



ZERO HOURS CONTRACTS: SUPPLEMENTARY ANALYSIS NOTE

To publicise supplementary analysis produced by BIS analysts to complement the information published by ONS at 9.30 a.m. on 30th April 2014.

The Office for National Statistics (ONS) has announced that it will publish its first estimate of the total number of employee contracts that do not guarantee a minimum number of hours in use by UK employers on Wednesday 30 April at 9.30 a.m.

www.ons.gov.uk/ons/rel/lmac/contracts-with-no-guaranteed-hours/zero-hours-contracts/art-zero-hours.html

The Government issued a consultation on zero hours contracts in December 2013
www.gov.uk/government/consultations/zero-hours-employment-contracts

in which the Government set out its ambition to *'maximise the opportunities of zero hours contracts while minimising abuse and setting core standards that protect individuals.'* The consultation document sets out the issues we have identified so far, seeks further evidence and invites views on a range of potential actions Government and employers can take.

The ONS publication provides important additional information on contracts without a guaranteed minimum number of hours derived from a business survey and this will feed into the response to the Government consultation when it published in due course. In addition, analysts within BIS have been examining the LFS primarily but also other sources in order to provide supplementary information on zero hours and other variable contracts. This information will also be incorporated into the response to the Government consultation.

Summaries of this supplementary analysis has already been presented in public and these summaries are set out here in order that it can be accessed easily and considered alongside the information produced by the ONS.

There are two presentations which were both presented by Bill Wells Deputy Director of the Labour Market Analysis branch in the Labour Market directorate within BIS. They were:

- ***'USING THE LFS MAN AND BOY: From Activation to Zero Hours Contracts. There is more to life than the LFS.'*** A summary of the use of the Labour Force Survey in labour market policy development. Presented at the ONS Conference *'The Labour Force Survey: past present and future'* on 28th November 2014. <http://ukdataservice.ac.uk/media/351616/wells.pdf>
- ***'Trends in part-time working and short-term employment contracts and the impacts on benefit claims.'*** Includes a background presentation and a summary. Presented at a labour market seminar convened by the DWP Select Committee on 26th February 2014. www.gov.uk/government/publications/zero-hours-contracts-supplementary-analysis

Summary of the information on zero hours contracts in the presentations

The information below summarises the evidence on zero hours contracts in the two presentations. It does not consider the other evidence on the UK that is also set out in the presentation.

The UK's labour market system of benefits, employment regulation and National Minimum Wage are all structured around providing universal basic minimum standards.

The UK's 'light and even' employment regulation system sets universal basic minimum standards aimed at preventing exploitation whilst allowing workers and employers the freedom to set the terms & conditions that suit them both. This delivers a system which is both dynamic – there is a lot of voluntary turnover – and diverse – there are a very wide range of types and patterns of employment.

This labour market system combined with a long standing tradition of allowing workers and employers to determine their own terms & conditions is currently delivering a system overall where the vast majority of people are better off in work than on benefits; employment overall and for all age groups is high by international standards; and the employment record during and since the recession has been good. Also, the level of satisfaction with all forms and types of work in the UK tends to be higher than in most other countries.

However, there is public and Parliamentary concern over whether there is abuse and exploitation of workers in a particular type of contract – zero hours contracts. Given that the focus of the analysis is exploitation of workers and abuse the most appropriate official statistic is the LFS because it reflects the views and concerns of the individual.

As it is very rare for workers on zero hours contracts to *usually* work zero hours each week the problem is not in the precise nature of the contract itself but rather the variability of hours and pay from week to week. Also, as zero hours contracts are such a small proportion of total employment the number of workers who *actually* work zero hours or a small number of hours a week are much more prevalent amongst people who are not on zero hours contracts than are on such contracts.

People who are on zero hours contracts are less likely to *actually* work the same as their *usual* hours. They were more likely than those not on zero hours contracts to work more than their usual hours. However, they were also more likely to work less than their usual hours. People on zero hours contracts were more likely to actually work either zero hours or less than 15 hours per week.

Zero hours contracts and other forms of variable hours contracts are more likely to provide employment opportunities to workers who are probably not on benefits – students and 3rd or 4th earners in a household. However, there are also likely to be more problems with zero hours and other variable hours contracts. More of those on these forms of contract would prefer to work longer and more are actively looking for different or additional work. But not many more of them

actually have a second job. We do not from the LFS, however, know whether their inability to get extra work was due to restrictions associated with exclusivity contracts. The Government consultation will provide more direct information on this.