ZERO CHOICES: SWAPPING ZERO-HOUR CONTRACTS FOR SECURE, FLEXIBLE WORKING

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March 2024
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ABOUT THE WORK FOUNDATION

The Work Foundation is a think tank focused on improving working lives across the UK through applied research and new ideas. For over a century, we have worked to break down the barriers individuals and communities face in accessing good work.

We believe everyone should have access to secure, rewarding and high-quality work. By engaging directly with workers, employers, policymakers and leading academics, we deliver rigorous applied research to tackle structural inequalities in the labour market and improve working lives across the UK.

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ACKNOWLEDGEMENTS

We gratefully acknowledge the thoughtful comments and challenge from:

- Anjum Klair and Tim Sharp, TUC
- Chris Musgrove, Royal College of Nursing
- Dr. David Brannon, Hotelschool The Hague
- Hannah Slaughter, Resolution Foundation
- Ian Manborde, Tom Peters and Karrim Jalali, Equity
- Jessie Hoskin, Zero Hours Justice
- Joe Richardson, Living Wage Foundation
- Kohinoor Choudhury and Dan Howard, Good Work, Share Action
- Liam Birney, Irish Congress of Trade Unions
- Mark Beatson, Ben Willmott and Jon Boys, CIPD
- Mark Judd, Strategic Adviser, Work Foundation
- Matthew Taylor, NHS Confederation
- Norman Pikavance, Centre for Organisation Renewal
- Prof. Dr. Eva Kocher, Center for Interdisciplinary Labour Law Studies
- Professor Annick Masselot, New Zealand Labour Law Society
- Professor Michele Faioli, Università Cattolica del Sacro Cuore
- Professor Petra Herzfeld Olsson, Stockholm University
- Professor Veronica Papa, University of Catania
- Sarah Lyall and Nick Gretton, Citizens UK
- Silvia Spattini, ADAPT.
EXECUTIVE SUMMARY

At a time when the UK faces record sickness levels and persistent worker shortages, there is a pressing need to reform employment law to better reflect the realities of modern ways of working in the 21st century.

With 6.8 million people in severely insecure work in the UK and a General Election around the corner, political debate over how to improve job security and quality is resurfacing.

As of June 2023, a record 1.1 million people are on zero-hour contracts in the UK as their main form of employment. While this is only 3.4% of the UK workforce, zero-hour contracts are an enduring example of insecure work and the trade-offs faced by people at the sharp end of the labour market. Regulating against the exploitative use of zero-hour contracts should serve as an important component of a wider package of reforms promoting secure work in the next Parliament.

The term ‘zero-hour contract’ does not have a specific meaning in law, with contracts and employment statuses differing from employer to employer. What unites them, is that people engaged in this form of work have fewer legal rights and fewer protections from redundancy or unfair dismissal than other workers. While advocates see them as providing ad-hoc flexibility for people that want it, critics believe they give undue power to employers.

In this policy brief we investigate the contemporary use of zero-hour contracts in the UK and examine policy options for reform from comparable countries, with a particular focus on how to introduce regulation in a way that extends contractual security and guaranteed hours while maintaining opportunities for flexibility.

Many zero-hour contract workers face limited choice and severe insecurity

Our analysis shows that women are 1.2 times more likely than men to be on zero-hour contracts. Black workers are 2.7 times more likely than white workers to be on zero-hour contracts; and those from multiple/mixed backgrounds are 2.3 times more likely than white workers.

Young workers (16–24-year-olds) are 5.9 times more likely to be on zero-hour contracts than workers across older age groups. Importantly, this is not just students fitting work around studies: young workers who are not students are still 3.6 times more likely than other age groups to be on zero-hour contracts.

Employers have choices, most workers do not

Zero-hour contracts are most prevalent in the accommodation and food, arts, admin, and health and social sectors. Some employers in these sectors are actively using zero-hour contracts to manage fluctuating workforce requirements. However, there are others, such as Wetherspoons, who have introduced an option for guaranteed hours for its workforce. The company reported that 99% of people opted for the guaranteed hours contract, with only 1% choosing a zero-hour model.

There is growing consensus between policymakers, employers, industry bodies and unions about a need to reform employment law to better reflect the realities of modern ways of working in the 21st century.

Time to end one-sided flexibility and follow the lead of other countries

The presence of insecure work is a long-term labour market trend that will not be resolved overnight or with one policy. Limiting the use of zero-hour contracts is just one aspect of addressing the larger issue of insecure work.
The slowness of the UK to tackle this type of insecure work has seen it fall behind several other countries who have either banned zero-hour contracts, or heavily regulate their use, including New Zealand, Italy, France, Germany, the Netherlands, Ireland, Finland, and Norway.

As other countries have shown, banning the exploitative use of zero-hour contracts can be done in a way that enables secure, flexible working. In order to do so, this paper proposes a series of recommendations:

**UK Government should legislate for:**

1. **Guaranteed hours:** Require employers to provide guaranteed contractual hours for all roles from day one, which can be presented as hours per week, or for on-call work and other roles with periods of varying demand, as hours per month or on an annualised basis.

2. **Flexibility for workers:** Ensure all workers have a day one right to flexible working. If an employee wants a zero-hour contract and the work is genuinely casual in nature, this can be requested by them under a flexible working request, with their contracted hours protected and the right to reinstate them once the arrangement ceases.

3. **Right to amended contract:** Anyone working 25% more than their contracted hours should have a right to an amended contract, if they want it, that reflects their actual hours.

4. **Statutory notice period:** Employers of people working irregular hours should be required to provide a three-week notice period of their shifts ensuring the right to compensation for a cancelled shift if not followed.

5. **Annual reporting on employment data:** Require employers with a workforce of 250 or more people to report annually on key employment data, including employment contracts (e.g. full time, part time, zero-hour, agency) and staff turnover, to enable better monitoring of employment practices by government agencies.

**UK Government should:**

6. **Increase funding for labour market enforcement resourcing:** This should include setting up Secure Work Taskforces with representatives of employers, trade unions and other workforce representatives, and regulators in sectors in which insecure work, including zero-hour contracts, are prevalent, to pilot alternative models such as digital self-rostering and bank systems, and negotiated sectoral standards for pay and hours.
1. INTRODUCTION

With a General Election due by January 2025, zero-hour contracts have re-entered the political landscape as a key dividing line between the two main UK political parties in the context of improving pathways to, and progression within, work.

The political discourse over zero-hour contracts came to the fore in 2013, and in the decade since the debate has been centred around whether they broadly provide the flexibility some worker groups want, or whether they predominantly benefit employers and leave workers to absorb the impact of insecure work.

While some maintain that zero-hour contracts are a peripheral issue of labour market insecurity, they are a persistent form of insecure work and shape the working lives and wages of a sizeable number of people. There are 1.1 million working age people on zero-hour contracts in the UK as their main form of work, which amounts to 3.4% of the workforce. The use of zero-hour contracts is steadily rising year-on-year and is now at record levels, making them a significant contributor to insecurity in the UK job market.

What are zero-hour contracts?

The term ‘zero-hour contract’ does not have a specific meaning in law – contracts differ from employer to employer – but the term is used to refer to any contract whereby the employer is not obliged to give the employee a minimum number of working hours.

This feature brings with it a number of implications. Zero-hour staff who are engaged as “workers” have few legal protections – they are not protected from redundancy or unfair dismissal. At any point an employer can decide to simply stop providing work to people hired in this way.

Despite in principle being entitled to basic rights like the minimum wage, paid holiday and protection from discrimination, there is a lack of awareness of how these apply to people in zero-hour work. With no practical safeguards against the withholding of work, people have little protection from discrimination or other types of employer reprisal. Requesting entitlements to benefits, or raising grievances of any nature, could result in losing out on work.

Nevertheless, some people do appear to opt-in to these contractual arrangements in order to fit work around other priorities and pressures in their lives. This can include students who want to fit shift work around their studies and those engaged in unpredictable freelance work in sectors like the arts who want a flexible income option between periods of work.

The challenge is ensuring that what might be an option for flexible work for this minority, does not come at the cost of rights and protections for others. This is particularly important given the overrepresentation of people experiencing structural inequalities in zero-hour contract work, such as women, black and ethnic minority workers, and young people not in education.

Zero-hour contracts as a form of insecure work

In 2023, an estimated 6.8 million people (21.4%) of the UK workforce experienced severely insecure work. The Work Foundation defines insecure work through a single holistic measure which combines:

- contractual insecurity, where people are not guaranteed future hours or future work
- financial insecurity, where people have unpredictable pay or their pay is simply too low to get by
- lack of access to employment rights and protections.
Our analysis suggests that three in four people on zero-hour contracts (73.5%) are in severely insecure work, meaning that they are experiencing contractual insecurity, financial insecurity, and a lack of access to rights and protections. A further 20.4% are in moderately insecure work and only 6.1% are in secure work, meaning they have a regular income and access to rights.

**Figure 1: The characteristics of zero-hour contracts that match with the Work Foundation’s measure of overall levels of insecurity**

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

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

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

In 2014, the Zero-hour Contracts Bill, a Private Members’ Bill sponsored by Ian Mearns MP, that sought to limit the use of zero-hour contracts was introduced to Parliament. However, the Bill failed to progress through the House. A review was commissioned by Ed Miliband MP, then Labour leader, who later committed to ban zero-hour contracts so that every worker gets a guaranteed number of hours each week.
In 2015, the Government passed the Small Business, Enterprise and Employment Act, which banned exclusivity clauses in zero-hour contracts.10 As a result, employers could no longer prohibit zero-hour workers from working for another employer. In 2022, the Government introduced new regulations which expanded the scope of the ban to cover all low-wage workers.11

In 2016, the Conservative Government commissioned Matthew Taylor to conduct a review of modern working practices. His report was published the following year and recommended that zero-hour workers who have been in post for over a year, be given the right to request a contract with guaranteed hours that better reflect their working patterns.12 The Government responded with their Good Work Plan in 2018, which accepted Taylor’s recommendations. The Good Work Plan went on to inform the Conservative Party’s proposals for a new Employment Bill, however, the Bill never materialised.

Another follow up on the Taylor Review is the Workers (Predictable Terms and Conditions) Act 2023, which aims to strengthen employment rights and address one-sided flexibility for workers on atypical contracts.13 Passed in September 2023, it seeks to establish a new statutory entitlement for workers, including those on fixed-term contracts, agency workers, and those with zero-hour contracts. Under the Act, a worker will be able to request a predictable work pattern, however, the right to request will not be a right that can be exercised from day one and employers are under no obligation to accept the request.14

In 2022, the Labour Party published its New Deal for Working People Green Paper15 and their leader, Sir Keir Starmer, re-stated their commitment in December 2023 to ‘end’ zero-hour contracts if they were elected to power.16

The public appears to support banning zero-hour contracts. YouGov polls conducted in December 2023 showed that more than three in five people (63%) consider zero-hour contracts to be a bad thing,17 and over half of the population (54%) support a ban on zero-hour contracts.18

There is an opportunity now for policymakers to end this period of indecision and take action to ensure all workers have enough consistency and predictability of hours and pay to enable them to live well.
2. ZERO-HOUR CONTRACTS IN THE UK

Zero-hour contracts have been a persistent feature of the UK labour market for over a decade, with their use growing steadily for a number of years. Here we take a closer look at which sectors they are most prevalent in, which worker groups are using them as their main employment and why, and examples of employer practice.

2.1 Zero-hour contracts in numbers

The reputation of zero-hour contracts in the UK as the poster child of precarious work appears well-deserved. Their use has been steadily increasing for a number of years and commentators have, in the past, highlighted that the reported increase in this type of work can be in part attributed to the growing awareness of the term “zero-hour”. However, this effect is likely to have diminished over time meaning the observed growth in recent years will reflect an actual rise in the use of these contracts.

Figure 2: Growth in number of working age people using zero-hour contracts


Only one in 16 people who use zero-hour contracts as their main job have a regular income and basic employment protections

Of the estimated 1.1 million working age people in the UK employed on zero-hour contracts, almost three in four (73.5%) are in severely insecure work, meaning they must contend with multiple forms of insecurity such as contractual insecurity, low wages, unpredictable pay, and lack of access to rights and protections.

A further 20.4% are in moderately insecure work and only 6.1% are in secure work, meaning they have a regular income and access to rights. This means that whilst for a minority of people zero-hour contracts might be a sustainable form of flexible work, for the vast majority, they represent precarity.

Figure 3 shows more than 800,000 working age people employed on zero-hour contracts in these six sectors, over 600,000 experience severely insecure work. But zero-hour contracts are not used uniformly across the economy – some industries are more likely to work with zero-hour contracts, often due to fluctuating workforce requirements, and some worker groups are significantly more likely to be subject to zero-hour contracts than others.
Zero-hour contracts are used most commonly for elementary roles but managers can be impacted too

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

Women and people from ethnic minorities are overrepresented

We find that when we control for other factors, women are 1.2 times more likely than men to be on zero-hour contracts (4.2% compared with 2.8%). People from ethnic minority backgrounds are also overrepresented in zero-hour contracts. Using regression analysis, we find that Black workers are 2.7 times more likely than white workers to be on zero-hour contracts and those from multiple/mixed backgrounds are 2.3 times more likely than white workers.
Young workers are disproportionately more likely to be on zero-hour contracts, but this isn’t driven just by students

Over one in 10 young workers aged 16-24 years old (13%) are on zero-hour contracts, compared with 2.2% of workers across older age groups. While there has been growth in zero-hour contracts across all age groups, young workers have been particularly effected. The number of working people on zero-hour contracts increased by 136,000 from 2022 to 2023. Young workers aged 16-24 represented 65% of this growth, growing from 386,000 in 2022 to 474,000 in 2023. This is an increase of 22.8% of young workers on zero-hour contracts.

Zero-hour contracts may suit some young workers — particularly students who try to fit working hours around studies, and among whom 27.4% are on zero-hour contracts. However, 7.6% of young workers who are not students are also on zero-hour contracts, making them 3.6 times more likely than workers across other age groups to have no guaranteed hours. This suggests that young workers may be experiencing labour market disadvantage meaning they find it difficult to obtain secure roles. These disadvantages can compound one another, as insecure contracts can be damaging to young people’s health, and can make it harder for them to obtain secure housing.

**Figure 5: Proportion of workers on zero-hour contracts, by age group**

Source: Work Foundation calculations of Labour Force Survey microdata, 2023 AJ. These figures include full-time students.

### 2.2 Limited choice for workers

While superficially it may appear that people opt in to zero-hour contracts, the reality is their choices are very often shaped and constrained by other factors – leading them to lose out on security in pursuit of a suitable job.

Our survey of 4,000 workers in 2023 revealed that insecure workers have less agency over key decisions about their working lives, when compared with their securely employed counter parts. This was particularly true for younger people (aged 16-24 years).

A third of young respondents (36%) said they felt like they had ‘no choice’ or ‘hardly any choice’ when selecting their job – they are limited by factors like the lack of availability of alternatives in their area and poor transport options for looking further afield.
Sacrificing employment protections in pursuit of flexibility

The overrepresentation of young people, women, and people from ethnic minority backgrounds in the uptake of zero-hour contracts suggests there are structural disadvantages at play, limiting the ability of these groups to access secure jobs.

It points to a two-tier labour market. Secure roles that provide flexible working hours appear to be the preserve of people with more labour market bargaining power and higher status roles.

Meanwhile, workers from structurally disadvantaged groups are more likely to have to take up zero-hour roles in pursuit of flexible working. But this is a high cost to pay. In taking up these contracts workers effectively sacrifice key employment protections such as sick pay and redundancy rights. In addition, benefits required to top up low wages can be affected by the irregular income from zero-hour contracts. If income fluctuates significantly, people face challenges in qualifying for or receiving consistent benefits.

There are other knock on impacts – including an ‘insecurity penalty’ whereby people pay a financial price in the form of higher travel and childcare costs to manage unpredictable shift patterns.22

Moreover, the promise of more control over working hours often does not materialise. One in three (34%) insecure workers report having at least one of their shifts cancelled with less than two days’ notice in the past month. With regards to zero-hour contracts specifically, a survey carried out by CIPD found that in almost half the cases, it is employers, and not employees themselves, that dictate the hours worked.23

It is important to note the complexity of experiences of people on zero-hour contracts. CIPD has also reported that job satisfaction among zero-hour contract workers is comparable to that of other employees, and they are less likely to report excessive workloads or negative impacts on their physical and mental health.24

Zero-hour contracts promise flexibility and control, secure jobs offer a better basis for both

Our 2023 survey of 3,000 managers from sectors where insecure work is prevalent found that half of managers desire more predictable hours too, and that they recognise the need to provide more security to the wider workforce.25 This is because insecurity over working hours has knock on impacts throughout an organisation, as well as for people’s health and wellbeing. Numerous studies have found a link between zero-hour contracts and poor mental health.26

Zero-hour contract workers not only face insecurity regarding the hours they work. They are also less likely to feel they have autonomy over their work than secure workers. Across all age groups, a higher portion of people in insecure jobs (30%) feel they have little or no control over how they do their job and the decisions they make at work, compared with 22% of those in secure jobs.27

Secure work and robust employment protections form the cornerstone of a successful framework for flexible working. These assurances provide employees with the confidence to embrace flexible arrangements without the fear of job insecurity or exploitation.

2.3 Choices for employers

In the absence of national reform of zero-hour contracts, some employers have begun innovating and adapting their use of this type of work. This is providing additional lessons for policymakers as to how they can achieve the right balance between the genuine flexibility offered to workers who benefit from irregular hours, and the needs people have for a predictable income.
Creating space for the needs of different hospitality workers

Hospitality is the sector in which the use of zero-hour contracts is most common – with 49% of employers reportedly using them.28 This can be in order to manage changing demand and with a view to appeal to workers who want flexibility, such as those supplementing other careers with unpredictable schedules. Supporting this, Equity trade union reports that zero-hour jobs in restaurants, bars and with leisure providers are frequently taken up by their members to supplement their main careers in arts and performance.29

However, our analysis has shown that among the people who have zero-hour contracts in the hospitality sector as their main job, only 2.7% have a secure income and basic employment protections.

Certain large hospitality employers have moved away from the zero-hour model in recognition that jobs offering security of income are more attractive to prospective workers. J D Wetherspoon PLC is one of the largest pub chains in the UK with over 43,000 people employed. In 2016, they introduced an option for guaranteed hours for their workforce.30 Following this change, the company has reported that 99% of people have opted for the guaranteed hours contract, with only 1% choosing a zero-hour model.31 Given that 54% of Wetherspoons staff are aged 24 years or under, this example suggests that even among a young workforce, guaranteed hours are preferable.32

Similarly, Whitbread PLC, owner of the Premier Inn hotel chain, reports in job advertisements that the company “does not do zero-hour contracts” and instead commits to contracts of 10 hours per week, upwards.33 Whilst this is a relatively low number of hours to guarantee, and could still result in underemployment or unpredictable shifts, the fact that the company is highlighting job security in recruitment processes suggests there is a competitive advantage to doing so in what is a difficult period for hospitality employers to recruit and retain staff.

McDonald’s announced in 2017 that they would allow their 115,000 employees to choose a “fixed hours” contract if they preferred it to a zero-hour contract, which was termed a “flexible contract” - reporting that only 20% took up the offer.34 More recently, in a 2023/4 survey of 414 McDonald’s workers on job rating site Breakroom, 55% said/reported that they worry about getting enough hours and 65% of those with changing schedules report getting one week or less notice of shifts. Finally, of the 388 asked about sick pay, 98% reported they would not get paid if they missed work due to sickness.35

These findings suggest that whilst workers might want flexibility, they are often required to trade rights and security to get there. Efforts by employers to improve security for workers are welcome, but a company-by-company approach has made little impact overall. Ultimately, the growth in zero-hour contract work over the last five years has been driven largely by hospitality employers.

Balancing flexibility and consistency in health and social care

Job insecurity is a significant issue in the health and social care sectors. Over a fifth of all jobs in adult social care (22%) in England are zero-hour contracts, often as part of staff banks.36

The NHS similarly manages staff shortfalls by recruiting healthcare workers, including student nurses, retirees, and existing employees, to the bank, deploying them for shifts on an on-call basis. Over 130,000 people are registered on the bank, which the NHS suggests reduces their reliance on costly employment agencies.37

The recently published NHS Long Term Workforce Plan concludes, however, that the service today relies too much on temporary staffing. Over the three years up to 2021/22, expenditure on both bank and external agency staff increased by 51% (from £3.45 billion to £5.2 billion) and 23%
(£2.4 billion to £2.96 billion) respectively. Furthermore, this system does not appear to be delivering the right kind of flexibility to healthcare workers. The Royal College of Nursing reports high numbers of flexible working requests made by their members are rejected, some of which result in cases pursued in employment tribunals.

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

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

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

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

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

While the UK may have endured a decade of indecision on zero-hour contracts, other countries have progressed a range of reforms to better balance security and flexibility in their labour markets. While like-for-like comparisons are challenging given different national contexts, exploring how other countries have handled reform in this area can provide useful lessons for UK policymakers.

Many countries have sought to ban zero-hour contracts outright, making them impermissible to any, or the vast majority, of workers. New Zealand, Norway\textsuperscript{50,51} and Ireland have specifically introduced legislation to combat zero-hour contracts, with the first two opting for an outright ban and the latter prohibiting them with limited exceptions. In all cases the ban was achieved via a requirement for minimum hours to be stated in a worker’s contract. In Luxembourg zero-hour contracts are not expressly recognised in law, but last year a Bill was introduced to outlaw them.\textsuperscript{52,53}

Other countries have introduced broader employment legislation to effectively ban zero-hour contracts. For example, in Germany employment contracts are required to set worker’s minimum hours, while in France collective bargaining agreements mandate that workers are provided with a minimum of 24 hours a week, with some exceptions.\textsuperscript{54}

In other cases, countries which do allow zero-hour contracts offer workers a route to more secure employment. In the Netherlands and Finland,\textsuperscript{55} if workers consistently work a set shift pattern, their employers must offer them a contract on those terms.

In Italy, zero-hour style contracts can only be offered to the under 25s and over 55s and are limited to 400 working days over three years after which they are automatically converted into a full-time permanent contract. This policy approach has been somewhat contentious and has resulted in cases of young people losing their jobs when they reach 25 as they no longer comply with conditions for the zero-hour contract.\textsuperscript{1}

Meanwhile in Sweden,\textsuperscript{56} zero-hour contracts are permissible but have regulations to protect workers employed on them.

Of these examples, New Zealand, Ireland, the Netherlands, and Germany offer good comparisons for the UK on the use of zero-hour contracts. The first three provide examples of how countries actively address zero-hour contracts through full or partial bans, or tighter regulation. Germany on the other hand, provides a useful case study on how on-call work can provide an alternative to zero-hour contracts.\textsuperscript{57,58}

\textsuperscript{1} The Italian Supreme Court referred a case of Abercrombie & Fitch v Antonio Bordonaro to the European Court of Justice (ECJ). The case centred on the plaintiff’s assertion the retailer discriminated against him on the basis of age, when it terminated his contract upon him turning 25 as he no longer complied with the conditions for a zero-hour contract.\textsuperscript{1} The ECJ ruled the provision did not contravene the plaintiffs’ rights, as it sought to achieve a legitimate aim of employment policy.
## Low regulation

**Sweden**

Workers can be hired on on-call contracts that give no fixed hours and the employer is able to vary working hours, up to a maximum of 48 hours per four weeks.\(^{39, 60}\)

90% of Swedish jobs have hours and pay set by collective bargaining agreements between unions and employers, compared with 39.6% in the UK. Similarly, union membership density, which is associated with greater protections for workers,\(^{61, 62}\) is above 70%, compared with 22.3% in the UK.\(^{63, 64}\)

In 2022 Sweden implemented the EU Directive on Transparent and Predictable Working conditions.

Under the legislation employers must provide zero-hour contract workers with information on all the material terms and conditions of their employment relationship, including the arrangement of working hours. Employers may only require employees with unpredictable working patterns to work if the work takes place within a predetermined timeframe and if the employee has been provided with notice of the work.\(^{65}\)

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## Regulated with a path to permanent employment

**The Netherlands**

Workers on a zero-hour contract can be hired on either a permanent or temporary basis. Employees on temporary contracts are entitled to a permanent contract after three consecutive temporary contracts or three years of temporary contracts.

After 12 months, workers on zero-hour contracts are automatically entitled to a fixed number of hours.\(^{66, 67}\)

**Italy**

Zero-hour style contracts can only be offered in relation to roles fixed by collective bargaining agreements or in law, to the under 25s or over 55s.

They are also limited to 400 working days over three years with the same employer, after which they are automatically converted into a full-time permanent contract. Zero-hour style contracts are only available in the private sector and must meet a set of requirements. Businesses utilising these contracts must notify the appropriate authorities.\(^{68, 69}\)

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## Partially banned

**Ireland**

Zero-hour contracts are banned in Ireland except if the employee is essential for providing coverage in emergency situations or for cover for short-term absences. Also exempt is genuinely casual work, where an individual undertakes work on an ad hoc basis to provide an employer with short-term relief but there is no reasonable expectation the worker is required to do work for the employer.\(^{70}\)

All other workers in Ireland are entitled to a contract that reflects their average weekly hours. Workers have a right to an amended contract if their actual hours differ from those initially agreed.\(^{71}\)
Those casual workers who qualify for zero-hour contracts have the right to receive minimum written terms and minimum payment if they are called to work but are sent home without working. They are also entitled to a payment for the lesser of 25% of their zero-hour contract or 15 hours of work.

**Entirely banned**

**New Zealand**

Employers must guarantee a minimum number of hours of work each week, and workers are able to refuse extra hours without facing repercussions.

Employers are granted some flexibility regarding the working hours of their employees through availability provisions in employment contracts. These clauses allow employers to require employees to be available to accept work over and above their guaranteed hours. Availability provisions are only enforceable if an employer has genuine and reasonable grounds for using them and workers are provided with reasonable compensation.72

**Germany**

Under German legislation it is not legal to offer an employee a zero-hour contract. However, on-call work in which an employee is required to undertake work according to an employer’s workload is still possible.

On-call work must be contractually agreed between employer and employee. The agreement should stipulate the minimum number of hours an employee must or can work per day or per week. Working hours must be greater than zero, and if hours are not agreed, a minimum default position is applied.

Employers can request that an employee works 25% more or 20% less than the agreed hours.73,74

Examining the approaches taken by different countries offers options for policymakers in the UK to consider. The clear direction of travel across multiple countries is to regulate but there are different ways to achieve this. For example, guaranteed minimum hours can be required in employment contracts, at the level of a firm, or set at a national level. Zero-hour contracts can be named and banned, except for in specific circumstances. Or zero-hour contracts can remain permissible but with a clear path to more secure employment.
CONCLUSION AND RECOMMENDATIONS

It is possible to design interventions that protect those at the sharp end of the labour market, whilst preserving choices for those who are in a position to make choices in an active, empowered way. And data suggests there is a growing imperative to get this right.

The interactions between work quality and population health are only just coming into focus. Today’s high levels of economic inactivity include a large portion of people leaving work to manage mental and physical health conditions. Insecure work has been a persistent feature of the labour market for a number of decades, shaping people’s long-term economic and health outcomes in ways that we have yet to fully understand.

Banning the unfair use of zero-hour contracts is just one aspect of addressing the larger issue of insecure work. Ultimately, a comprehensive strategy should include rebalancing power between workers and employers. This is essential for effective enforcement of existing employment law, ensuring loopholes are not exploited, and for reducing insecurity and inequity experienced by those in other forms of contingent employment such as temporary contracts, outsourced roles, and agency work.

Zero-hour contracts are, for some, the poster child of insecurity. The jobs are concentrated in low-paid sectors that are struggling with acute labour shortages, meaning employers appear to be paying a price for their use of these contracts and the resultant churn.

While some employers are proactively moving away from their use, the overall growth in zero-hour contract use must prompt regulatory intervention to ensure all workers have access to jobs that balance increased security with flexibility.

Recommendations

To ensure all workers have a right to guaranteed hours and that flexible working arrangements are open and achievable for all, the UK Government should legislate for:

1. Guaranteed hours: Require all employers to provide guaranteed contractual hours for all roles from day one.

The Workers (Predictable Terms and Conditions) Act which received Royal Assent in September 2023 gives people a right to request a guaranteed hours contract after 26 weeks of service, but this request can be denied by the employer.

Instead, guaranteed hours should be in place from day one, and these can be presented as hours per week, month, or annualised for casual roles, meaning shift patterns can change to allow for periods of changing demand, whilst still enabling pay predictability. This would not prohibit on-call work but means that a contractual arrangement must be in place between an employer and an employee that stipulates a minimum number of hours to be worked over a defined period.†

† With this requirement for guaranteed hours, forms of bank work, such as that in the NHS, can continue without change for employees who already have an NHS contract and are using the bank as overtime. For others, the employer would need to provide a contract of guaranteed hours, which could be annualised to allow for flexible, on-call work.
2. **Flexibility for all workers:** Ensure all workers have a genuine day one right to flexible working.

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

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

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

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

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

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

Require employers of people working irregular hours to provide a three-week notice period of their shifts ensuring compensation for shifts changed or cancelled at late notice.²

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

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

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

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² Legislators should consider whether an exception should be made for safety critical industries, such as healthcare.
To enhance employer transparency and accountability, and lift standards across insecure work sectors, the UK Government should:

6. Increase funding for labour market enforcement resourcing:

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

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

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

Analysis of levels of work security

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

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

The methodology is set out in more detail in the Technical Annex that accompanies the 2022 Index report.
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