excluding those self-employed) who are on zero-hours contracts (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

## Case study: Outlook Care

Care services provider Outlook Care introduced an in-house staff 'bank' arrangement and zero-hours contracts in 2009. Known as OCB (Outlook Care Bank), the aim was to provide a responsive service superior to that supplied by the commercial agency provider but also one that gave more control over quality, training and costs. The not-for-profit organisation provides a wide range of services including supported living, specialist registered care, nursing and respite services and domiciliary care.

### **Business rationale**

Outlook Care employs around 330 permanent staff to cover the basic needs of service users and uses its Outlook Care Bank of 200 additional workers on casual contracts to be able to respond to fluctuations in demand for service support.

Director of Corporate Services Jacky Taylor said the decision to set up its own 'staff bank' was driven by the desire to improve the quality of care provided by agency staff, which had been inconsistent and often poor, and to cut associated costs, including 20% VAT, which is irrecoverable.

She said that in order to run a bespoke service for customers and to maintain effective staffing levels in a business that operates on very tight margins, it was crucial to have a proportion of staff working on very flexible contracts.

*'Our OCB workers cover for sickness absence, annual leave and training for our core workforce but just as importantly they provide flexibility to meet our customers' needs.'*

*'So for instance if we were forced to employ a permanent worker to cover an additional or perhaps short-term client need such as taking Joe to the cinema every Wednesday, what happens when he no longer wants to do this?'*

Taylor said care services providers were under pressure to cut costs and this may lead to the increasing use of zero-hours contracts to increase efficiency as a result of a real-terms decrease in bedspace costs that commissioners were prepared to pay in recent years with no prospects of improved terms in the future.

### **Pay and benefits**

Taylor said that Outlook Care's casual staff benefit from the same pay as permanent staff but are entitled to basic annual leave and Statutory Sick Pay rather than the slightly more generous occupational sick pay and annual leave that permanent members of staff receive. However, if workers are injured while working for Outlook Care they are paid, at Outlook Care's discretion, for their time off sick.

Taylor thought that the company's bank workers receive better pay and training than they would receive if they were employed by an agency. The induction for Outlook Care's bank staff will include a session on the organisation's values (2013–14) to ensure they understand the ethos and culture the organisation tries to foster and they currently have access to comprehensive training to ensure they have the right skills, for example to work with vulnerable people.

### **Notice for work**

Working hours are mostly arranged a month in advance by Outlook Care scheme managers with vacant shifts being filled by Outlook Care bank administrative staff. However, because of the nature of the work, there will always be the need for late-notice working, which relies on the care bank admin staff phoning people to see if they are available.

### **Mutuality of obligation**

Taylor said there was no obligation on the company to provide work or for casual workers to be available for work and they are not required to be on standby. However, if a worker has accepted a shift, they are expected to work it. Outlook Care is tolerant if people need to cancel working at the last moment, unless it is for a frivolous reason or happens too frequently.

### **Exclusivity**

Outlook Care's casual staff are free to work for other employers when they are not working; however, the company's HR staff monitor working hours and liaise with managers and request they discuss this with workers to make sure they do not work in excess of 52.5 hours a week.

### **Employee satisfaction/engagement**

Taylor said that the low turnover among their bank staff suggests the majority of casual staff are satisfied with their working arrangements. She estimates 50% of Outlook Care's zero-hours (casual) workers choose to work in this way because it fits their individual circumstances and 50% are looking to build their experience and get trained so they can find a permanent job with Outlook Care.

## Exclusivity

The extent zero-hours contract workers are able to work for another employer when work is not available is another important issue in the debate over the responsible use of such arrangements.

The issue of exclusivity is also likely to be a relevant factor in deciding an individual's employment status. If an employer does place restrictions on staff that prevent them from working for another employer when no work is available, it is likely that in most circumstances this will mean that a worker is more likely to have 'employee' status and the associated employment rights.

When dealing with requests to work for another employer, around two-thirds (67%) of employers report that casual workers are free to work for another organisation.

Just 8% of employers say that casual workers should not work for other companies, 12% report that this is acceptable sometimes and depends on the circumstances and 14% do not know.

Six in ten zero-hours workers report they are allowed to work for another employer when their primary employer has no work available. A further 15% say they are able to sometimes. Just 9% say they are never able to work for another employer and a sizeable 17% don't know.

Zero-hours contract workers in the public sector are most likely to say they are always able to work for another employer when work is not available, while non-profit respondents are least likely to say this is the case (see Table 18).

**Table 18: Proportion of zero-hours workers that report they are allowed to work for another employer when their primary employer has no work available for them (%)**

	All	Men	Women	Private	Public	Non-profit*
<b>Yes – always</b>	59	59	59	54	73	49
<b>Yes sometimes</b>	15	16	15	15	13	23
<b>No – never</b>	9	10	9	10	7	13
<b>Don't know</b>	17	15	18	21	7	16

Base: All respondents (excluding those self-employed) who are on zero-hours contracts; (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.



## Pay

Our research finds that zero-hours contract workers are more likely to be at the lower end of the earnings spectrum. In all, 9% of zero-hours contract workers in our survey earn £216 a week or less, compared with the all-employee average of 6%. Half of zero-hours workers earn less than £15,000 per annum compared with 28% for all employees (see Table 19).

These findings reinforce the Resolution Foundation's analysis of the pay of zero-hours contracts, which (Pennycook et al 2013) found

that those employed on zero-hours contracts receive lower gross weekly pay (an average of £236 per week) than those who are not (an average of £482 per week) and workplaces that utilise zero-hours contracts have a higher proportion of staff on low pay than those who do not.

### Are zero-hours contract workers paid comparably with permanent members of staff on contracted hours doing similar jobs?

Our research finds employers are significantly more likely to report that zero-hours contract workers are paid similar rates as permanent members

of staff doing the same job than zero-hours workers themselves.

Almost two-thirds (64%) of employers who use zero-hours workers report that hourly rates for these staff are about the same as an employee doing the same role on a permanent contract (see Figure 9).

Nearly a fifth (18%) report that hourly rates for zero-hours staff are higher than permanent employees, with the proportion slightly higher in the private sector. Around one in ten employers report (11%) that they are lower.

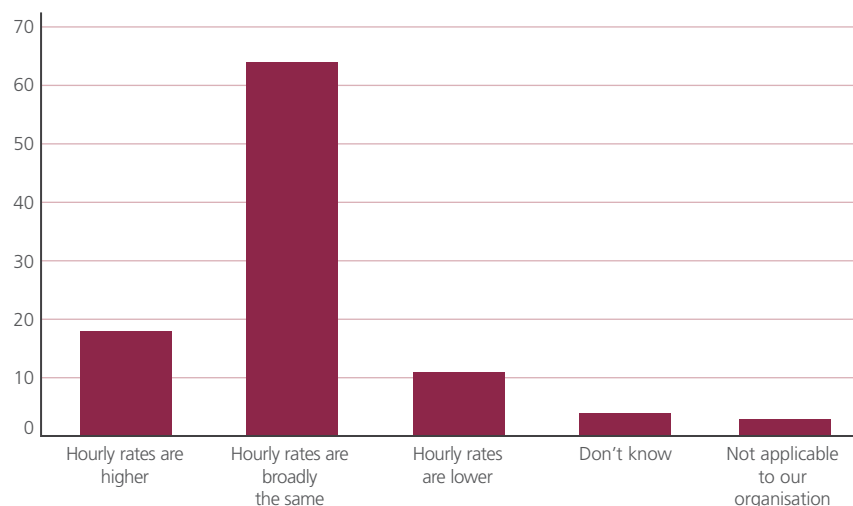
**Table 19: Average pay among zero-hours contracts respondents compared with the survey average (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
£216 a week or less*	6	9
Less than £15,000 pa	28	50
£15,000 to £24,999 pa	28	25
£25,000 to £34,999 pa	17	9
£35,000 to £44,999 pa	11	6
£45,000 to £59,999 pa	8	5
£60,000 or more pa	6	5
Don't know	1	1

Base: All employees (excluding those self-employed) (n=1,992)

\*Subset of those earning less than £15,000 pa

**Figure 9: On average, how does the hourly rate of staff on zero-hours contracts compare with an employee doing the same role on a permanent contract at your organisation? (%)**



Base: All organisations that employ zero-hours contract workers (n=203)

**Table 20: Proportion of employers reporting that the hourly rate of zero-hours staff is higher, about the same or lower than permanent staff with set contracted hours doing the same job, by sector (%)**

	All	Private	Public	Non-profit*
Hourly rates are higher	18	22	4	24
Hourly rates are about the same	64	68	64	47
Hourly rates are lower	11	7	16	19
Don't know	4	0	15	4
Not applicable to our organisation	3	3	1	7

Base: All organisations that employ zero-hours workers (n=232)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

**Table 21: Proportion of those on zero-hours contracts who report their pay is the same, higher or lower than comparable permanent members of staff doing similar jobs (%)**

	All	Men	Women	Private	Public	Non-profit*
The same rate of pay	37	38	36	37	35	38
Lower pay rate	21	19	22	20	26	22
Higher pay rate	11	15	8	11	9	15
Don't know	31	28	34	31	30	24

Base: All employees (excluding those self-employed) who are on zero-hours contracts (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

However, just less than four in ten zero-hours contract respondents think their pay is the same as comparable permanent members of staff on contracted hours doing similar jobs (see Table 21). About a fifth (21%) say their pay is lower than comparable permanent staff doing similar jobs, while 11% say their pay is higher. Nearly a third don't know. Public sector zero-hours contract staff are most likely to say

their pay is lower than comparable permanent members of staff on contracted hours, with 26% saying this the case, while those working in the non-profit sector are most likely to say their pay rate is higher (15%).

### Training

Three-quarters of employers that use zero-hours contracts say that zero-hours workers are eligible for their organisation's training and

development activities, with 13% saying no and 12% not knowing (see Table 22).

Non-profit employers are most likely to say that zero-hours contract staff are eligible for training and development, with public sector respondents least likely to say this is the case.

**Table 22: Proportion of employers that report zero-hours staff are eligible for company training and development (%)**

	All	Private	Public	Non-profit*
Yes – workers on zero-hours contracts are eligible	76	77	63	91
No – workers on zero-hours contracts are NOT eligible	13	14	14	5
Don't know	12	8	23	4

Base: All organisations that employ zero-hours workers (n=232)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

## Case study: Moorfields Eye Hospital NHS Foundation Trust

Moorfields Eye Hospital NHS Foundation Trust has 275 nurses engaged on zero-hours contracts through its staff bank in order to respond to fluctuating demand, reduce agency worker and overtime costs and fill in for sickness absence and holidays.

Overall, the hospital is staffed by about 1,800 people, with about 1,500 on permanent contracts and the remainder of staff a mixture of agency workers, zero-hours contract workers and honorary contract holders.

### Rationale for using zero-hours contracts

Sally Storey, Moorfields HR director, said the hospital's zero-hours contract workers are engaged via an outsourced staff bank, which was set up three years ago to reduce agency costs and reduce levels of overtime at high rates.

She also said the creation of the staff bank is a way *'of creating a cohort of staff who know their way around the hospital, want to work as and when but are more part of a team than an agency temp would be'*.

The bank enables the hospital to have greater control over quality by ensuring that bank workers meet certain standards before they are able to register.

### Employment status

The hospital's zero-hours contract workers are categorised as workers and are employed by a staffing bank service called Pulse, which pays them and then bills the hospital for their time.

There is no obligation on the hospital to provide work and none on the bank staff to accept work.

If there are instances where bank staff are booked in for a shift and then don't turn up, the hospital will follow that up with the staff bank and try to establish why. If there is not a satisfactory reason or it happens more than once, the hospital may decide they don't want that person again.

The hospital holds regular meetings between its managers and the staff bank provider to ensure the relationship is working from both the perspective of the hospital and the bank staff. *'If bank staff don't feel welcomed into the organisation and valued as part of the team, they won't want to come back,'* said Storey.

Hospital managers will plan ahead and use bank staff to fill in for permanent staff holidays or study leave and register those shifts with the bank. The bank is also used to cope with a temporary increase in demand for services, such as setting up an extra clinic if waiting lists start to grow. In addition, hospital managers use the bank at short notice, for example to fill in for staff on sick leave.

Storey said that it is highly unlikely that a situation would arise when a zero-hours contract worker came in to work to find that they were no longer needed and, if this did happen, *'we'd find something for them to do for the day'*.

Storey said that the bank cannot always provide sufficient staff at busy times, such as Christmas and the school holidays, because the types of people who work on the staff bank do so because of the flexibility it allows and typically have less availability in these periods. Overall, there is greater demand for bank staff than supply, with only eight out of ten staff bank shifts filled.

### Pay

The hospital uses the NHS Agenda for Change rates of pay to ensure pay for bank staff is comparable with permanent members of staff and adds a percentage to pay for statutory holidays.

Besides its zero-hours contract workers employed via the bank, the hospital provides a wide range of flexible working opportunities for its permanent staff, such as flexi-time for some categories of staff, term-time working and annualised hours contracts. It also retains some junior doctors on honorary contracts after they have left the hospital, which allows them to cover vacant shifts and earn additional money.

### What is the employment status of zero-hours contract staff?

One of the big distinctions in the types of zero-hours contracts used by employers is employment status.

Where zero-hours workers are categorised as having 'worker' status, they will have fewer employment rights than they would if they were categorised as an 'employee'. For example, only 'employees' are entitled to maternity, paternity and adoption pay, have the right not to be unfairly dismissed after two years' service and are eligible for statutory redundancy pay.

Employees are also entitled in law to a written copy of their terms and conditions after they have been employed at least eight weeks.

Whether an individual is a worker or an employee is decided not just in how they are described in their contract or terms and conditions, but also by the reality of the employment relationship. The box below sets out some of the typical elements in the employment relationship that might indicate an individual is an employee rather than a worker.

### Working out employment status for an employee

Someone who works for a business is probably an employee if most of the following are true:

- They're required to work regularly unless they're on leave (for example holiday, sick leave or maternity leave).
- They're required to do a minimum number of hours and expect to be paid for time worked.
- A manager or supervisor is responsible for their workload, saying when a piece of work should be finished and how it should be done.
- They can't send someone else to do their work.
- The business deducts tax and National Insurance contributions from their wages.
- They get paid holiday.
- They're entitled to contractual or Statutory Sick, Maternity, or Paternity Pay.
- They can join the business's pension scheme.
- The business's disciplinary and grievance procedures apply to them.
- They work at the business's premises or at an address specified by the business.
- Their contract sets out redundancy procedures.
- The business provides the materials, tools and equipment for their work.
- They only work for the business or, if they do have another job, it's completely different from their work for the business.
- Their contract, statement of terms and conditions or offer letter (which can be described as an 'employment contract') uses terms such as 'employer' and 'employee'.

Source: [www.gov.uk](http://www.gov.uk)

Almost two-thirds of employers (64%) classify zero-hours staff as employees, whereas only just less than a fifth (18%) describe them as workers. Only 3% of employers classify their zero-hours contract workers as self-employed.

Perhaps reflecting the confusion that surrounds the employment status of zero-hours contract staff, 7% of employers have not classified their status and a similar proportion (7%) don't know. The remaining 6% say that they employ zero-hours contracts on a variety of these arrangements.

Employers in the private sector (73%) are significantly more likely than employers in the public sector (43%) to classify workers on zero-hours contracts as employees. However, a significantly higher proportion of respondents from public sector organisations (20%) report they do not know the employment status of zero-hours staff compared with private sector employers (3%) (see Table 23).

Nearly three-quarters of employers (74%) report that they provide a written contract for their zero-hours contract staff (see Figure 10).

A minority (14%) of employers report that zero-hours staff do not have a written contract, 8% of respondents don't know and 3% say it varies by worker.

More than three-quarters of private sector employers (76%) provide a written contract, compared with less than two-thirds of public sector employers (62%). Public sector respondents are most likely to say they don't know either way, with 25% reporting this is the case compared with just 3% among private sector respondents.

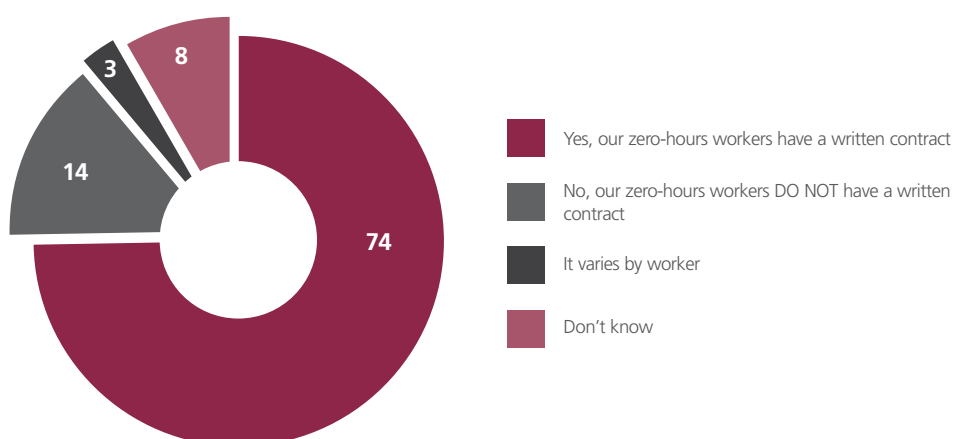
**Table 23: The proportion of employers that classify their zero-hours staff as 'employees', 'workers' or self-employed (%)**

	All	Private	Public	Non-profit*
<b>Employees</b>	64	73	43	60
<b>Workers</b>	18	18	18	21
<b>Self-employed</b>	3	4	1	–
<b>A combination of workers and employees</b>	6	0	17	9
<b>We have not classified their status</b>	7	7	4	10
<b>Don't know</b>	7	3	20	–

Base: All organisations that employ zero-hours workers (n=232)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

**Figure 10: Do zero-hours staff within your organisation have a written contract? (% of employers)**



Base: All employers that employ zero-hours workers (n=232)

More than nine out of ten respondents that provide a written contract for zero-hours contract staff report that this records the individual's employment status, with just 2% of employers saying that the written contract does not specify employment status and 7% not knowing.

### What benefits/employment rights are zero-hours workers entitled to?

Our research asked employers what employment rights and benefits their zero-hours staff qualified for; it also asked zero-hours staff what benefits and employment rights they were eligible for.

Responses from the employer survey suggests there is some confusion among employers over what employment rights 'employees' are eligible for.

Just 31% of employers report that their zero-hours contract workers are eligible for statutory redundancy pay, which is surprising given that almost two-thirds of employers say they classify their zero-hours contract staff as employees, who would qualify for statutory redundancy pay after two years' service.

Only four in ten employers say their zero-hours workers are eligible for statutory maternity, paternity and adoption leave and pay, which should be available to all employees.

Just over half of employers report their zero-hours workers have the right not to be unfairly dismissed after two years, another employment right available to employees but not workers.

Less than half of respondent employers that use zero-hours

contracts report that their zero-hours contract staff receive statutory sick pay, which is payable to both employees and workers (except in certain circumstances).

The survey of zero-hours workers shows that there is a high level of uncertainty among some zero-hours contract workers over which employment rights and benefits they are entitled to or eligible for.

In all, just 18% of respondents say they have the legal right not to be unfairly dismissed by their employer after two years' service and 40% of respondents say don't they have unfair dismissal rights; however, 42% say they don't know.

One in ten respondents believe they are eligible for statutory redundancy pay, while 61% say they are not and 28% don't know.

**Table 24 : Which, if any, of the following benefits are staff on zero-hours contracts entitled to within your organisation? (%)**

	All	Private	Public	Non-profit*
Occupational sick pay	17	15	15	30
Statutory sick pay	49	55	37	40
Annual paid leave	59	61	46	73
Pension auto-enrolment	38	38	29	57
Statutory minimum notice	52	57	38	54
Statutory maternity, paternity, adoption leave and pay	41	49	25	31
Right not to be unfairly dismissed (after two years' service)	55	59	43	59
Right to receive written statement of terms and conditions	60	61	47	79
Statutory redundancy pay (after two years' service)	31	32	28	32
None – no benefits are available	21	21	25	14

Base: All organisations that employ zero-hours workers (n=232)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

Just less than half of respondents (45%) say they have the right to receive a written statement of terms and conditions, with 31% saying no and a quarter not knowing either way.

In all, 16% of zero-hours contract workers say they are eligible for

statutory maternity, paternity and adoption pay, while 57% say they are not and 27% don't know.

Nearly half of zero-hours contract workers (46%) say they are eligible for paid holiday, while a similar proportion say they are not and 9% don't know.

The findings from both the employer survey and the survey of zero-hours workers suggests there is a high degree of confusion on both sides over employment status and what employment rights and benefits 'workers' and 'employees' should be eligible for.

**Table 25: Zero-hours contract respondents' views on which employment rights/benefits they are eligible for... (%)**

	All	Men	Women	Private	Public	Non-profit*
<b>Statutory maternity/paternity/adoption pay</b>						
Yes	16	15	17	17	14	33
No	57	59	55	55	58	59
Don't know	27	27	27	28	28	8
<b>Paid holiday</b>						
Yes	46	47	45	49	45	55
No	45	44	45	41	45	44
Don't know	9	9	10	10	10	1
<b>Benefits such as bonuses, allowances or insurances (for example, private medical insurance)</b>						
Yes	11	16	8	14	8	4
No	73	70	76	71	72	93
Don't know	15	14	16	15	21	3
<b>Statutory redundancy pay (after two years' service)</b>						
Yes	10	13	8	11	11	10
No	61	62	61	60	59	72
Don't know	28	25	31	29	30	18
<b>Right to take legal action if unfairly dismissed (after two years' service)</b>						
Yes	18	19	17	38	40	39
No	40	43	38	38	40	39
Don't know	42	38	44	45	39	35
<b>Occupational sick pay</b>						
Yes	13	14	12	13	13	16
No	68	69	66	66	69	79
Don't know	20	16	22	21	18	5
<b>Right to receive a written statement of terms and conditions</b>						
Yes	45	41	48	41	60	54
No	31	35	28	34	20	29
Don't know	24	23	24	25	20	17

Base: All respondents (excluding those self-employed) who are on zero-hours contracts; (n=456)

\*Care needs to be taken when analysing figures in this column because of the small number of respondents in this category.

## Case study: Holiday Inn

Holiday Inn (Liverpool) has 15 staff on zero-hours working arrangements out of a workforce of 96 in order to help manage fluctuations in demand and reduce recruitment agency costs.

### **Business rationale**

The company's zero-hours contract staff help it to manage seasonal fluctuations and unpredictable peaks in demand from big events such as conferences and weddings.

The use of zero-hours staff, who mainly work in housekeeping or as bar staff, waiters and waitresses, also cuts down on recruitment agency fees. The firm estimates that it is saving £11,000 a year by not using agency staff.

The company also believes that the zero-hours arrangement is in employees' interests, with the vast majority of hours structured around the needs of the individual, except during lean periods. A relatively high proportion of its zero-hours contract employees are students, who like the flexibility that these working arrangements allow.

### **Employment status**

The firm classifies its zero-hours contract staff as employees. Additionally, they are offered permanent contracts if they are consistently working a certain number of hours per week after a period of five or six months. The company currently employs nobody on a zero-hours contract who has worked for the company for more than six months and who regularly works a set number of hours per week. Holiday Inn (Liverpool) estimates that 15% of zero-hours staff typically progress to permanent contracts. The company aims to, where possible, promote people internally rather than recruit new staff because it is beneficial *'to have somebody who knows the hotel, the employees and its guests'*.

### **Does flexibility work both ways?**

The company reports that its zero-hours arrangements suit many of its employees, especially students and mothers. In addition, staff are allowed to work for another employer, provided that it is not a direct competitor. The company also says that they do not penalise somebody for turning work down. The company only penalises people if they say no when *'they have been asked five or six times in a row'*.

### **Are there alternatives to zero-hours arrangements?**

If the zero-hours arrangements weren't available, the company would probably use short hours, such as a four-hour contract. However, the company reports that this would be highly impractical because overtime [above four hours a week] would have to be authorised. As indicated, the company no longer uses agency workers, mainly for cost reasons.



## 2 Job satisfaction, job quality and engagement

This section of the report is designed to explore how the attitudes of zero-hours workers towards their work, job satisfaction, how fairly they think they are treated and how they are led and managed compares with other employees. The survey is based on a sample of 2,924 people in

employment in the UK, with 456 of these on zero-hours contracts.

### Job quality

Overall, the attitudes of zero-hours contract workers towards their work compare favourably with those of the average employee (see Table 26).

There is very little difference in overall job satisfaction between zero-hours contract workers and the survey average. In all, 60% of zero-hours contract workers agree or strongly agree they are satisfied with their job with 19% disagreeing, compared with a survey average of 59% agreeing

Table 26: Proportion of respondents who agree or disagree that... (%)

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
<b>they will often work for more hours than those they are paid or contracted to do</b>		
Agree	58	49
Disagree	27	29
<b>they know very clearly what the core purpose of the organisation they work for is</b>		
Agree	84	86
Disagree	5	3
<b>they are highly motivated by their organisation's core purpose</b>		
Agree	53	61
Disagree	18	15
<b>they achieve the right balance between their work and home lives</b>		
Agree	58	65
Disagree	27	20
<b>they have positive relationships with colleagues</b>		
Agree	82	80
Disagree	5	3
<b>their job is as challenging as they would like it to be</b>		
Agree	63	64
Disagree	18	17
<b>their organisation provides them with opportunities to learn and grow</b>		
Agree	45	43
Disagree	27	28
<b>they are satisfied with the content of their job role</b>		
Agree	60	65
Disagree	21	21
<b>they are satisfied with their current job</b>		
Agree	59	60
Disagree	20	19

Base: All employees (n=2924)

and 20% disagreeing. However, zero-hours workers are more likely to agree they are satisfied with the content of their job role (65%) than all respondents (60%).

Zero-hours contract workers are more likely to agree they know very clearly what their organisation's core purpose is and to be motivated by that core purpose than the average employee.

They are also significantly more likely to agree they are satisfied with their work-life balance than the survey average.

There is a negligible difference in the attitudes of zero-hours contract workers and those in the wider workforce in terms of their relationships with colleagues, with eight out of ten of both zero-hours

workers and all respondents agreeing their relationships are positive.

Similarly, there is little to choose between the attitudes of zero-hours contract workers and all employees in whether they agree their job is as challenging as they would like it to be, with just less than two-thirds of both cohorts agreeing this is the case.

Both zero-hours workers and all respondents have fairly negative views on the extent their organisation helps them to learn and grow, with less than half (43% and 45% respectively) agreeing this happens.

### Pressure at work

The survey findings suggest zero-hours contract workers are subject less frequently to excessive pressure in the workplace than the average employee. In all, 29% of zero-

hours contract workers say they feel under excessive pressure either every day (8%) or once or twice a week (21%). This compares with 41% of all employees who feel under excessive pressure either every day (13%) or once or twice a week (28%) (see Table 27).

### Job security

There is no difference in the level of job security experienced by zero-hours workers compared with the average employee according to the survey. In all, 18% of both zero-hours workers and the all-respondent average believe it is likely they could lose their job because of the current economic climate, with 50% of both cohorts disagreeing.

**Table 27: The frequency with which respondents feel under excessive pressure (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Every day	13	8
Once or twice a week	28	21
Once or twice a month	26	20
Less frequently than once a month	22	28
Never	12	24

Base: All employees (n=2924)

**Table 28 Proportion of employees who think they could lose their job as a result of the current economic climate (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Very likely	4	5
Likely	14	13
Neither likely nor unlikely	27	26
Unlikely	31	27
Very unlikely	19	23

Base: All employees (n=2924)

### Attitudes to senior management

The survey suggests that zero-hours contract workers on the whole have more positive attitudes towards the senior management team of the organisation they work for than the average employee.

They are more likely to agree and less likely to disagree than the survey average that they have confidence or trust in their senior managers, or that senior managers in their organisation treat them with respect (see Table 29).

There is little difference in the proportion of zero-hours workers and all employees agreeing their

senior managers have a clear vision of where the organisation is going; however, zero-hours workers are less likely to disagree with this statement.

Zero-hours contract workers have negative attitudes towards senior managers in the extent they consult with employees over important decisions, with just 27% agreeing this is the case against 35% disagreeing. However, these figures are still more positive than the survey average, showing that just 24% of all respondents agree senior managers consult with them over important decisions while 46% disagree.

**Table 29: Proportion of respondents who agree or disagree that... (%)**

	All employees (Survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
<b>the directors/senior management team of their organisation have a clear vision of where the organisation is going and how to get there</b>		
Agree	46	45
Disagree	20	13
<b>they have confidence in the senior managers/directors in their organisation</b>		
Agree	38	43
Disagree	30	20
<b>they trust the directors/senior management team in their organisation</b>		
Agree	37	41
Disagree	31	21
<b>the directors/senior management team in their organisation treat employees with respect</b>		
Agree	43	45
Disagree	27	18
<b>the directors/senior management team in their organisation consult employees about important decisions</b>		
Agree	24	27
Disagree	46	35

Base: All employees (excluding the self-employed) (n=2,580)

### Relationships with line managers

Zero-hours contract workers are less likely to report they have a manager or supervisor that they report to as part of their job than the average employee and are less likely to be satisfied with their line manager when they do have one.

Just 54% of zero-hours contract workers say they have a line

manager they report to compared with a survey average of 80% and, of those that do, 59% say they are satisfied with their relationship in contrast to 64% of all employees (see Tables 30 and 31).

### Employer advocates

Zero-hours contract workers are slightly less likely to recommend their organisation as an employer than other workers with different

working arrangements. In all, just over half (52%) of zero-hours contract workers would recommend their organisation as an employer compared with 56% of all employees.

However, just 20% of zero-hours workers say it is unlikely they would recommend their employer compared with 23% of all employees saying this is the case (see Table 32).

**Table 30: Proportion of respondents that have a manager, supervisor, boss or someone they report to as part of their job (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Yes	80	54
Sometimes	11	20
No	9	26

Base: All employees (excluding the self-employed) (n=2,580)

**Table 31: Proportion of respondents that are satisfied with the relationship they have with their immediate supervisor, line manager or boss (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Strongly agree	22	22
Agree	42	37
Neither agree nor disagree	18	20
Disagree	12	15
Strongly disagree	6	4
Don't know	1	2

Base: All employees (excluding the self-employed) (n=2,580)

**Table 32: Proportion of respondents who would be likely or unlikely to recommend their organisation as an employer (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Very likely	18	20
Likely	36	32
Neither likely nor unlikely	22	24
Unlikely	14	11
Very unlikely	9	9
Don't know	2	3

Base: All employees (excluding the self-employed) (n=2,580)

### Job-seeking

Respondents on zero-hours contracts are also slightly more likely to be looking for a new job than the survey average; just over three in ten zero-hours workers are looking for a new job compared with 24% of all employees.

### Fairness at work

However, zero-hours workers are less likely to agree they are treated

unfairly by their employer than the average employee. In all, 27% of zero-hours workers agree that they don't think their employer treats them fairly compared with 29% of all employees. A greater proportion of zero-hours workers also disagree that they 'don't think their employer treats them fairly' (49%) compared with the survey average (46%).

**Table 33: Proportion of respondents who are currently looking for a new job (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Yes	24	31
No	76	69

Base: All employees (n=2,924)

**Table 34: Proportion of respondents that agree that they don't think their employer treats them fairly (%)**

	All employees (survey average)	Workers/employees with no minimum contracted hours; ie a zero-hours contract
Strongly agree	7	7
Agree	22	20
Neither agree nor disagree	24	22
Disagree	29	23
Strongly disagree	17	26
Don't know	1	3

Base: All employees (excluding the self-employed) (n=2,580)

# Conclusions

The issue of zero-hours contracts has been the subject of widespread political debate and generated a mass of media headlines over the last few months.

The debate has centred around two main issues. Firstly, what are the rights and wrongs of zero-hours working? Are they a way of employers reducing their labour costs and retaining maximum flexibility in a time of economic uncertainty at the expense of job and financial security on the part of the individual?

Or do they provide flexibility that works for both the employer and the individual, enabling organisations to respond to peaks and troughs in demand and people to manage caring responsibilities, study, improve their work–life balance or to downshift from full-time work as they move more flexibly into retirement?

Secondly, how many people are really engaged on zero-hours contracts in the UK and to what extent are their numbers increasing?

This research sheds further light on both issues.

## How many people are employed on zero-hours contracts?

Our latest research, based on aggregated data from our summer and autumn 2013 *Labour Market Outlook* surveys covering more than 2,000 employers, suggests that in all, 23% of organisations have one or more person on a zero-hours contract.

Among employers that use zero-hours contracts, the average proportion of the workforce on these types of arrangements is 19%. On this basis it can be estimated that

there are around 1 million people, or 3.1% of the UK workforce, on zero-hours contracts.

Office for National Statistics figures suggest that the number of zero-hours contracts has been on an upward trajectory since 2008, which is reflected to a degree in our research showing that 25% of employers using zero-hours contracts have started using them since 2010. However, almost half of employers report they have been using zero-hours contract arrangements since pre-2010, highlighting that zero-hours working is not a new phenomenon.

Looking ahead, demand for greater use of zero-hours contracts appears to be limited. Only 3% of employers that don't currently use zero-hours contracts report that they are considering introducing zero-hours contracts at their organisation, while 10% say they have no current plans but may do so in the medium term.

## Why do employers use zero-hours contracts?

Among those employers that do engage people on zero-hours contracts, flexibility lies at the heart of the rationale. Two-thirds of these employers say that the flexibility to respond to peaks and troughs in demand is the reason they use zero-hours arrangements, however, about half of employers say a reason they use zero-hours contracts is to provide flexibility for the individual. This suggests that in many instances, zero-hours contracts are designed to work for both employer and individual.

## Do zero-hours contracts work for individuals?

Findings from our *Employee Outlook* survey of zero-hours contract

workers suggest that these types of working arrangements do in the majority of cases suit the individual. People on these types of arrangements are significantly more likely to be satisfied with having no set minimum contracted hours than to be dissatisfied.

Among those zero-hours workers who are either very satisfied or satisfied with having no minimum set contracted hours, the main reason cited was that 'they like to work flexibly as it suits my circumstances at the moment', with 44% saying this is the case.

The survey also highlighted that zero-hours contracts suit many older workers. Just less than a fifth (16%) of respondents say they are satisfied with having no minimum set contracted hours because 'I am retired and just need occasional hours to top up my pension'. A further 7% report they are satisfied because 'I am looking to work more flexible hours as I move towards retirement'.

In addition to the flexibility they tend to value, zero-hours workers are as likely to be satisfied with their job as the average employee. They are also more satisfied with their work–life balance, less likely to think they are treated unfairly by the organisation they work for and less likely to say they are under excessive pressure at work than the survey's 'all employees' average.

These findings are at odds with the Resolution Foundation's research into zero-hours contract working, which suggested that only a minority of zero-hours workers were likely to be satisfied with these working arrangements.

### **Are zero-hours contract workers/employees obliged to be available for work?**

Overall, our findings from both our survey of employers and survey of zero-hours contract workers suggest that in the majority of instances, zero-hours workers are not obliged to accept work and are not penalised by their organisation when they turn work down.

Our survey of employers shows that six in ten organisations using zero-hours contracts say that zero-hours workers are not contractually obliged to accept work, with 17% reporting that in some circumstances they are contractually obliged to accept work, and 15% saying that their zero-hours staff are obliged to accept work.

From the perspective of most zero-hours workers, it seems that the majority don't feel obliged to accept work. Eight in ten zero-hours workers say they are never penalised for not being available for work, for example by not being offered hours in the future.

There is no doubt, though, that some bad practice does exist, as a further 17% say they are sometimes penalised and 3% say this happens always, highlighting why some zero-hours workers may feel exploited. In addition, the survey findings show that when employers were asked how zero-hours contracts operate in practice, only half say zero-hours workers are free to turn down work and almost a quarter of respondents report that in practice zero-hours staff are obliged to accept work. These findings highlight the importance of employers being very clear about what type of zero-hours arrangements they want in the contract so both employer and individual are clear about expectations. It is also important

to ensure that line managers are given training or guidance on how to manage zero-hours staff in line with what is set out in the contract.

### **Notice**

Good management practice needs to extend to how much notice zero-hours staff receive when work is arranged or cancelled. Our research suggests that there is a definite need to improve practice in this area. Only about a third of employers that employ zero-hours workers say they have a contractual provision or policy outlining their approach to arranging work with zero-hours workers or cancelling work that had been offered. Four in ten employers say they don't have such provisions or policies and a quarter say they don't know. Policies are important in providing clarity for managers and zero-hours staff over what is the organisation's practice over scheduling work and cancelling work.

The lack of notice when work is cancelled for zero-hours workers at short notice is identified by the *Employee Outlook* survey as a particular problem for people on these types of working arrangement. Almost half of the zero-hours staff in the survey report that they receive no notice at all or they find out at the start of the shift that work has been cancelled.

Employers should set out as part of the zero-hours contract how any work that is available will be notified to the individual as well as how individuals will be notified when pre-arranged work is cancelled.

The CIPD believes that it is good practice for employers to compensate zero-hours staff with at least travel expenses and an hour's pay if work is cancelled with no notice, for example if people arrive to work to be told that they

are no longer needed. This would also prompt managers to think very carefully about how they schedule work to minimise the chance of last-minute cancellations.

### **What proportion of zero-hours workers would like to work more hours?**

Another concern that is frequently raised in the debate about zero-hours working is the issue of people not having enough hours to provide financial security and uncertainty over hours they will get each week or month.

Our survey of zero-hours contract workers does show that such staff average fewer hours per week (24 hours) than the average employee (34 hours). Nonetheless, the extent to which zero-hours contract workers are satisfied with the number of hours they work is again a more complex picture than is sometimes portrayed.

More than half of zero-hours workers in our survey say they would not like to work more hours than they do in a typical week, in contrast to just over a third that report they would like more hours. A majority of public sector zero-hours workers would however like more hours.

This picture is also reflected by the survey findings showing that seven in ten zero-hours staff say they have a lot of choice or some choice over the number of hours they work, while just under three in ten say they have a little or no choice over their working hours.

This dissatisfaction with the number of hours provided in a typical week among some zero-hours respondents is likely to explain why zero-hours contract workers are marginally more likely to be looking for a new job (31%) than the average employee (24%).

## Pay

Linked to the issues of working hours and financial security is of course pay. The evidence from our *Employee Outlook* survey supports analysis by the Resolution Foundation (Pennycook et al 2013) showing that zero-hours staff typically earn less than average. In all, 50% of zero-hours workers in the *Employee Outlook* survey earn £15,000 a year or less compared with a survey average of 28%. In all, 9% of zero-hours staff earn £216 a week or less compared with an average for all employees of 6%. These findings are no surprise given that zero-hours contract staff typically work fewer hours.

Perhaps more important is the matter of whether zero-hours workers are paid comparably with people employed on a permanent basis with minimum contracted hours. On this, again, the picture is mixed.

Our research suggests employers are significantly more likely to report that zero-hours contract workers are paid similar rates as permanent members of staff doing the same job than zero-hours workers themselves.

Almost two-thirds of employers that use zero-hours workers report that hourly rates for these staff are about the same as an employee doing the same role on a permanent contract, nearly a fifth say hourly rates for zero-hours staff are higher and one in ten employers report that they are lower. In contrast, just less than four in ten zero-hours contract respondents think their pay is the same as comparable permanent members of staff on contracted hours doing similar jobs, while about a fifth (21%) say their pay is lower than comparable permanent staff doing similar jobs. Just 11% of zero-hours respondents say their pay is higher than other staff.

These findings highlight the importance of organisations communicating clearly to staff on their pay practices so that there is greater clarity over what people are paid and why. The CIPD believes it is good practice for zero-hours staff to be paid comparably with permanent staff with minimum contracted hours doing similar work in order to increase perceptions of fairness and trust in the workplace and support employee engagement.

## Exclusivity

Good practice in the use of zero-hours contracts should also extend in most instances to allowing zero-hours staff to work for another employer if the organisation that is their primary source of work has none available.

The issue of exclusivity is also likely to be a relevant factor in deciding an individual's employment status. If an employer does place restrictions on staff that prevent them from working for another employer when no work is available, it is likely that in most circumstances this will mean that a worker is more likely to have 'employee' status and the associated employment rights (see the CIPD/Lewis Silkin guide *Zero-hours contracts: understanding the law* for exceptions).

Six in ten zero-hours workers report they are allowed to work for another employer when their primary employer has no work available. A further 15% say they are able to sometimes. Just 9% say they are never able to work for another employer and a sizeable 17% don't know.

The CIPD believes that zero-hours workers should be free to work for other employers when there is no work available from their primary employer, except in very limited circumstances – for example, to

prevent someone from working for a competitor if that could mean the competitor gains access to commercially valuable information, such as intellectual property or details of staff or customers. Exclusivity may also be justified where, due to the nature of the work, it is likely to come in short, frequent bursts and consequently the individual would be needed at short notice, with only short breaks between one assignment and the next.

The issue of exclusivity should be covered in zero-hours contracts to ensure both parties are clear about the position of the organisation and if there are restrictions on working for others.

It is good practice for employers to have regular conversations with zero-hours workers about how many hours they are working in any second job as part of their general duty of care, to ensure zero-hours workers are not working excessive hours and that they are capable of performing their duties safely and competently.

## Employment status

As stated previously, exclusivity is one of the factors that will decide whether an individual on zero-hours is a 'worker' or an 'employee'. There are many types of zero-hours contract arrangements, some of which will engage zero-hours workers as workers and some that will categorise these staff as employees. In some arrangements, zero-hours staff will be obliged to accept work if offered and in others they will not; likewise, some arrangements will prevent zero-hours staff from working for others, while others will not.

It is important both parties understand on what basis the zero-hours arrangements are designed to operate and that there is clarity over employment status and associated rights.



However, it is clear from our research that there is a significant degree of uncertainty on behalf of both employers and zero-hours contract respondents on this issue.

Almost two-thirds of employers (64%) classify zero-hours staff as employees, whereas just less than a fifth (19%) describes them as workers. Only 3% of employers classify their zero-hours contract workers as self-employed. However, 14% of employers have either not classified their status or don't know.

### **Employment rights of zero-hours staff**

In addition, our findings suggest that even though a majority of organisations that use zero-hours contracts report they have classified their employment status, there seems to be some confusion over what employment rights they are eligible for.

Just under a third (31%) of employers report that their zero-hours contract workers are eligible for statutory redundancy pay, which is surprising given that almost two-thirds of employers say they classify their zero-hours contract staff as employees, who would qualify for statutory redundancy pay after two years' service.

Only four in ten employers say their zero-hours workers are eligible for statutory maternity, paternity and adoption leave and pay, which should be available to all employees.

Just over half of employers report their zero-hours workers have the right not to be unfairly dismissed after two years – again, surprising given that two-thirds of zero-hours employers categorise their zero-hours staff as employees. This might be because some employers think zero-hours staff often may not qualify for unfair dismissal protection

because they lack two years' service; however, given that 63% of zero-hours workers in the survey have been engaged by their current employer for two years or more, this seems unlikely.

These findings are mirrored by the *Employee Outlook* survey data, which shows a high level of uncertainty among zero-hours contract workers over which employment rights and benefits they are entitled to or eligible for.

This research underlines the need for employers to provide written terms and conditions for all zero-hours staff, regardless of whether they are 'workers' or 'employees', which spell out their employment status and their employment rights and benefits.

Employers need to regularly review their zero-hours contracts to ensure that if the reality of the working arrangements changes over time, either managers are given improved training to ensure they manage their people on zero-hours contracts in line with the contract or the contract is amended accordingly.

### **Recommendations for employers**

- Employers should only use zero-hours contracts where the flexibility inherent in these types of arrangement suits both the organisation and the individual.
- Employers should consider whether zero-hours working is appropriate for their business and if there are alternative means of providing flexibility for the organisation, for example, through the use of annualised hours or other flexible working options. Zero-hours working lends itself to situations where the workload is irregular, there is not a constant need for staff or staff needs are driven by external factors outside the employer's control.
- All zero-hours workers should

receive a written copy of their terms and conditions.

- Employers should set out in the contract the employment status of those engaged on zero-hours contracts and regularly review (at least once a year) the working arrangements in practice to ensure that the reality of the employment relationship reflects what is set out in the contract. Reviews should include conversations with line managers and zero-hours contract workers/employees.
- Employers need to provide training/guidance for line managers to ensure they are managing zero-hours workers in line with their employment status.
- Zero-hours workers should be free to work for other employers when there is no work available from their primary employer, except in very limited circumstances – for example, to prevent someone from working for a competitor if that could mean the competitor gains access to commercially valuable information, such as intellectual property or details of staff or customers. Exclusivity may also be justified where, due to the nature of the work, it is likely to come in short frequent bursts. In these circumstances the individual would be needed at short notice and there would only be short breaks between one assignment and the next.
- Employers should provide zero-hours workers with reasonable compensation if pre-arranged work is cancelled with no notice. The CIPD believes it is reasonable for employers to provide the minimum of any travel expenses incurred and at least an hour's pay in these circumstances.
- The CIPD believes that it is good practice to ensure that there are comparable rates of pay for people doing the same job regardless of differences in their employment status in order to support perceptions of fairness and trust in the workplace.

### **Does the Government need to intervene to prevent the abuse of zero-hours contracts?**

There has been a wide range of opinions aired on what should be done to prevent people on some types of zero-hours contracts from being taken advantage of. These range from calls for an outright ban of zero-hours contracts to the creation of a code of practice.

The starting point for any policy intervention should be evidence. Our research suggests that only a minority of zero-hours workers are dissatisfied with having no minimum set contracted hours. It does confirm that some zero-hours workers are not happy with these working arrangements, but it is important that any response is proportionate to the problem.

There have been calls for exclusivity clauses to be banned. The CIPD believes that these clauses should only be used in specific circumstances where they can be clearly justified by employers. However, there are legitimate reasons for organisations to use these clauses on occasion, as noted above.

It has been suggested that the National Minimum Wage Regulations should be amended so the definition of 'work' is extended to include time when the worker is required to be available for work and is prohibited by the contract from working for another employer. There are practical difficulties with this suggestion, the main one being how you would define time 'when a worker is required to be available for work'. Presumably it would involve the employer notifying the employee of the periods between assignments when they might/might not be called upon. However, in many arrangements this may not be possible. If zero-hours contracts are being used in the right circumstances, that is, where work fluctuates

unexpectedly, it will be difficult to predict when the worker may be required to be available for work.

Another idea that has been put forward is that the average weekly hours of zero-hours contract staff should be 'normalised' in a contract after they have been engaged by an employer for a minimum period of time, for example, three months. The employers we spoke to as part of our research said that this would effectively completely undermine the reason they use zero-hours contracts in the first place. Their response would be to use agencies or very low minimum hours contracts instead, neither of which arguably increases financial or job security for workers to any great degree. Just as importantly, this approach would also remove the flexibility in these types of working arrangement that our research shows is valued by many zero-hours workers.

### **What should be done to reduce bad practice?**

The CIPD would support the creation of a code of practice setting out for employers and zero-hours workers some key principles on the responsible management of these types of working arrangement.

The CIPD also believes that, given the widespread confusion on the issue of employment status and rights, there needs to be a national campaign to raise awareness on this issue. This could be done through bodies such as Acas, Citizens Advice Bureau, as well as professional bodies such as the CIPD and representative bodies such as the Federation of Small Businesses.

There is also a case here for an extension to current legislation in giving all workers (rather than employees) a legal entitlement to a written copy of their terms and conditions not later than two months from the start of

employment. An employer who does not provide such a statement would then be making an implicit statement that an individual is self-employed. We believe this would be an easier threshold for both employers and individuals to understand than the worker/employee boundary that currently determines who is entitled to a written statement.

Finally, the CIPD believes there should be better enforcement by HMRC of the National Minimum Wage, particularly in low-pay sectors, to ensure that zero-hours contract workers are being paid what they are entitled to.

### **Recommendations for policy-makers**

- A code of practice on zero-hours contract working should be developed.
- There should be a national campaign to increase understanding among employers and workers/employees about employment status and rights.
- All workers should be legally entitled to a written copy of their terms and conditions not later than two months in employment (currently under the Employment Rights Act 1996 only employees are entitled to this).
- There needs to be better enforcement by HMRC to ensure that employers are meeting their obligations towards zero-hours workers in terms of the National Minimum Wage.

# Methodology

The research was based on findings from the CIPD *Labour Market Outlook*, produced in partnership with SuccessFactors, an SAP company and the CIPD *Employee Outlook*, produced in partnership with Halogen.

## 1 Labour Market Outlook (LMO)

### Survey method

The fieldwork for the *Labour Market Outlook* survey is managed by YouGov plc. The survey is conducted using the bespoke YouGov online system administered to members of the YouGov plc panel who have agreed to take part in surveys, as well as to CIPD members. The survey is based on responses from more than 1,000 HR professionals. All respondents have HR responsibility within their organisation, which may or may not be their sole and primary function within their organisation. The sample is targeted to senior business leaders of senior officer level and above. An email was sent to each respondent from the YouGov panel, who are selected at random from the base sample according to the sample definition, inviting them to take part in the survey and providing a link to the survey. Each member of the CIPD sample is invited to complete the survey. Respondents are given three weeks to reply and reminder emails are sent to boost response rate (subject to the CIPD's re-contact policy).

### Weighting

The quarterly LMO survey is sampled from the CIPD membership and through the YouGov panel of HR professionals. The data is weighted to be representative of the UK public and private sector business population by size of employer and sector. Rim weighting is applied using

targets on size and sector, drawn from business population estimates for the UK and regions in 2012.

The findings on employers' use of zero-hours contracts are based on data from the autumn 2013 *Labour Market Outlook* survey. See Tables 35 and 36 for a breakdown by size and sector.

### Method for calculating the number of zero-hours contracts

The calculations used to provide an estimate of the proportion and the number of zero-hours contract (ZHC) workers in the UK workforce has been based upon combining data from the two most recent waves of the LMO (summer and autumn 2013).

In each survey a question was asked to identify the proportion of LMO employers who employ workers on zero-hours contracts. The following questions were used:

- summer 2013 – Do you currently employ anybody on a zero-hours contract?
- autumn 2013 – Does your organisation use people on zero-hours contracts?

A zero-hours contract is an agreement between two parties that one may be asked to perform work for the other, but there is no set minimum number of hours. The contract will provide what pay the individual will get if they do work and will deal with the circumstances in which work may

**Table 35: Breakdown of the sample, by sector (%)**

	Autumn 2013	Summer 2013
Private	73	73
Public	21	21
Voluntary/not-for-profit	6	6
N	1,020	1,034

**Table 36: Breakdown of the sample, by number of employees in organisation (%)**

No. of employees	Autumn 2013	Summer 2013
2–9	14	14
10–49	6	6
50–99	4	8
100–249	3	5
250–499	11	10
500–999	18	18
1,000–4,999	5	7
5,000–9,999	5	6
10,000–19,999	5	6
20,000 or more	16	15
N	1,020	1,034

be offered (and, possibly, turned down). Source: CIPD *Labour Market Outlook*, produced in partnership with SuccessFactors.

Following this, those employers who identified they use zero-hours contracts were asked:

- What proportion of your organisation's workforce is on a zero-hours contract?

Analysis of the data from these questions has provided an estimate

on the likely proportion of the UK workforce that may be employed on zero-hours contracts.

- All figures are weighted to be representative of the UK business population as per the weighting scheme used in the autumn 2013 LMO.
- The combined data file has been de-duped to remove any respondents who completed both the summer and autumn surveys to avoid double counting. Where responses

were received to both zero-hour questions, the most recent (autumn) data is included.

- The size bands have been combined (that is, 2–49 / 50–249 / 250–999 / 10,000+) to produce more robust base sizes within these groupings.

## 2 Employee Outlook

The CIPD has commissioned a twice-yearly survey among UK employees (including sole traders) to identify their opinions and attitudes towards working life today. YouGov conducted the latest survey for the CIPD of 2,918 UK employees in September 2013. This survey was administered to members of the YouGov plc panel of more than 350,000 individuals who have agreed to take part in surveys. The sample was selected and weighted to be representative of the UK workforce in relation to sector and size, by industry type and full-time/part-time working and by gender. Size of organisation was classified in the following way: sole trader (one-person business), micro business (2–9), small business (10–49), medium (50–249) and large (more than 250).

Emails were sent to panellists selected at random from the base sample. The email invited them to take part in a survey and provided a generic survey link. Once a panel member clicked on the link, they were sent to the survey that they were required for according to the sample definition and quotas. The sample profile is normally derived from census data or, if not available from the census, from industry-accepted data. Net scores refer to the proportion of people agreeing with a statement minus those disagreeing.

### How the zero-hours sample was identified

As requested by the CIPD, the most recent wave of the *Employee Outlook* included a boost of zero-

**Table 37: Breakdown of the sample, by industry (%)**

	Autumn 2013	Summer 2013
<b>Manufacturing and production</b>	16	14
<b>Agriculture, forestry and fishing</b>	1	1
<b>Manufacturing</b>	9	10
<b>Construction</b>	5	3
<b>Mining and extraction</b>	0	0
<b>Energy and water supply</b>	1	2
<b>Education</b>	7	5
<b>Primary and secondary schools</b>	3	2
<b>Further and higher education</b>	4	3
<b>Healthcare</b>	12	8
<b>NHS</b>	6	3
<b>Other private healthcare</b>	6	5
<b>Private sector services</b>	55	52
<b>Hotels, catering and leisure</b>	9	2
<b>IT industry</b>	2	3
<b>Transport and communications (including media)</b>	5	4
<b>Consultancy services</b>	3	15
<b>Finance, insurance and real estate</b>	5	9
<b>Wholesale and retail trade</b>	17	7
<b>Other business services</b>	14	12
<b>Public administration and defence</b>	9	16
<b>Public administration – central government</b>	3	5
<b>Public administration – local government, including fire services</b>	5	9
<b>Armed forces</b>	1	1
<b>Quango</b>	0	1
<b>N</b>	1,020	1,034

hours workers. These workers were identified through the YouGov all-panel screener and then sent an invitation to complete the *Employee Outlook survey*. These respondents answered all questions on the survey and not solely those questions directed at zero-hours workers.

On a sample of 2,000 working adults, the incidence of zero-hours workers is approximately 10%, providing a total of approximately 200 zero-hours workers. YouGov doubled this figure by boosting zero-hour workers identified through the YouGov all-panel screener. The total number of zero-hours workers achieved after the boost was 479.

The question used to identify these zero-hours workers on the YouGov panel was as follows:

- How many hours a week are you contracted to work for your PRIMARY employer?
  - I have no minimum contracted hours (that is, a zero-hours contract)
  - 1–8 hours
  - 9–16 hours
  - 17–24 hours
  - 25–32 hours
  - 33–40 hours
  - 41–48 hours
  - 49–56 hours
  - More than 56 hours
  - Don't know

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