

**Policy report**

December 2015

Zero-hours and  
short-hours *contracts*  
in the UK: Employer and  
employee perspectives



The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

# Zero-hours and short-hours contracts in the UK: Employer and employee perspectives

## Policy report

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## Acknowledgements

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Any errors that remain are entirely the CIPD's responsibility.

# Foreword

Zero-hours contracts remain controversial, but the number of people on them is increasing and they look set to become a permanent feature of the UK labour market.

The CIPD has made a leading contribution to understanding of zero-hours contracts and our research has been quoted by government, employers and unions – both supporters and opponents of zero-hours contracts.

Zero-hours contracts have sometimes, it seems, been singled out as an especially unfair form of employment. In our view, this is unjustified. Our research shows that zero-hours contracts appear to work well for many of those on them. But they are not for everybody and that's why zero-hours contract workers need to understand their employment rights as well as how these contracts are likely to work in practice. Zero-hours contracts work best when there's an element of give and take, a recognition that flexibility works both ways. A small minority of employers using them don't seem to recognise this, but there are many 'permanent' jobs where the actions of employers can make them anything but secure. There may be too much emphasis at times on the precise terms of the employment contract with not enough attention given to the spirit in which the employment relationship is conducted.

We have updated our estimate of the number of zero-hours contracts from about 1 million in 2013 to about 1.3 million in

the spring and summer of 2015. Otherwise, this research has produced very similar results. On average, employees on zero-hours contracts are as satisfied with their jobs as other employees and report similar levels of well-being. While they may be less likely to feel involved at work and see fewer opportunities to develop and improve their skills, they are also less likely to feel overloaded and under excessive pressure.

This report also presents comparable data for those employed on short-hours contracts, defined here as jobs that guarantee up to eight hours' work a week. This is a smaller group of about 400,000 employees who are qualitatively different from zero-hours contract employees in terms of their working patterns and working hours. They are also more satisfied with their situation than any other group of workers we identified in our *Employee Outlook* survey.

Our message to employers – including our members – is to think carefully about whether or not these types of contracts are suitable for your business. This involves broader issues than whether or not they help you match demand to supply. For example, do they help strengthen your working culture and your employer brand?

Our message to employees on these contracts, and those thinking about taking one, is to find out exactly what you are being asked to agree to, what your rights and responsibilities are and how these

types of work are used in practice. Ask questions such as whether there is a minimum notice period when work is withdrawn and, if this does occur, whether you would be compensated for any costs incurred.

Our message to government and the policy community is that heavy-handed changes to the law, such as attempts to abolish zero-hours contracts, are likely to be both ineffective and counterproductive. But the research does raise issues about employment status, access to employment rights and the treatment of zero-hours contract employees. Modest, targeted changes to current legislation may be an option worth further discussion, but the best way to improve the working lives of people on zero-hours contracts is to help employers develop working practices that are both flexible and fair.

**Peter Cheese**

CIPD Chief Executive

# Glossary

Discussions of the advantages and disadvantages of different forms of work sometimes lack precision on terminology and definitions. Below are explanations of the terminology used in this report (any deviations from these are highlighted in the report). These do not necessarily match corresponding legal concepts.

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Employee	An employee is anyone in work who does not regard themselves as self-employed. Both CIPD and ONS surveys do not identify the ‘worker’ category that appears in employment law.
Full-time employee	Any employee who says their work is full-time or who usually works 30 or more hours each week.
Part-time employee	Any employee who says their work is part-time or who usually works for less than 30 hours each week.
Short-hours contracts	Employment where the employer guarantees a small minimum number of hours each week and where the employer has the option of offering additional hours (which the employee may have the option of being able to refuse). This report uses eight hours a week as the upper limit on what constitutes a ‘small’ number of hours.
Temporary employment	Employment which is not permanent (as defined by the employee).
Zero-hours contract	<p>There is no generally accepted definition of a zero-hours contract.</p> <p>CIPD guidance uses the following definition: <i>‘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 he or she does work and will deal with the circumstances in which work may be offered (and, possibly, turned down)’</i> (CIPD 2013c).</p> <p>New government guidance describes a zero-hours contract as <i>‘one in which the employer does not guarantee the individual any hours of work. The employer offers the individual work when it arises, and the individual can either accept the work offered, or decide not to take up the offer of work on that occasion’</i> (BIS 2015).</p> <p>Although the lack of any guaranteed minimum hours of work is common to both definitions, the government definition suggests that individuals are able to decline offers of work whereas the CIPD definition recognises this may not always be the case.</p>

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# Executive summary

This report updates and extends the analysis of zero-hours contract work presented in the previous CIPD report *Zero-hours Contracts: Myth and reality*.

In addition, it presents data on short-hours contract working. As with zero-hours contracts, there is no universally accepted definition of a short-hours contract. This report uses a guaranteed minimum of eight hours a week as the upper limit for a short-hours contract.

The report is based upon analysis of survey data from both employers and employees.

The employer perspective is provided by the CIPD's quarterly *Labour Market Outlook* (LMO), a representative sample survey of all employers in the UK with two or more employees. Questions on zero-hours and short-hours contracts were included in the surveys conducted in the spring and summer of 2015, which generated responses from 1,013 employers and 931 employees respectively.

The Labour Force Survey (LFS) collects data on employees with zero-hours contracts. This has been supplemented with data from the CIPD's summer 2015 *Employee Outlook* (EO) survey, which generated responses from 2,572 employees.

## Zero-hours contracts

### Employer perspective

According to the LMO surveys conducted in spring and summer 2015, about a quarter of employers

use zero-hours contracts, little changed from the 2013 estimate of 23%.

Employers generally use zero-hours contracts for a relatively small proportion of the workforce. Over half of employers use them for less than 20% of the workforce – with the mean percentage covered being 19.7%.

A best estimate for the number of zero-hours contract employees at spring/summer 2015 is 1.3 million, which is an increase from the previous estimate of 1 million in 2013.

Employers in the public and voluntary sectors are more likely to use zero-hours contracts than private sector employers. Zero-hours contracts are most often used by employers in hotels, accommodation and food, health and social work (which includes social care), education and the voluntary sector.

Large organisations are much more likely than small organisations to use zero-hours contracts.

Employers use zero-hours contract workers in a variety of roles. The jobs most commonly mentioned by employers are in administrative and support roles, care work, cleaning and various hospitality-related functions, although some more skilled jobs (nursing, IT, teaching) are also mentioned quite regularly.

The mean number of hours usually worked by zero-hours contract workers is 19.4 hours a

week. Although 70% of employers typically employ them for 20 hours or less each week, 20% of employers typically employ them for 30 or more hours each week.

Over two-fifths of employers (44%) say that working hours are driven largely by the employer, with 15% emphasising the role of the individual. The remaining employers focus on the variability and unpredictability of working time.

The most common reasons for using zero-hours contracts are to manage fluctuations in demand (mentioned by 66% of employers), provide flexibility for the individual (51%) and provide cover for absences (48%). Reducing costs is a specific objective for 21% of employers.

Almost half (47%) of employers using zero-hours contracts see them as a long-term feature of their workforce strategy, likely to still be in use in four or more years' time.

Most employers of zero-hours contract staff (67%) classify them as employees, with 19% classifying them as workers, 5% as self-employed, 6% not classifying their status and 1% unaware – very similar responses to those given in 2013.

Over four-fifths (81%) of employers provide zero-hours contract workers with a written contract, although 8% do not provide a contract and 8% say it varies, with 3% unsure because workers are supplied by a recruitment

agency. Where a written contract is provided, 86% of these employers say it records employment status.

More than half of employers (58%) give zero-hours contract workers the contractual freedom to turn work down and say they honour this in practice. However, a fifth of employers (21%) say that contracts give workers the right to turn work down when, in practice, they are always or sometimes expected to accept all work offered. A further 14% say their zero-hours contracts do not allow employees to turn work down.

Two-thirds (66%) of employers have some form of policy or practice on notice of termination, compared with 55% in 2013. Less than half of employers (45%) say they have policies or practices when it comes to cancelling a shift.

Almost two-thirds (63%) of employers pay zero-hours contract employees about the same hourly rate as employees on a permanent contract doing the same job. Some employers (16%) pay a higher rate and others (9%) pay a lower rate.

Over four-fifths (82%) of employers using zero-hours contract workers say they are eligible for company training and development, with just 13% saying this is not the case.

Employers are most likely to say people on zero-hours contracts are entitled to annual paid leave (61%), the right to receive a statement of written terms and conditions (59%) and the statutory minimum notice period (57%). Reported entitlements have generally little changed since 2013, although there has been a noticeable increase in the proportion of employers saying zero-hours contract workers are entitled to pension auto-enrolment, up from 38% in 2013 to 48% in 2015.

Only 6% of employers using zero-hours contract workers even occasionally prohibit them from working for another company. This suggests that the prohibition of exclusivity clauses is unlikely to affect many employers.

#### **Employee perceptions**

According to the LFS, the number of people on zero-hours contracts has almost tripled in less than three years, from 252,000 in October–December 2012 to 744,000 by April–June 2015 (46% men, 54% women). Much of this reported increase may be due to greater public awareness of zero-hours contracts.

Exactly one-quarter of zero-hours contract employees are students still in full-time education, which helps to explain why a third of zero-hours contract employees are aged under 25. One-fifth of zero-hours contract employees are aged 25–34, another fifth are aged 35–49, and just under a quarter are aged 50 or over.

The mean number of hours usually worked each week by zero-hours contract employees in April–June 2015 is 25.1 hours. The majority (59%) of zero-hours contract employees do not want to work more hours, compared with 88% of all those in employment.

According to the summer 2015 EO, the mean number of hours usually worked each week by zero-hours contract employees is 23.9 hours, almost identical to the 2013 estimate of 23.7 hours. Just over half (52%) of zero-hours contract employees usually work for less than 25 hours a week, although one-seventh (14%) work for longer than 40 hours each week.

Almost three-fifths (59%) of zero-hours contract employees describe themselves as part-time workers.

*‘More than half of employers (58%) give zero-hours contract workers the contractual freedom to turn work down and say they honour this in practice.’*

The vast majority (88%) of these say it is their choice to work part-time. Nevertheless, 22% of these 'voluntary' part-time employees on zero-hours contracts would like additional hours. The most common reason for not working more hours is a perception that employers are unable to offer more hours (mentioned by 81% of zero-hours contract employees wanting to work more hours).

The proportion of zero-hours contract employees describing their job as temporary (rather than permanent) is 37%. A little over half (57%) of temporary zero-hours contract employees say this is their choice (although a few of these would prefer a permanent contract). The vast majority (87%) of those who say their temporary status is not their choice would prefer a permanent contract.

According to the LFS, mean earnings for zero-hours contract employees are £8 per hour, whereas they are £13 per hour for those not on a zero-hours contract. Part of the gap can be explained by compositional effects: zero-hours contract work tends to be concentrated in relatively low-paid industries, such as accommodation and food. However, a difference exists in every broad industry grouping.

According to the summer 2015 EO, 49% of zero-hours contract employees earn less than £15,000 per year. Nevertheless, there are a few zero-hours contract employees with relatively high earnings: 9% earn £45,000 or more.

The proportion of zero-hours contract employees who are either very satisfied or satisfied with their jobs is 65%, slightly higher than the proportion for employees as a whole (63%). However, part-time zero-hours contract employees

are much less likely to be satisfied with their jobs if they want to work more hours.

Just 60% of zero-hours contract employees say they have a manager or supervisor or someone they report to as part of their job, with a further 17% saying they sometimes have a manager and 23% having no manager. When zero-hours contract employees do have a manager, they are slightly more likely to be satisfied with their relationship with them than other employees. Zero-hours contract employees are just as positive about working relationships with colleagues as other employees.

Zero-hours contract employees are more likely to see their work-life balance in a positive light (62% strongly agree or agree they have the right balance) than other employees (58%).

Whereas 41% of employees feel under uncomfortable and excessive pressure at work at least once or twice a week, the proportion is just 34% for zero-hours contract employees. Zero-hours contract employees with excessive workloads are as likely as other employees in that position to feel under pressure – but they are much less likely to have an excessive workload.

The (smaller) proportion of zero-hours contract employees who do feel under excessive pressure at work are less likely than other employees to say there is support available from managers, colleagues or anywhere else.

Zero-hours contract employees are as satisfied with their job role and the degree of challenge it offers as other employees. However, they are slightly less likely to think their employer gives them opportunities to learn and grow.

Less than half (43%) of zero-hours contract employees feel fully or fairly well informed about what is going on at work, compared with 56% of all employees. This carries through into less satisfaction with the opportunities they have to feed their views and ideas upwards within the organisation.

### Conclusions

Two-fifths of employers (39%) think zero-hours contracts will be a long-term feature of the UK labour market – in other words, around for the next four years, if not longer. A slightly larger proportion (43%) see them as a short- to medium-term feature of the labour market, with 18% unsure.

The proportion of employers suggesting they might be a transient form of employment practice is surprisingly high given how long some employers have been using zero-hours contracts.

Although the number of people employed on zero-hours contracts has increased since 2013, there is no evidence of any qualitative shift in why they are used, how they are used or in their impact on either organisations or individuals.

Zero-hours contract employees are more likely than other employees to have hours (and earnings) that vary from week to week – including the possibility of spells when there is no work and thus no income from work. This variability will be a source of anxiety to some, especially for those faced with large and regular financial commitments. It can be seen in lower job satisfaction among those who want to work more hours (a characteristic shared with other part-time employees wanting more hours). But other zero-hours contract employees will regard uncertainty as an acceptable price for the freedom to turn down work at short notice.

Zero-hours contract employees appear more likely to have a more distant, transactional employment relationship than the norm – one where work is measured (and paid) by the hour, with less engagement in the long-term future of the employment relationship.

There is still room for improvement in the operation of zero-hours contracts. This includes greater transparency on employment status, codifying procedures for the cancellation of work at short notice and termination of a zero-hours contract. This could be achieved in part through greater use of model contracts, but the CIPD also believes all workers should be legally entitled to a written copy of their terms and conditions not later than after two months in employment (currently, under the Employment Rights Act 1996, only employees are entitled to this).

Employers who have chosen to place the majority of the workforce on zero-hours contracts should provide a clear explanation to their workforce and other stakeholders about the reasons that led them to take this decision.

The available evidence does not provide a strong case for further legislation to regulate the use of zero-hours contracts. However, if policy-makers do want to intervene further to improve the rights of zero-hours contract workers, the CIPD has suggested introducing a right for zero-hours contract workers to request regular hours after they have been in employment with an organisation for 12 months.

An outright ban on zero-hours contracts could do more harm than good. Prohibiting contracts that give employees an option to turn work down could lead to some of them withdrawing from the labour force. Employers with little concern for their employees' well-being could simply change contracts to

guarantee a very small minimum number of hours or replace zero-hours contracts with casual labour.

The best way to improve the working lives of the zero-hours contract workforce is to help employers understand why they need to develop flexible and fair working practices and how to implement them:

- Employers should consider whether zero-hours contracts are appropriate for their business and check there aren't alternative means of providing flexibility for the organisation, for example through the use of annualised hours or other flexible working options.
- All zero-hours contract workers should receive a written copy of their terms and conditions. The written statement should clarify the intended employment status and employers should conduct regular reviews to check that the reality of the employment relationship matches the contract of employment.
- Employers need to provide training and guidance for line managers to ensure they are managing zero-hours workers in line with their employment status. Training must ensure that line managers are aware that zero-hours workers have a legal right to work for other employers when there is no work available from their primary employer.
- Employers should provide zero-hours contract workers with reasonable compensation if pre-arranged work is cancelled with little or no notice. The CIPD believes a reasonable minimum would be to reimburse any travel expenses incurred and provide at least an hour's pay as compensation.
- Employers should ensure there are comparable rates of pay for people doing the same job regardless of differences in their employment status.

*'An outright ban on zero-hours contracts could do more harm than good. Prohibiting contracts that give employees an option to turn work down could lead to some of them withdrawing from the labour force.'*

*‘The most common reasons given by employers for using short-hours contracts are to manage fluctuations in demand.’*

## Short-hours contracts

### Employer perceptions

About one in ten employers use short-hours contracts offering one to eight hours a week of guaranteed employment.

Employers generally use short-hours contracts for a relatively small proportion of the workforce, with the mean proportion employed being 21.9%.

A best estimate for the number of short-hours contract employees is 400,000.

The proportion of employers using short-hours contracts is similar in the private and public sectors, but lower in the voluntary sector.

Short-hours contracts are most prevalent in hotels, accommodation and food and in retail.

Large organisations are much more likely than small organisations to use short-hours contracts.

The jobs most commonly carried out by employees on short-hours contracts are in administrative and support roles, cleaning, caretaking, driving, retail and various hospitality-related functions.

The mean number of hours typically worked by short-hours contract workers is 11.4 hours each week. Just 5% of employers using short-hours contract workers say the typical working week is 30 hours or more.

Over two-fifths (43%) of employers using short-hours contracts choose to emphasise their role in shaping working time patterns, whereas 16% place the employee in the driving seat. Almost one-third (31%) of employers say working patterns are broadly the same each week, in terms of hours per day and days per week worked.

The most common reasons given by employers for using short-hours contracts are to manage fluctuations in demand (mentioned by 45% of employers), provide flexibility for the individual (32%) and provide cover for absences (32%). Reducing costs is a specific objective for 19%. Only 11% of employers using short-hours contracts say they are used in order to avoid the negative publicity surrounding zero-hours contracts.

### Employee perceptions

According to the summer 2015 EO, the median short-hours contract involves five to eight hours’ guaranteed work each week and the mean number of hours usually worked is 9.2 hours. Only 5% of short-hours contract employees usually work over 32 hours each week.

Almost all short-hours contract employees (94%) consider themselves part-time and the vast majority of these (91%) say it is their choice to work part-time. However, 25% of these ‘voluntary’ part-time employees would like to work more hours. The most common reason given for not working more hours is a perception that employers are unable to offer more hours (mentioned by 70% of short-hours contract employees wanting to work more hours).

The proportion of short-hours contract employees describing their job as temporary (rather than permanent) is 17%.

Two-thirds (68%) of short-hours contract employees earn less than £15,000 per year.

The proportion of short-hours contract employees who are either very satisfied or satisfied with their jobs is 67%, higher than the proportion for employees as a

whole (63%). However, part-time short-hours contract employees are less likely to be satisfied with their jobs if they want to work more hours.

Short-hours contract employees have a very positive view of their managers, with 75% either very satisfied or satisfied with their working relationship. They are just as positive about working relationships with colleagues as other employees.

Short-hours contract employees have an especially positive view of their work-life balance, with 72% agreeing or strongly agreeing that they have the right balance.

Whereas 41% of employees feel under uncomfortable and excessive pressure at work at least once or twice a week, the proportion is just 26% for short-hours contract employees. This is in part because short-hours contract employees are less likely to think their workload is excessive. Even allowing for this, however, short-hours contract employees report unusually low occurrences of excessive pressure.

Short-hours contract employees are more satisfied with their job role than other employees (75% satisfied or very satisfied, compared with 63% for all employees).

Three-fifths (60%) of short-hours contract employees feel fully or fairly well informed about what is going on at work, compared with 56% of all employees. As a result, half (50%) are very satisfied or satisfied with the opportunities available to feed their views upwards within the organisation, compared with 44% for all employees.

## Conclusions

On the face of it, short-hours contracts would appear close substitutes for zero-hours contracts. However, the evidence suggests there are sometimes quite substantial differences between the two, both in how they are used by employers and in their suitability to employees.

These differences mean their experience does not provide any reliable guide to what might happen if a minimum hours guarantee – or the right to request a minimum guaranteed number of hours – was ever introduced for existing zero-hours contract employees.

# Introduction

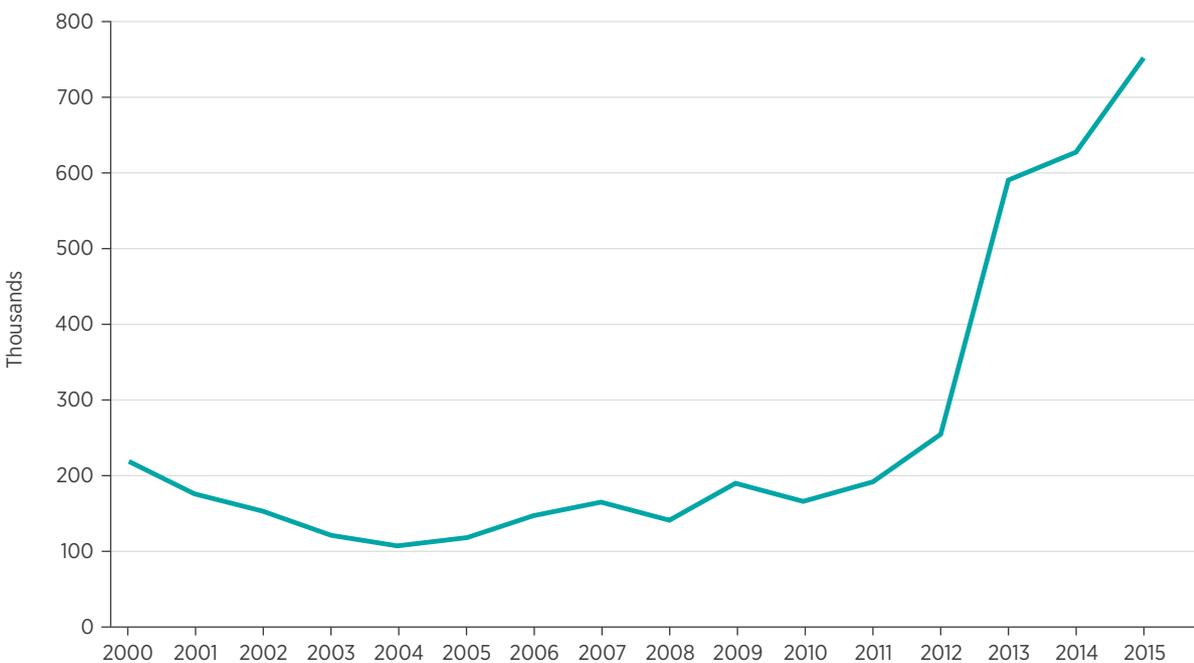
Despite accounting for less than 5% of the UK workforce, zero-hours contracts remain controversial. The limited quality and coverage of much of the available data has probably been a factor because it is harder to refute claims made about zero-hours contracts from politicians, interest groups and commentators on all sides of the debate if the relevant evidence is incomplete or inconsistent.

The Labour Force Survey (LFS) has included a question about zero-hours contracts since 2000 (see Figure 1).

According to these data, the number of employees on zero-hours contracts has almost tripled in three years. Much of this reported increase may be the result of the publicity surrounding zero-hours contracts: as they have become more widely understood, more people have realised they are covered by these arrangements. The interdependence between individual awareness, data, media coverage and political debate is illustrated by trends in the number of UK-based web searches on zero-hours contracts (see Figure 2).

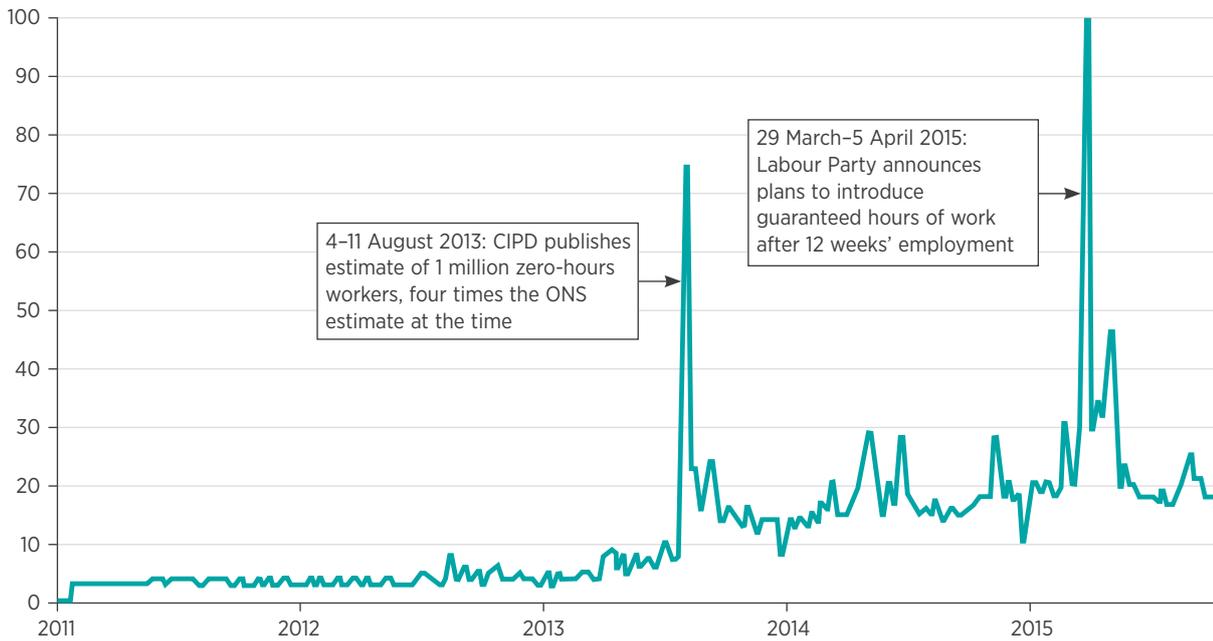
Before 2012, searches for zero-hours contracts were, in relative terms, miniscule or non-existent. From early 2013 until the middle of 2015, the weekly number of web searches appears to be on an upwards trend. There are two very large spikes in the data. The first occurs in the week when the CIPD first released its estimate of there being 1 million zero-hours contract workers, which was four times greater than the LFS estimate at the time (CIPD 2013b). The second occurs early in the 2015 General Election campaign when the Labour Party leader, Ed Miliband, made a speech on 1 April 2015 in which he talked about 'exploitative' zero-hours contracts and promised to

**Figure 1: People in employment on a zero-hours contract, 2000-15**



UK, October-December quarter except 2014 and 2015 (April-June)  
Source: Office for National Statistics, Labour Force Survey

**Figure 2: Interest in zero-hours contracts, 2011-15**



UK web searches for 'zero-hours contract' topic. Data are scaled so that 100 is the week with the highest number of searches  
Source: Google Trends

introduce a guaranteed minimum number of hours after 12 weeks of continuous employment. In both cases, the news headlines and publicity led to many web searches. No doubt, in some cases, the result was individuals realising that they (or people they know) might be employed on a zero-hours contract.

The Office for National Statistics (ONS) supplements the LFS with a biannual survey of employers. The latest data cover a period of two weeks in the second half of January 2015, when there were an estimated 1.5 million contracts where work was carried out but where no minimum number of hours was guaranteed. This was an increase of 100,000 on the previous January (ONS 2015).<sup>1</sup> In addition, there were 1.9 million contracts with no guaranteed hours where no work was carried out during the reference period. An unknown proportion of these may also be zero-hours contracts.

Improvements to data collection in the Labour Force Survey and the new business survey help fill some of the gaps in the evidence base on zero-hours contracts. However, data on the earnings of zero-hours employees is limited. On average, they earn much less than other employees, but this is probably because most zero-hours contracts are in relatively low-paid sectors and for less skilled jobs, rather than because zero-hours contract employees are paid less than other employees for doing the same work.

The ONS business survey provides estimates of the prevalence of contracts with no guaranteed minimum number of hours but it does not collect data on how or why employers use them.

Similarly, the LFS does not collect data from employees on their experience of zero-hours contracts or on some important outcomes, including well-being.

Many of these issues were covered in the previous CIPD report *Zero-hours Contracts: Myth and reality* (CIPD 2013b). This report updates and extends that analysis. In particular, it includes data on short-hours contract working, which has to date received far less attention in debates about the quality and desirability of these forms of work. This may in part be due to the lack of official statistics. The available evidence suggests that short-hours contracts are commonplace in retail: a survey of union members in the sector found that 10% were employed on contracts that offer between one and ten hours of guaranteed work each week (USDAW 2014). As with zero-hours contracts, there is no universally accepted definition of a short-hours contract. This report uses a guaranteed minimum of eight hours a week as the upper limit for a short-hours contract. The definitions used in this report are explained in the glossary.

## Methodology

This report is based upon analysis of survey data from both employers and employees.

The employer perspective is provided by the CIPD's quarterly *Labour Market Outlook* (LMO), a representative sample survey of all employers in the UK with two or more employees.

Questions on zero-hours and short-hours contracts were included in the surveys conducted in the spring and summer of 2015, which generated responses from 1,013 employers and 931 employees respectively (see CIPD 2015a and CIPD 2015b for summaries of the survey data and further information about the composition of the samples). The LMO data quoted in this report are weighted to be representative of the structure of UK employment. In other words, a finding that 'x% of employers say they use zero-hours contracts' means that zero-hours contracts are used by employers who, between them, employ x% of the UK workforce with two or more employees.<sup>2</sup>

Data were collected from some additional employers who use short-hours contracts. These have been added to those surveyed in the main spring and summer surveys, producing a combined dataset of 453 employers who use either short-hours contracts or zero-hours contracts (see Table 1).<sup>3</sup> Of these employers, 157 used short-hours contracts, 209 used zero-hours contracts and 88 used both types of contract.

Analyses of the combined dataset quoted in this report are weighted by sector and employer size to be representative of all employers using short-hours or zero-hours contracts during the spring and summer of 2015.

The LFS collects data on employees with zero-hours contracts and this has been supplemented by data from the CIPD's quarterly *Employee Outlook* survey. This is a survey of employees (including sole traders) with participants drawn from members of the YouGov Plc UK panel of more than 350,000

individuals who have agreed to take part in surveys.

Relevant questions were included in the unpublished summer 2015 survey which allow comparisons to be made between zero-hours contract, short-hours contract, temporary and part-time employees. In total, 2,572 employees responded to the survey. Fieldwork was undertaken between 12 June and 7 September 2015. The figures presented in this report have been weighted to be representative of the UK workforce in relation to sector (private, public and voluntary), employer size band, industry and full-time/part-time working by gender. The sample also includes boosts of employees on zero-hours contracts (to achieve a minimum of 300 responses), employees contracted to work 1-8 hours (to achieve a minimum of 100 responses) and employees contracted to work 1-8 hours but who in practice work more hours (to achieve a minimum of 50 responses).

**Table 1: Composition of combined dataset**

Number of responses (unweighted)

Does your organisation employ people under a zero-hours contract?	Does your organisation employ people under a short-hours contract?			Row total
	Yes (up to 8 hours' guaranteed work)	No (more than 8 hours' guaranteed work)	Impossible to say	
Yes	88	75	46	209
No	67	134	35	236
Don't know	2	1	5	8
Column total	157	210	86	453

Source: CIPD combined *Labour Market Outlook* dataset, spring/summer 2015.

# Employer perspectives

## Use of zero-hours and short-hours contracts

According to the LMO surveys conducted in spring and summer 2015, about a quarter of employers use zero-hours contracts, little changed from the 2013 estimate of 23%. About one in ten employers use short-hours contracts offering one to eight hours a week of guaranteed employment (see Table 2).

Only a small proportion of employers use both types of contract, although not necessarily for the same types of work. Most employers using these contracts use one but not the other (84% of employers using either type of contract in summer 2015).

Employers generally use zero-hours and short-hours contracts for a relatively small proportion of the workforce (see Figure 3). In

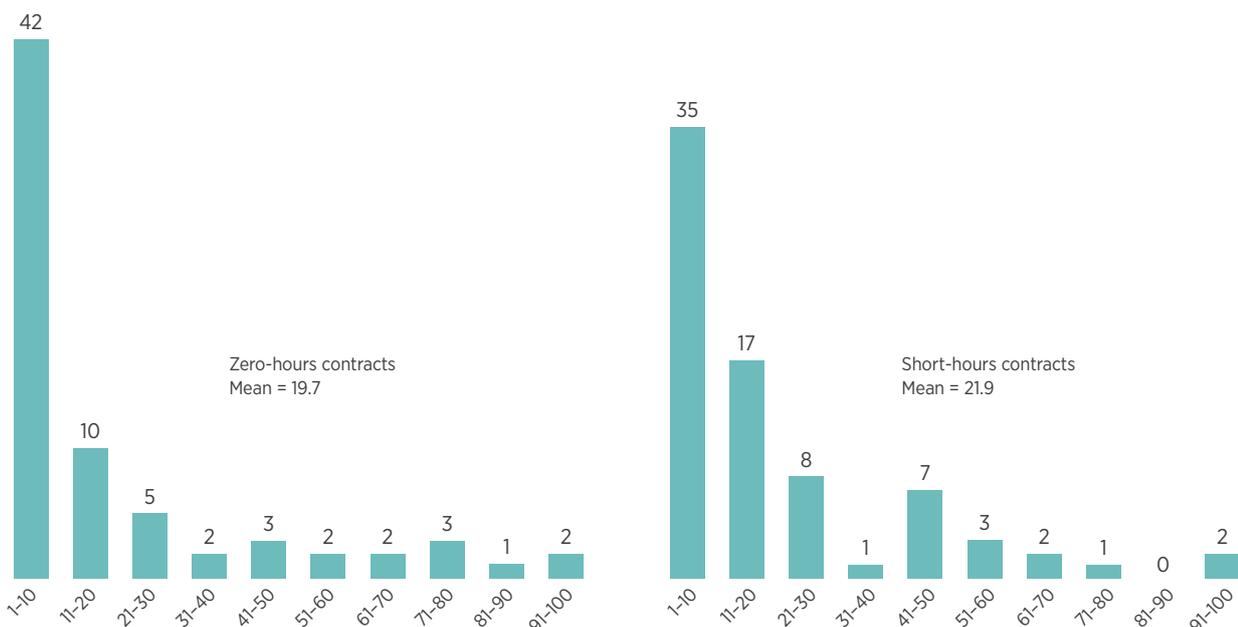
both cases, over half of employers use them for less than 20% of the workforce, presumably restricted to specific roles or as a variable margin to cover peaks and troughs in workload. But there are a small number of employers who have chosen to make these contracts their standard employment model: 10% of zero-hours contract employers and 8% of short-hours contract employers use them for over half of the workforce.

**Table 2: Employers using zero-hours and short-hours contracts (% of employers)**

	Yes (up to 8 hours' guaranteed work)	No (more than 8 hours' guaranteed work)
Employers using zero-hours contracts	23	26
Employers using short-hours contracts	6	8
Employers using zero-hours <i>and</i> short-hours contracts	2	4
Employers using <i>neither</i> zero-hours nor short-hours contracts	72	67

Source: CIPD *Labour Market Outlook* surveys

**Figure 3: Proportion of an organisation's workforce employed on zero-hours and short-hours contracts (%)**



Base: Employers who used zero-hours contracts/short-hours contracts and were able to estimate the proportion of the workforce on them (n=330 and n=106)  
Source: CIPD combined *Labour Market Outlook* dataset, spring/summer 2015

In spring 2015, the mean proportion of the workforce employed on zero-hours contracts in the private sector organisations using them was 27%, whereas it was 11% in the public and voluntary sectors – again, similar proportions to 2013. Almost all organisations with more than half of the workforce on zero-hours contracts are in the private sector.

A best estimate for the number of zero-hours contract employees at spring/summer 2015 is 1.3 million, which is an increase from the 2013 estimate of 1 million. A best estimate for the number of short-hours contract employees is 400,000 (see box for details of these calculations).

Decisions on whether or not to use these types of contract can change. In spring 2015, 6% of employers who didn't use zero-hours contracts at that time had used them in the past. At the same time, 1% of employers who had never used zero-hours contracts planned to introduce them shortly and 2% were considering their introduction. Another 12% had no plans but might consider their use in the medium term. Nevertheless, over three-quarters (78%) of employers who have never used zero-hours contracts don't think they will ever use them. Half the employers in this group don't think they need that level of flexibility. There are also concerns about a negative impact on employee engagement

(mentioned by 44% of employers who will never introduce zero-hours contracts), their exploitative nature (33%) and the negative publicity that zero-hours contracts have generated (16%).

This suggests there may be limited scope for further increases in the proportion of employers using zero-hours contracts. This doesn't necessarily mean the number of people employed on these contracts is at or near a peak. Growth could still arise if organisations already using zero-hours contracts make greater use of them.

### Calculation of estimates of numbers of zero-hours and short-hours contract employees

Numbers of zero-hours and short-hours contract employees are estimated using the following calculation:

[Number of employees] x [% of employers using zero-hours/short-hours contracts] x [% of workforce on zero-hours/short-hours contracts]

Where:

The number of employees in businesses with two or more employees is 27.666 million, taken from the whole economy table of the 2015 UK business population estimates.

The proportions of employers using zero-hours contracts/short-hours contracts are 24.6% and 6.9% (arithmetic means of employment-weighted percentages from the spring and summer 2015 LMO surveys, see Table 2).

The proportions of the workforce on zero-hours/short-hours contracts where these are used are 19.7% and 21.9% (employment-weighted percentages taken from the combined LMO dataset, see Figure 3).

Multiplying these together gives estimates of 1.34 million for zero-hours contracts and 415,000 for short-hours contracts. Disaggregating the calculation using six employee size bands produces slightly different estimates (1.25 million and 400,000), so both estimates have been rounded to the nearest 100,000 to avoid appearing unduly precise.

Note that rounding does not correct for all the sources of uncertainty in these calculations. Other potential sources of variation include item non-response (in particular, 30% of employers using zero-hours contracts and 40% of employers using short-hours contracts don't know what proportion of their workforce are employed on these contracts), non-response bias in general, and imperfect understanding among employers of these contracts (even though definitions were provided).

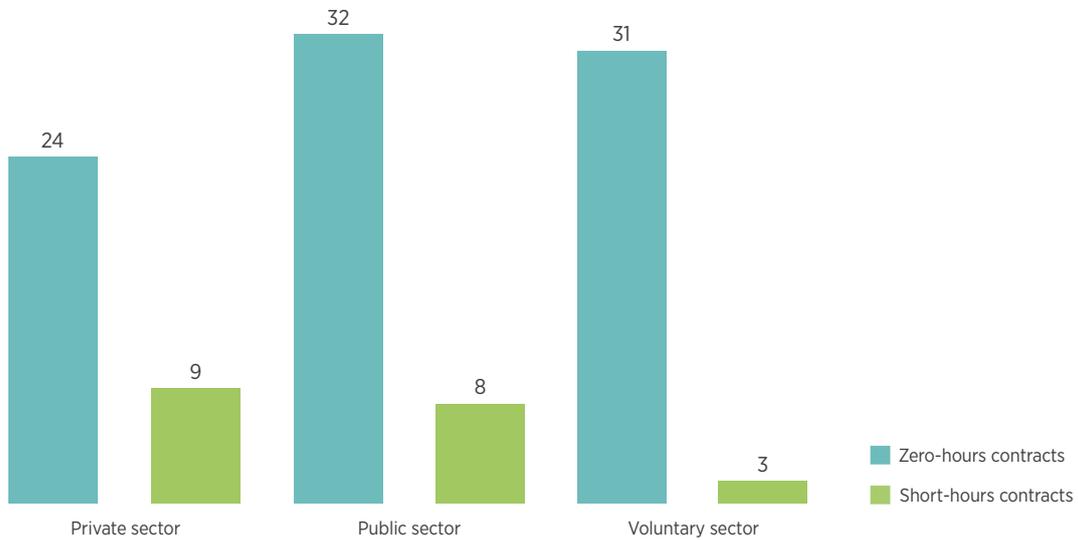
**Variation across employers in the use of zero-hours and short-hours contracts**

In line with previous CIPD research, employers in the public and voluntary sectors are more likely to use zero-hours contracts than private sector employers (see Figure 4). This is not the case with short-hours contracts, where the proportion using them is very similar in the private and public sectors, but lower in the voluntary sector.

These differences by sector arise because of significant differences between industries in the use of both types of contract (see Figure 5). Zero-hours contracts are most often used by employers in hotels, accommodation and food, health and social work (which includes social care), education and the voluntary sector.<sup>4</sup> Short-hours contracts are most prevalent in hotels, accommodation and food and in retail.

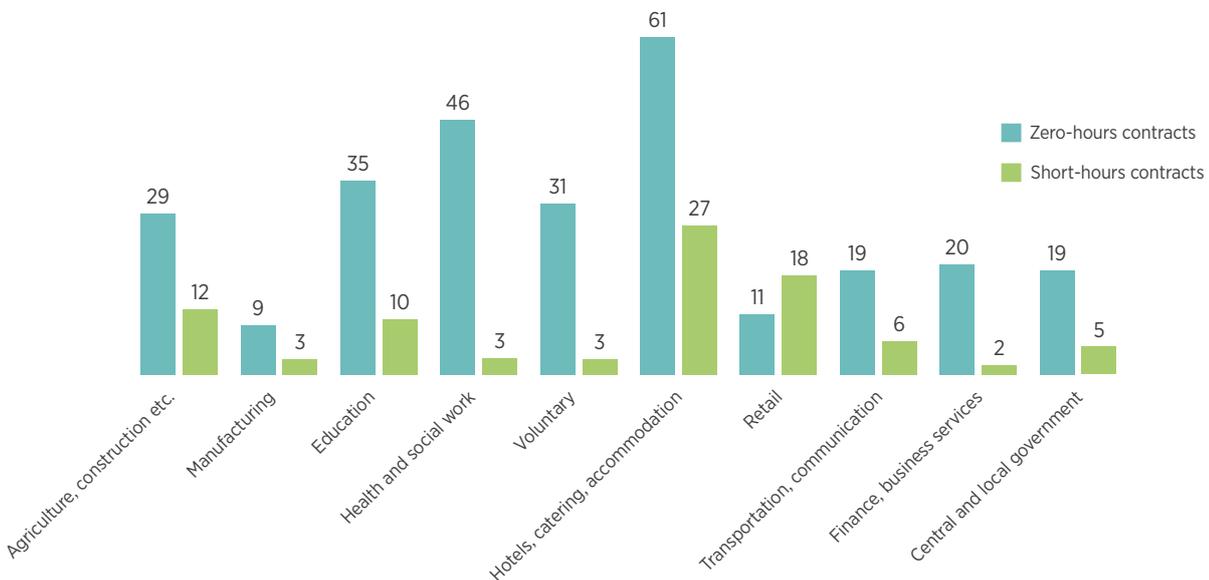
Large organisations are much more likely than small organisations to use zero-hours contracts and short-hours contracts (see Figure 6).

**Figure 4: Employer use of zero-hours and short-hours contracts, by sector (%)**



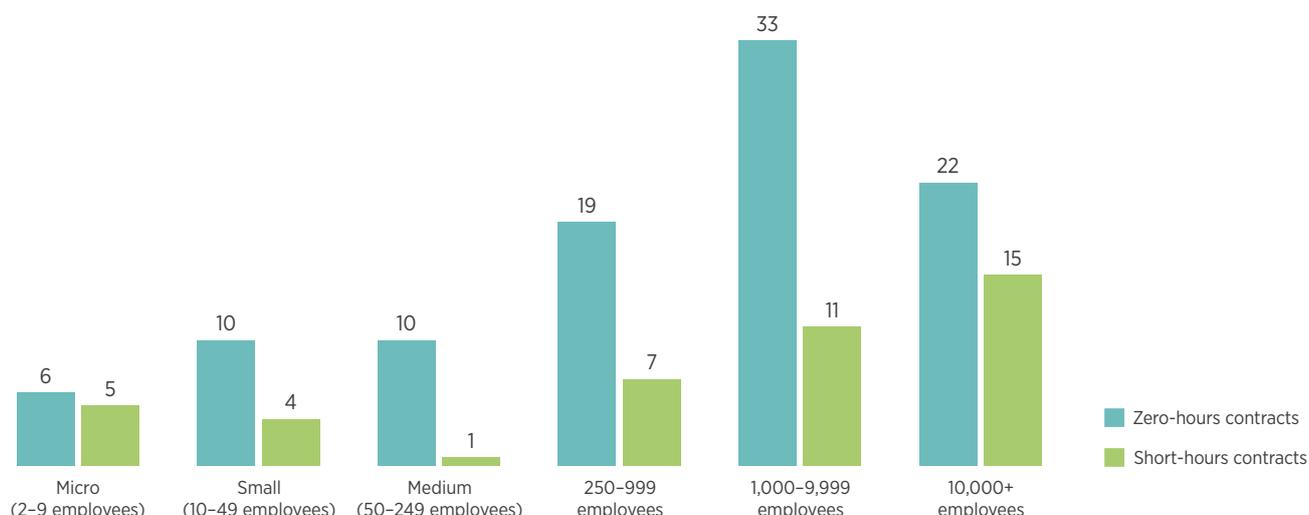
Source: CIPD Labour Market Outlook survey, summer 2015.

**Figure 5: Employer use of zero-hours and short-hour contracts, by industry (%)**



Source: CIPD combined Labour Market Outlook survey, summer 2015

**Figure 6: Employer use of zero-hours and short-hours contracts, by employee size band (%)**



Source: CIPD combined *Labour Market Outlook* survey, summer 2015

### How employers use zero-hours and short-hours contracts

The majority of organisations that use zero-hours and short-hours contract workers employ them directly, rather than through an employment agency, although a small minority use both direct and indirect employment models (see Table 3).

Employers use zero-hours and short-hours contract workers for a variety of jobs (see Figure 7). The jobs most commonly mentioned by employers are administrative and support roles, care work, cleaning and various hospitality-related functions. Some more skilled jobs (nursing, IT, teaching) are also mentioned. The distribution of roles for short-hours contract

workers is similar. The main differences are that employers using short-hours contracts are more likely to highlight driver, caretaker and retail roles and less likely to be using them for administrative and support staff, cleaners and nurses.

**Table 3: Arrangements for the employment of zero-hours and short-hours contract workers (%)**

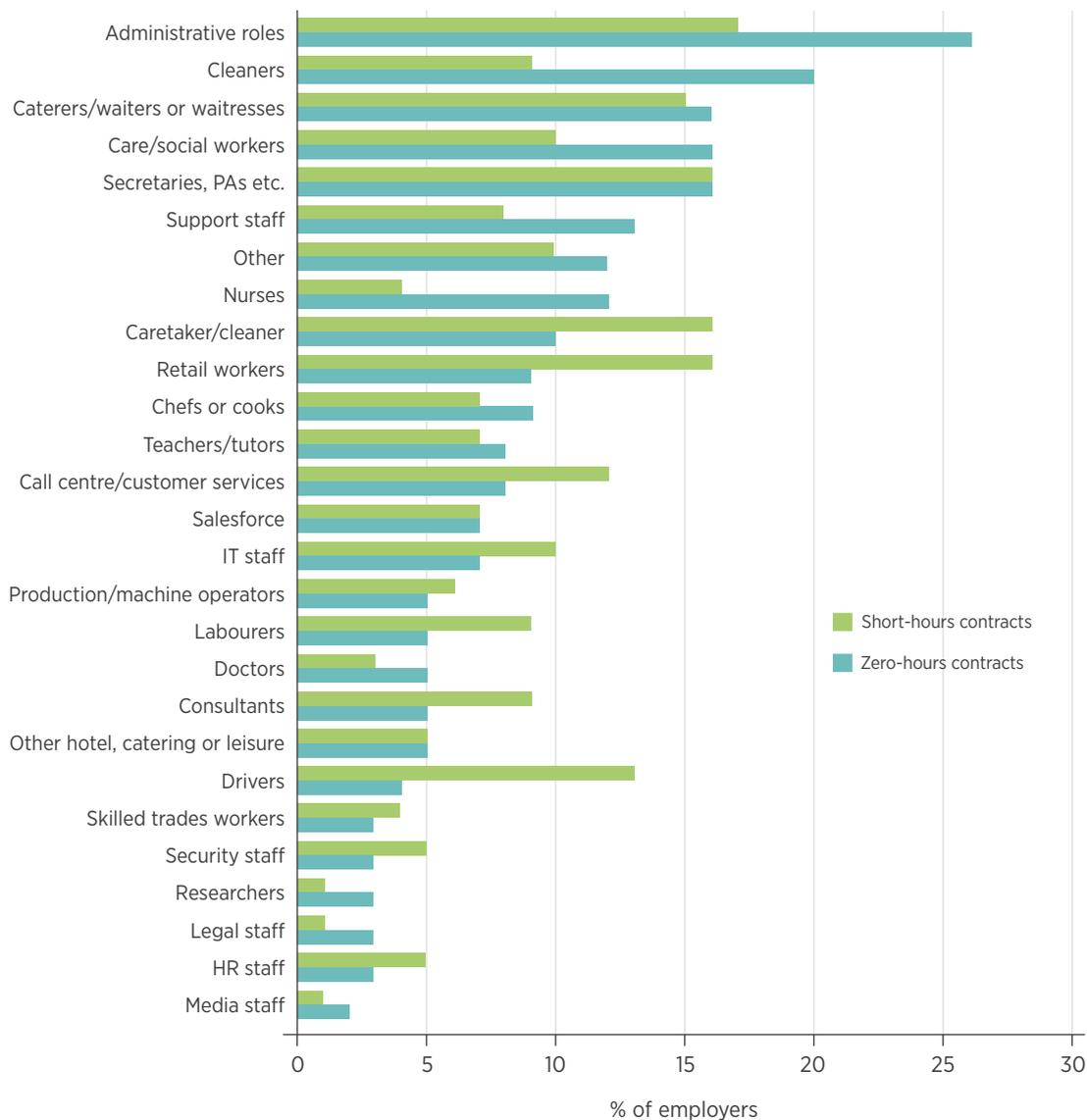
	Employers using zero-hours contracts (n=215)	Employers using short-hours contracts (n=104)
Direct employment	78	75
Employment via an agency	6	15
Both	15	7

Sources: CIPD *Labour Market Outlook* survey, spring 2015 (zero-hours contracts); combined CIPD *Labour Market Outlook* dataset, spring/summer 2015 (short-hours contracts)

Employers generally use zero-hours and short-hours contracts for a limited number of specific jobs rather than for a wide range of different ones. The list of jobs shown in Figure 7 has 27 different categories, but 83% of employers using zero-hours contracts and 86% of employers using short-hours contracts use them in no more than three different roles.

Employers were asked, 'On average, how many hours per week does a member of staff employed under a zero-hours contract/short-hours contract work at your organisation?' Over two-fifths of employers using zero-hours contracts and a third of employers using short-hours contracts were unable to provide an answer. Where an average or

**Figure 7: Roles filled by zero-hours and short-hours contract workers**



Source: CIPD *Labour Market Outlook* survey, spring 2015 (zero-hours contracts, n=215); combined CIPD *Labour Market Outlook* dataset, spring/summer 2015 (short-hours contracts, n=157)

*‘The mean number of hours typically worked by zero-hours contract workers is 19.4, compared with 11.4 for short-hours contract workers.’*

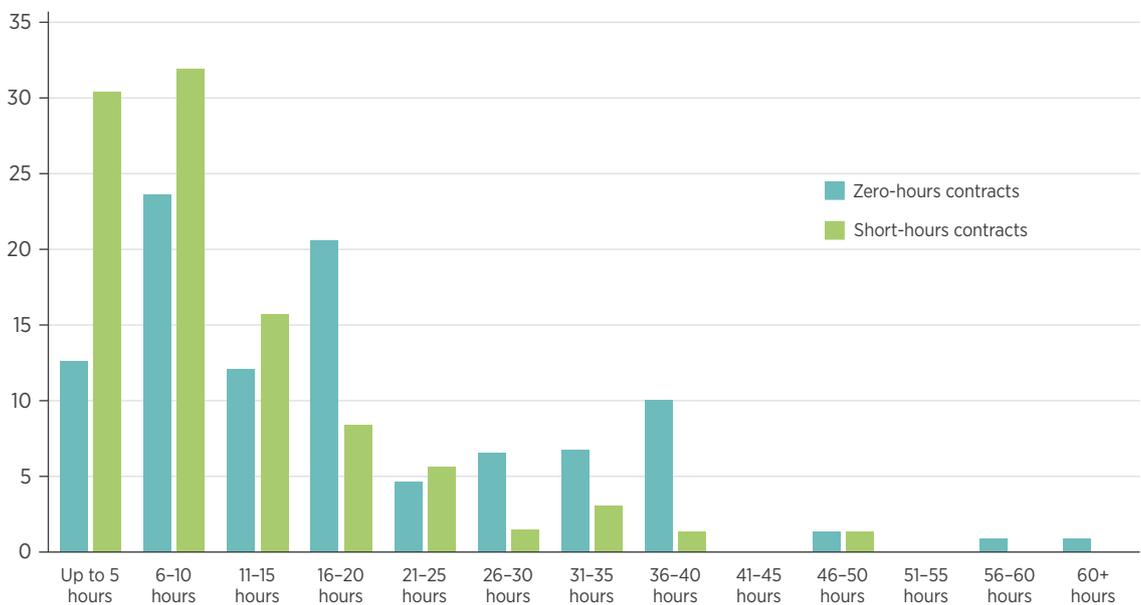
typical number of hours could be provided, zero-hours contract workers usually work considerably longer hours than short-hours contract workers (see Figure 8).

The mean number of hours typically worked by zero-hours contract workers is 19.4, compared with 11.4 for short-hours contract workers. Whereas 20% of employers with zero-hours contract workers typically employ them for 30 or more hours each week – which, for statistical purposes, would count as full-time employment – this is the case for just 5% of employers using short-hours contract workers.

Employers were also asked about the qualitative nature of their working time arrangements: *‘Which description best describes*

*the typical working hours pattern of a member of staff that is employed under a zero-hours contract/short-hours contract at your organisation?’* Over two-fifths of employers using both types of contract choose to emphasise their role in driving working time patterns (see Table 4). One in six place the employee in the driving seat. About two-fifths of employers using each type of contract focus on the variability of working time. Here, there is a noticeable difference between the two contracts. Employers using zero-hours contracts are more likely to emphasise variability and the impossibility of being able to describe a typical working pattern. Employers using short-hours contracts are more likely to stress a degree of regularity in the hours and days worked each week.<sup>5</sup>

**Figure 8: Distribution of typical weekly hours for zero-hours and short-hours contract workers (%)**



Source: CIPD *Labour Market Outlook* survey, spring 2015 (zero-hours contracts, n=210); combined CIPD *Labour Market Outlook* dataset, spring/summer 2015 (short-hours contracts, n=71)

## Why employers use zero-hours and short-hours contracts

The employment and management practices used by an organisation depend, among other factors, on its strategic orientation, market positioning, how it competes and its internal culture (see CIPD 2014b, Wu et al 2014, Wood et al

2013, Winterbotham et al 2014). Data collected in the summer 2015 LMO captured various aspects of organisation strategy and mindset.<sup>6</sup> In general, these factors seem to account for little of the variation across employers in the use of zero-hours and short-hours contracts (see Table 5).

**Table 4: Typical working hours patterns of zero-hours and short-hours contract workers (%)**

	Employers using zero-hours contracts (n=215)	Employers using short-hours contracts (n=104)
Working hours are driven largely by the employer	44	43
Working hours are driven by the individual	15	16
Hours are broadly the same each week	14	21
Hours vary greatly each week	10	3
Working days are broadly the same each week	3	10
Working days vary greatly each week	3	1
It is impossible to tell	9	4
Don't know	2	2

Sources: CIPD *Labour Market Outlook* survey, spring 2015 (zero-hours contracts); combined CIPD *Labour Market Outlook* dataset, spring/summer 2015 (short-hours contracts)

**Table 5: Use of zero-hours and short-hours contracts, by product/service strategy, organisation culture and mindset (%)**

	Employers using zero-hours contracts	Employers using short-hours contracts
<b>Product/service strategy</b>		
Premium quality (n=560)	27	5
Basic/standard quality (n=295)	27	14
<b>Organisation culture</b>		
Family (n=354)	24	7
Structured (n=306)	31	8
Entrepreneurial (n=109)	20	5
Results-oriented (n=160)	23	12
<b>Organisation mindset</b>		
Survivor (n=200)	26	8
Cost-cutter (n=131)	12	11
Balanced investor (n=165)	28	7
People-focused investor (n=110)	28	10
Capital-focused investor (n=128)	30	5

Source: CIPD *Labour Market Outlook* survey, summer 2015

The summer 2015 LMO also asked respondents to identify current priorities for their organisation (see Figure 9). Again, employers using zero-hours and short-hours contracts tend not to differ much from other employers. However, employers using zero-hours contracts are more likely to give priority to increasing organisational responsiveness to change, regulatory compliance and improving reputation and brand. It is not possible to determine

whether the use of zero-hours and short-hours contracts is determined by business priorities or whether business priorities might be influenced by the use of zero-hours contracts and short-hours contracts. Using zero-hours contracts is an understandable strategy for organisations seeking to improve their ability to deploy labour flexibly and quickly. However, the negative publicity attached to zero-hours contracts could also be the reason why

employers using them are more likely to be concerned about reputation and brand (and, perhaps, regulatory compliance).

The use of zero-hours and short-hours contracts sometimes forms part of a broader approach to the flexible deployment of labour. Both zero-hours and short-hours contracts are more common in organisations where 11% or more of the workforce are temporary contract workers (see Table 6).

**Figure 9: Current priorities for the organisation (%)**



Source: CIPD Labour Market Outlook survey, spring 2015 (n=929)

**Table 6: Use of zero-hours and short-hours contracts, by presence of temporary contract workers (%)**

% of workforce made up of workers on temporary contracts	Employers using zero-hours contracts	Employers using short-hours contracts
0% (n=339)	9	3
1-10% (n=318)	26	6
11-25% (n=122)	45	16
26%+ (n=147)	42	15

Source: CIPD Labour Market Outlook survey, summer 2015

Employers who used zero-hours and short-hours contracts were asked a specific question about their reasons for using them (see Figure 10). The most common reasons given for using both types of contract are to manage fluctuations in demand, provide flexibility for the individual and provide cover for absences, both expected (such as holidays) and unexpected (such as sickness absence). Reducing costs is a specific objective for about one-fifth of employers using both types of contract and some employers also mention the costs associated with employment of agency workers (both fees and meeting regulatory requirements). Only 11% of employers using short-hours contracts say they use them in order to avoid the negative publicity surrounding zero-hours contracts.

Almost half (47%) of employers using zero-hours contracts see them as a long-term feature of

their workforce strategy, likely to still be in use in four or more years' time. In contrast, just 13% of employers using zero-hours contracts see them as a short-term element in their plans, unlikely to be used in 12 months' time, with 29% thinking they might have a lifespan of two to three years – very similar responses to those provided by employers in 2013. Employers in the public sector and employers with more than 10% of the workforce on zero-hours contracts are more likely to consider them part of their long-term workforce strategy.

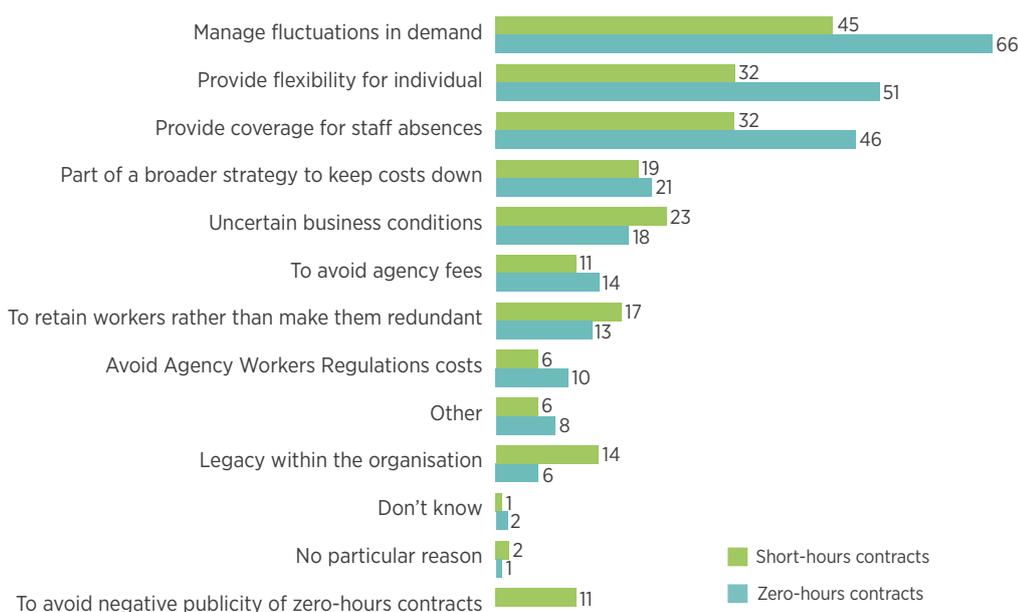
The priorities, mindset, market positioning and internal culture of an organisation are not, in general, significant influences on whether or not it uses zero-hours or short-hours contracts. Nor indeed are industry or sector, although organisation size does increase the likelihood of using these contracts. The main influences on whether or not these contracts

are used appear to be the nature of the work, the variability and predictability of customer demand and staffing requirements, and the extent to which they are part of a broader workforce flexibility agenda. Employee preferences also play a role, as does a desire to manage costs.<sup>7</sup>

### The practical operation of zero-hours contracts

One strand of the debate around zero-hours contracts has centred on their advantages and disadvantages and on whether or not it would be desirable (or feasible) to restrict or prohibit their use. A second strand has focused on specific issues associated with how zero-hours contracts are used in the workplace and whether there is a case for regulations governing how they are used. One example is exclusivity clauses, which the Government has prohibited. Other issues that have featured in the debate include employment status, the

Figure 10: Reasons why employers use zero-hours and short-hours contracts (%)



Respondents could select more than one reason  
 Source: CIPD *Labour Market Outlook* surveys, spring 2015 (zero-hours contracts, n=215); combined CIPD *Labour Market Outlook* dataset, spring/summer 2015 (short-hours contracts, n=104)

information provided to employees (including notice of when work is not available or when a zero-hours contract is terminated) and their treatment in terms of pay and other benefits. Data covering these topics were collected in the spring 2015 LMO.

Employers using zero-hours contracts were asked: *'In practice, how does your organisation generally classify the employment status of staff who are on a zero-hours contract?'* The picture is similar to 2013: most employers of zero-hours contract staff (67%) classify them as employees, with 19% classifying them as workers, 5% as self-employed, 6% not classifying their status and 1% unaware.<sup>8</sup>

A large majority of employers using zero-hours contracts (81%) provide them with a written contract, 8% do not provide a contract and 8% say it varies, with 3% unsure because workers are supplied by

a recruitment agency. Where a written contract is provided, 86% of these employers say it records employment status. Of course, whatever is stated in a contract may not match employment status in law. This ultimately would be determined by a tribunal on the basis of all the relevant evidence, including (but not restricted to) the contents of the written contract of employment.

Employers were asked whether employees on zero-hours contracts are under a contractual obligation to accept work if it is offered to them. They were also asked: *'Regardless of what the contract says, are staff on zero-hours contracts within your organisation expected to accept work in practice?'* More than half of employers (58%) give employees the freedom in contract to turn work down and say they also honour this in practice (see Table 7). However, a fifth of

employers (21%) say that contracts give workers the right to turn work down when, in practice, they are always or sometimes expected to accept all work offered to them. This would appear to violate the spirit, and possibly the letter, of the employment contract.

Employers were also asked whether they have a contractual provision, practice or policy on the amount of notice given to staff on zero-hours contracts when a shift is cancelled or when the company's relationship with the individual is terminated (see Table 8). Two-thirds (66%) of employers say they have some form of policy or practice on notice of termination, compared with 55% in 2013. Less than half of employers (45%) say they have policies or practices when it comes to cancelling a shift. There is some uncertainty here among employers, with 20% unsure what the position is in at least one of these situations.

**Table 7: Contractual and practical obligations on zero-hours contract workers to accept all work offered**  
% of employers using zero-hours contracts, excluding 'don't know' responses (n=205)

Contractual obligation	Regardless of contract, whether practical obligation exists			Row totals
	Yes – obliged to accept	No – free to turn down	Sometimes	
Yes – obliged to accept	13	1	0	14
No – free to turn down	11	58	10	79
Sometimes	2	<0.5	6	8
Column totals	25	59	15	

Source: CIPD Labour Market Outlook survey, spring 2015.

**Table 8: Existence of contractual provision, practice or policy on amount of notice given to zero-hours contract workers**  
% of employers using zero-hours contracts (n=215)

Notification of cancellation of shift	Notification of termination			Row totals
	Yes	No	Don't know	
Yes	41	2	2	45
No	21	17	1	38
Don't know	4	1	12	17
Column totals	66	20	15	

Source: CIPD Labour Market Outlook survey, spring 2015.

Employers were asked to provide additional information on their policies or procedures, if they had them. The number of answers in each case was too small for statistical analysis but some common themes emerged. When it came to cancellation of a shift, some employers emphasise this rarely or never happens, at least once a rota has been drawn up. The most commonly mentioned notice periods are 24 or 48 hours before a shift commences. Some employers specifically say they will pay the employee if the shift is cancelled at shorter notice. A number of employers do not allow employees to cancel shifts once they have accepted them, whereas others also have minimum notice periods for employees who want to cancel work at short notice. As

for termination of the employment relationship, some employers say they treat zero-hours contract employees in the same way as other employees when it comes to procedures and calculating notice periods. Otherwise, commonly specified notice periods are one week and one month.

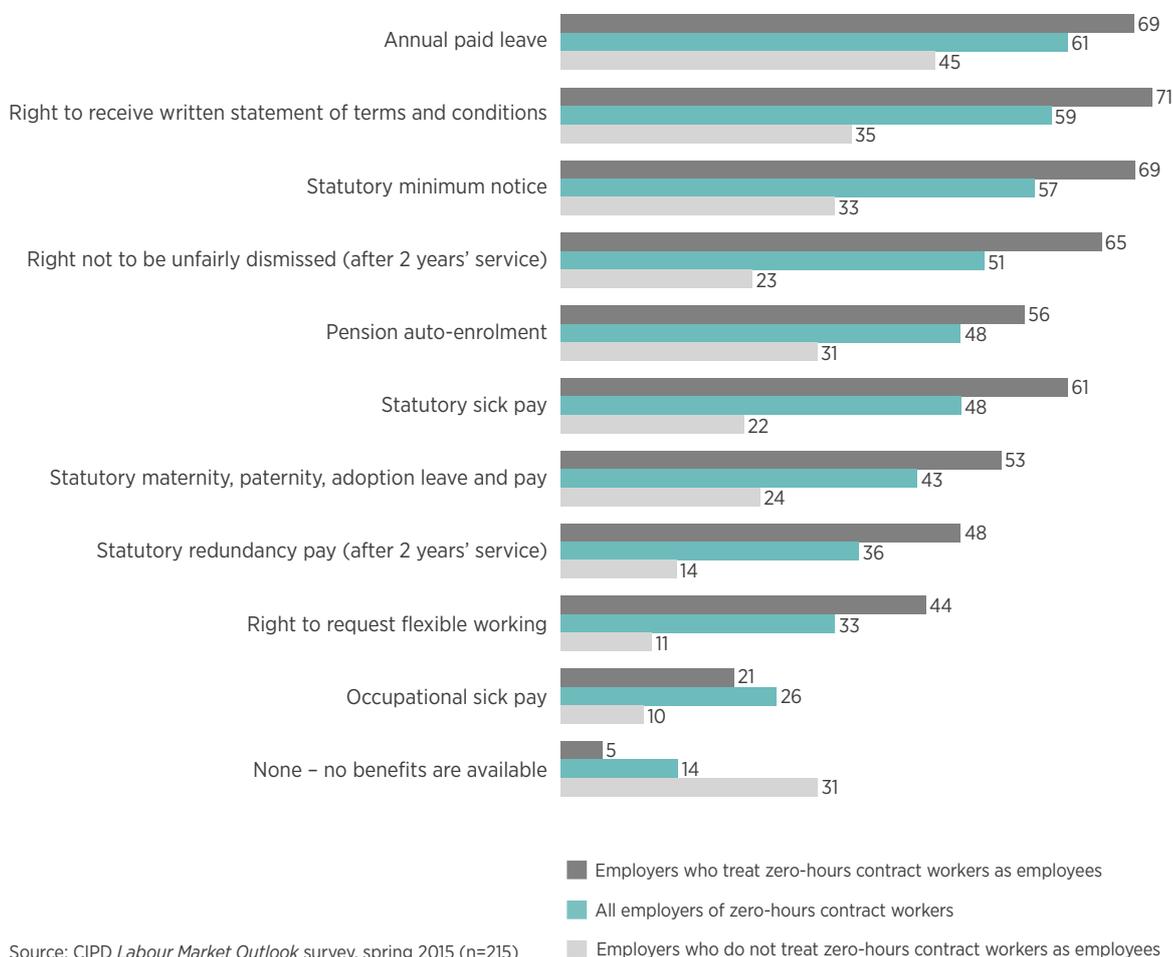
The majority of employers using zero-hours contracts (63%) pay zero-hours contract staff about the same hourly rate as those on a permanent contract doing the same job. Some employers (16%) pay a higher rate and others (9%) pay a lower rate. A small proportion (4%) don't know the relative pay rate and for 9% the question doesn't apply, presumably because there are no situations where people with zero-hours contracts and permanent

contracts are doing the same job. As the proportion of the workforce on zero-hours contracts increases, it becomes less and less likely that people on zero-hours contracts and permanent contracts are doing the same job.

Over four-fifths (82%) of employers using zero-hours contract workers say they are eligible for company training and development, with just 13% saying this is not the case.

Entitlements of zero-hours contract staff to a range of benefits and rights – many specified in employment legislation – depend to a large extent on whether or not their employer is one of the 67% that classifies them as employees (see Figure 11).

**Figure 11: Benefits available to people on zero-hours contracts (%)**



Source: CIPD *Labour Market Outlook* survey, spring 2015 (n=215)

Employers are most likely to say people on zero-hours contracts are entitled to annual paid leave (61%), the right to receive a statement of written terms and conditions (59%) and the statutory minimum notice period (57%). Employers are least likely to give them entitlement to occupational sick pay (21%), which is discretionary.

Reported entitlements have changed little since 2013, but there has been a noticeable increase in the proportion of employers saying zero-hours contract workers are entitled to pension auto-enrolment, up from 38% in 2013 to 48% in 2015. During this period, the coverage of auto-enrolment across businesses has expanded significantly.<sup>9</sup>

It is difficult to judge the degree of compliance with relevant employment law from these data. Entitlement depends on employment status: none of these

entitlements are available to the self-employed and all but paid annual leave are not available to workers. As noted above, employment status in law depends on a wider range of factors than whether the employer decides to treat people as employees or as workers. In addition, there are sometimes restrictions on entitlement that were not included in the question put to employers (for example, minimum earnings thresholds for statutory maternity, paternity, adoption leave and pay and a requirement for 26 weeks' continuous service before being able to exercise the right to request flexible working).

#### Exclusivity clauses

The CIPD supports the prohibition of exclusivity clauses for zero-hours contract workers. However, its response to the Government's public consultation noted that exclusivity clauses aren't used solely for zero-hours contract

workers. Employers might have valid business reasons for prohibiting employees from working for other employers, or requiring them to obtain permission before doing so, such as protecting intellectual property or preventing their employees from working for competitors (CIPD 2014a).

The spring 2015 LMO included a question designed to capture the extent to which employers placed restriction on those working for them: 'On balance, which, if any, workers are at least occasionally prohibited from working for another company?' Nearly half (45%) of employers have no restrictions preventing employees from working for another company. Restrictions typically apply to full-time or permanent employees only (see Table 9).

Employers in the voluntary sector and in small organisations

**Table 9: Restrictions on working for another company (% of employers)**

	No employees prevented from working for another company	Full-time employees only	Permanent employees only	All zero-hours contract workers	Too difficult to say/don't know
Private sector (n=653)	44	29	18	2	14
Public sector (n=249)	45	17	13	1	26
Voluntary sector (n=110)	60	9	11	0	20
Micro (2-9 employees) (n=161)	64	22	14	0	7
Small (10-49 employees) (n=177)	51	32	16	0	10
Medium (50-249 employees) (n=233)	43	25	19	<0.5	16
250-999 employees (n=114)	43	21	15	3	16
1,000-9,999 employees (n=192)	40	22	16	3	21
10,000+ employees (n=135)	37	29	20	2	23
Employer uses zero-hours contracts (n=215)	49	17	13	6	13
Employer doesn't use zero-hours contracts (n=783)	44	27	18	n/a	17
All employers (n=1,012)	45	25	17	1	17

Row totals do not add to 100% because respondents could select more than one category and the table does not report additional categories where the number of responses was very small ('All employees but zero-hours contract workers' and 'Other').

Source: CIPD *Labour Market Outlook* survey, spring 2015

are most likely to say that no employees are prevented from working for another company. Larger organisations are typically more bureaucratic and more likely to have specialist HR capability, which makes them more likely to envisage (and experience) potential conflicts and devise policies for dealing with them. But size also means it is more difficult for any survey respondent to know about practice on the ground, hence part of the difference is due to smaller organisations being less likely to choose the 'too difficult to say' or 'don't know' categories.

Only 6% of employers using zero-hours contract workers even occasionally prohibit them from working for another company. This suggests that the prohibition of exclusivity clauses is unlikely to affect many employers because few still had restrictions in place for zero-hours contract workers when the legislation came into force.

# Employee perspectives

This section reports the characteristics, attitudes and preferences of employees on zero-hours and short-hours contracts, in many cases providing comparisons with other employees.

All the data presented are based on surveys where the classification of employees is based on their responses to questions about guaranteed number of hours. Hence the accuracy of the results depends on how well informed employees are about the terms regulating their employment. The publicity surrounding zero-hours contracts undoubtedly means that more employees are aware of their existence than, say, five years ago. And this probably means more employees with no guaranteed hours (or small numbers of guaranteed hours) are aware

of their position. Nevertheless, there invariably will be some measurement error in the data.

The latest LFS data for April–June 2015 provide detailed information on the characteristics of zero-hours contract workers together with information about their pay, hours and permanent/temporary status. The summer 2015 EO provides additional data on employees with zero-hours contracts as well as data on short-hours contract employees (defined here as those with up to eight hours a week of guaranteed work).<sup>10</sup>

## Characteristics of zero-hours contract employees

According to the LFS, of the estimated 744,000 zero-hours contract employees in April–June 2015, 46% are men and 54% are women.

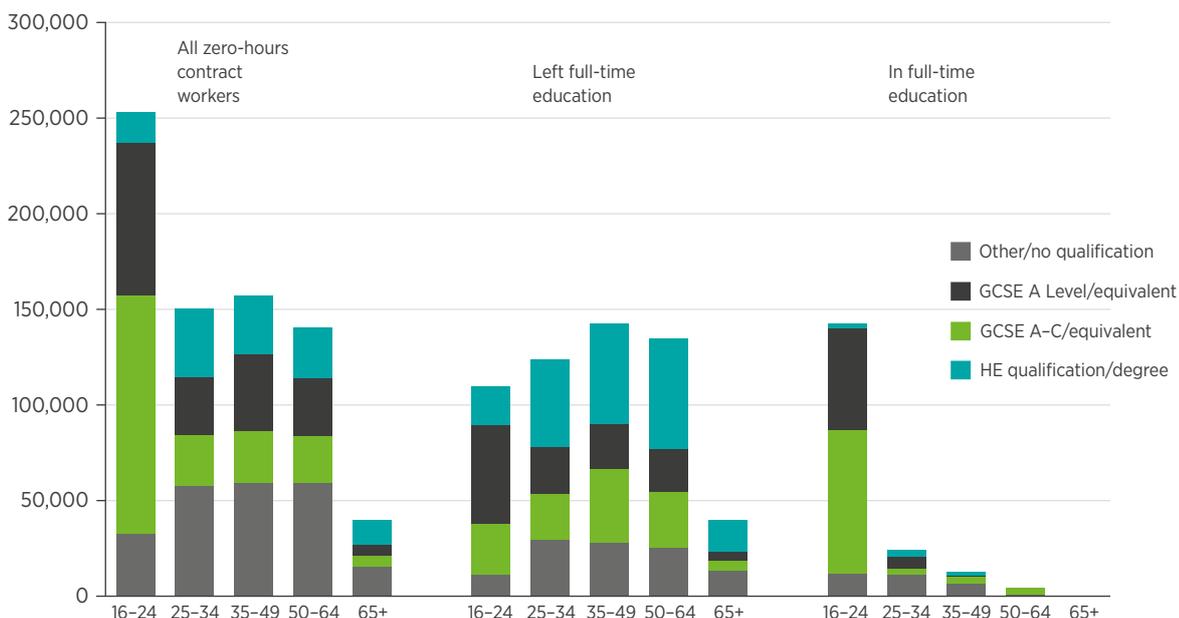
Exactly one-quarter of zero-hours contract employees are students still in full-time education. This helps to explain why a third of zero-hours contract employees are aged under 25, as the majority of these are students (see Figure 12). One-fifth of zero-hours contract employees are aged 25–34, another fifth are aged 35–49, and just under a quarter are aged 50 or over.

Looking at zero-hours contract employees who have left full-time education, 57% of them have GCSE A Level or higher education qualifications, a proportion that varies relatively little by age group.<sup>11</sup>

## Hours worked and employment status

According to the LFS, the mean number of hours actually worked by zero-hours contract employees

**Figure 12: Zero-hours contract workers by age, educational status and highest educational qualification**



Source: Office for National Statistics, Labour Force Survey, April–June 2015

in April–June 2015 is 22.2, which is considerably shorter than the average for all those in employment (32.3 hours). The mean hours *usually* worked by zero-hours contract employees is 25.1 hours. Variability is a defining feature of zero-hours contracts, so it is not surprising that the proportion of zero-hours contract employees whose actual hours worked in the survey reference period matched their usual hours (41%) is lower than that for all in employment (56%).<sup>12</sup>

The LFS shows that the majority (59%) of zero-hours contract employees do not want to work more hours, compared with 88% of all those in employment. A quarter (24%) of zero-hours contract employees would like to work additional hours in their current job, with 12% wanting a

replacement job with longer hours and 5% wanting an additional job (presumably while keeping their current job with its current hours).

The mean number of hours usually worked by zero-hours contract employees in the summer 2015 EO is 23.9, which is almost identical to the 2013 estimate of 23.7 hours. Just over half (52%) of zero-hours contract employees usually work for less than 25 hours a week, although one-seventh (14%) work for longer than 40 hours each week (see Figure 13).

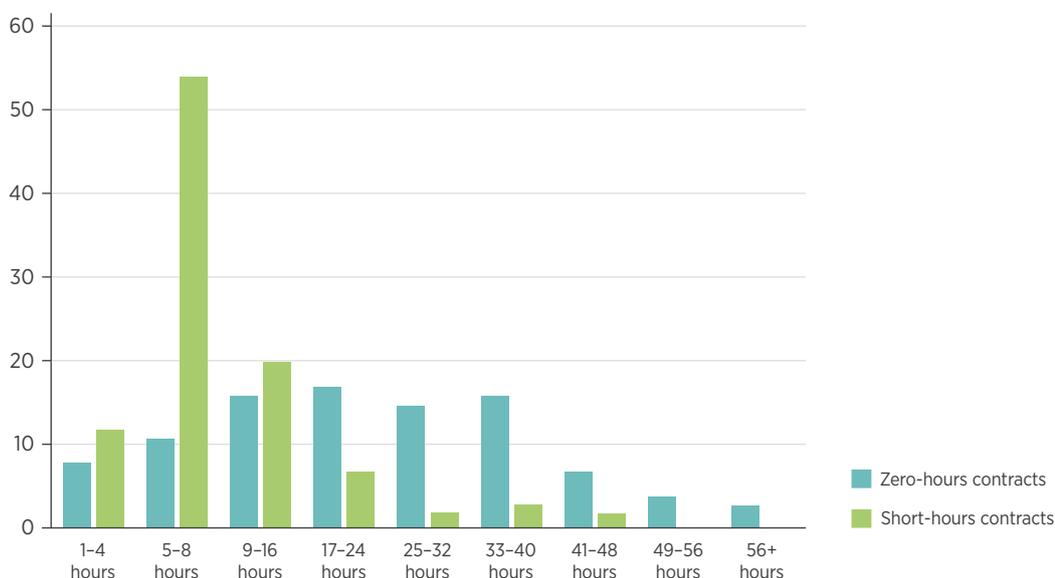
Short-hours contract employees typically work far fewer hours each week than zero-hours contract employees and the distribution of hours worked is more compact. The median short-hours contract involves five to eight hours' work each week and the mean number

of hours usually worked is 9.2 hours. Only 5% of short-hours contract employees usually work over 32 hours each week, which corresponds roughly with full-time hours.

A comparison of Figure 13 with Figure 8 suggests the distributions of usual hours worked each week reported by employers of those on zero-hours and short-hours contracts are quite similar to the distributions of hours worked reported by employees on these contracts.

Almost three-fifths (59%) of zero-hours contract employees in the summer 2015 EO describe themselves as working part-time, a similar proportion to that found in the LFS (64%) (see Figure 14). Given their shorter working hours, it is not surprising that 94% of short-

**Figure 13: Distribution of usual hours worked by zero-hours and short-hours contract employees (%)**



Source: CIPD *Employee Outlook* survey, spring 2015 (zero-hours contract employees, n=355; short-hours contract employees, n=161)

hours contract employees consider themselves part-time. The vast majority of part-time employees say it is their choice to work part-time; this also applies to those zero-hours and short-hours contract employees who describe themselves as part-time. Almost all of the small minority of 'involuntary' part-time employees want to work more hours, regardless of whether or not they have a zero-hours or short-hours contract. In addition, 18% of 'voluntary' part-time employees want to work more hours. This proportion, however, rises to 22% for 'voluntary' part-time employees on zero-hours contracts and 25% for similar employees on short-hours contracts.<sup>13</sup>

Part-time employees who want more hours were asked if they had asked their employer for more hours within the last 12 months. Three-fifths (60%) have done so, with the proportion slightly higher for zero-hours contract employees

(64%) and slightly lower for short-hours contract employees (55%), although the differences are not statistically significant.

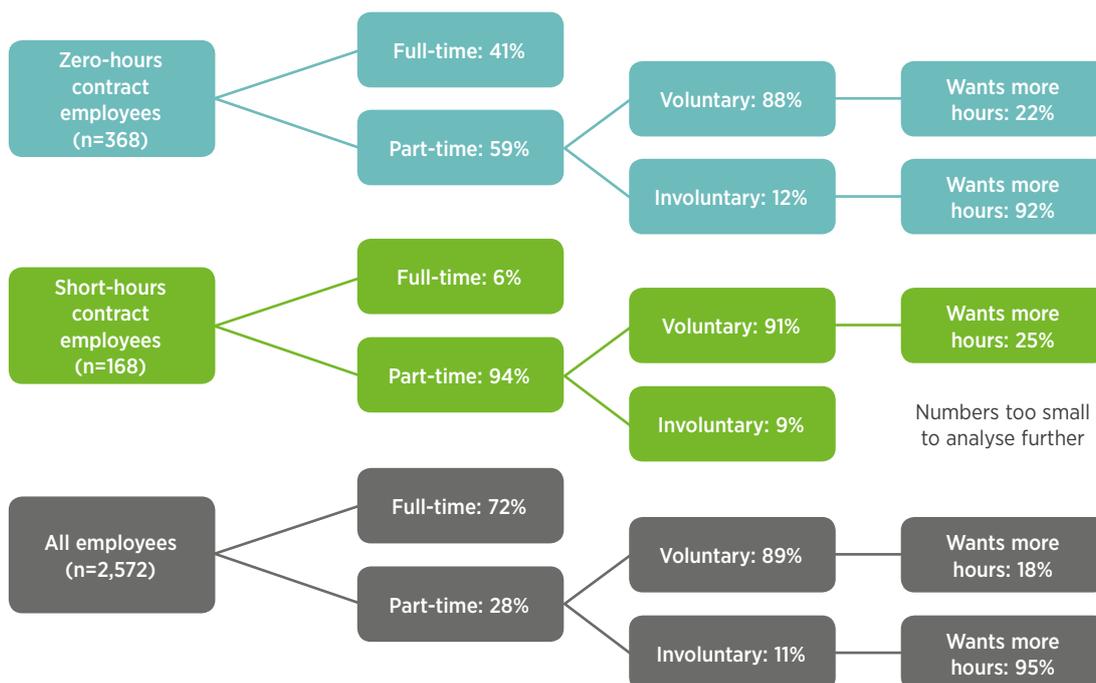
The most common factor preventing part-time employees from working more hours is a perception that their employer doesn't or cannot currently offer more hours, mentioned by 70% of part-time employees and short-hours contract employees and by 81% of zero-hours contract employees. Part-time employees who have asked for more hours are more likely to say this is a barrier (mentioned by 81%) than those who haven't asked for more hours (mentioned by 53% of this group).

Fear of adverse treatment from management does not appear to be a factor holding (part-time) employees back from asking for more hours: just 3% of part-time employees are reluctant or reticent to ask for more hours.

According to the April-June 2015 LFS, 258,000 zero-hours contract employees describe their job as not being permanent in some way, which is 35% of all zero-hours contract employees. Only a small fraction of these, 33,000, are agency workers.

The proportion of zero-hours contract employees surveyed in the summer 2015 EO describing their job as temporary (rather than permanent) is 37%, which is very similar to the LFS (see Figure 15). The proportion of short-hours contract employees in temporary work, at 17%, is lower. Like other temporary employees, just over half of temporary zero-hours contract employees say this is their choice (although a few of these would prefer a permanent contract). The vast majority of those who say their temporary status is not a matter of choice would prefer a permanent contract.

**Figure 14: Preferences for part-time work and for additional hours**



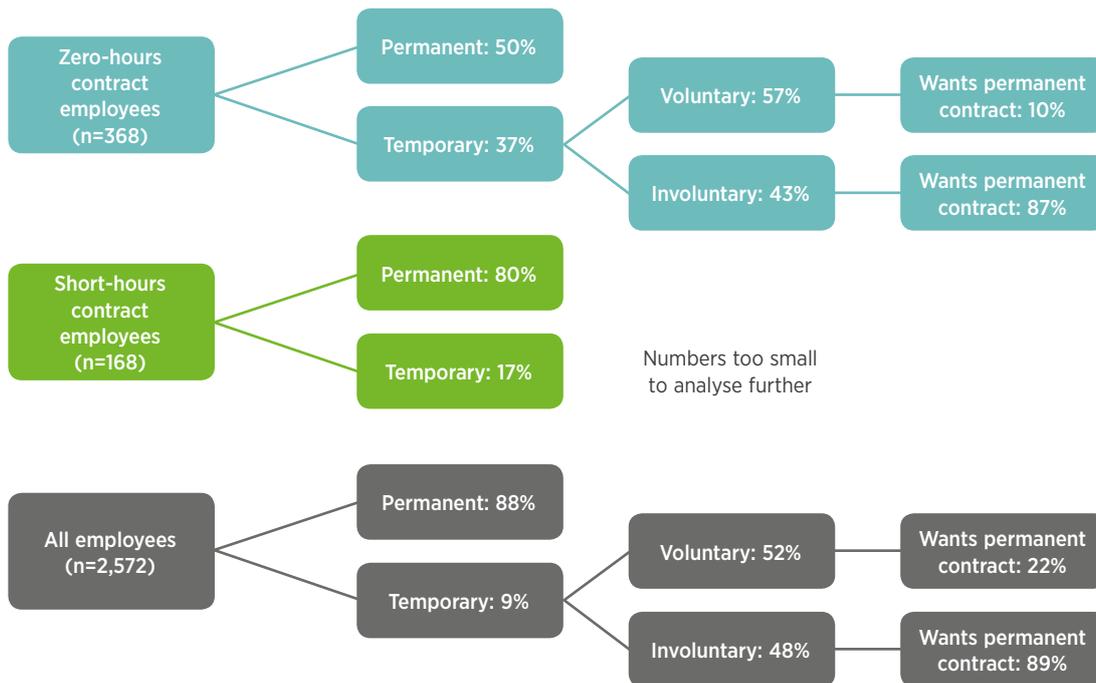
Source: CIPD *Employee Outlook* survey, summer 2015

While discussions of zero-hours contracts often focus on their relative novelty and precarious nature – with the constant threat of being ‘zero-ed down’ as a cheap way of terminating the

employment relationship – almost one-fifth of zero-hours contract employees have been with their current employer for over five years (see Figure 16). This may include some employees originally

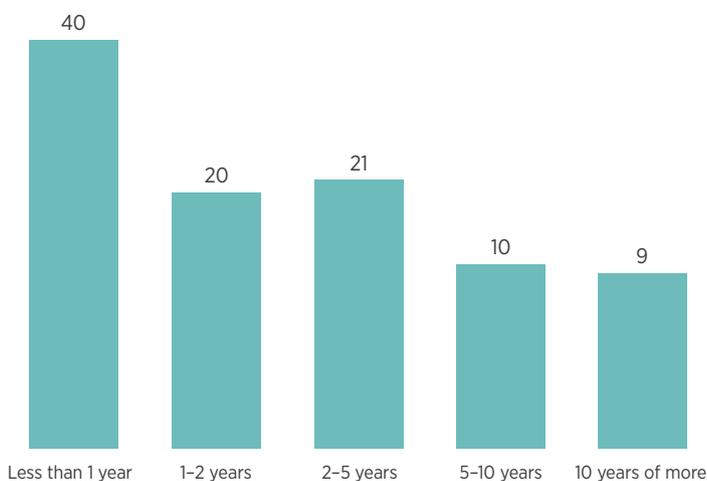
hired on different terms whose employment contracts have since been amended to place them on a zero-hours basis.

**Figure 15: Permanent/temporary status of zero-hours and short-hours contract employees**



Responses to the permanent/temporary question do not add to 100% because ‘don’t know’ responses are not recorded  
 Source: CIPD *Employee Outlook* survey, summer 2015

**Figure 16: Length of time with current employer for employees on zero-hours contracts (%)**



Source: Office for National Statistics, Labour Force Survey, April–June 2015

### Earnings

According to the LFS, mean earnings for zero-hours contract employees are £8 per hour, whereas they are £13 per hour for those not on a zero-hours contract (see Table 10). Part of the gap can be explained by compositional effects: zero-hours contract jobs tend to be concentrated in relatively low-paid industries,

such as accommodation and food. However, a difference exists in every broad industry grouping, although the gap in education – where many zero-hours contract employees are teachers or lecturers – is much smaller than elsewhere.

The EO data show that half of zero-hours contract employees and two-thirds of short-hours

contract employees earn less than £15,000 per year (see Figure 17). This is primarily the result of many people on these contracts working part-time (58% of all part-time employees earn less than £15,000). Nevertheless, there are a few zero-hours contract employees with relatively high earnings: 9% earn £45,000 or more.

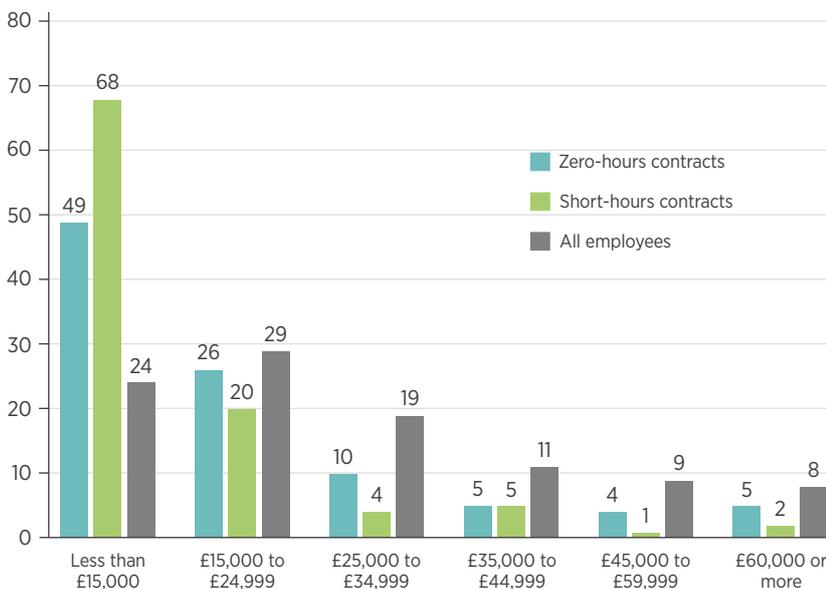
These data are not fine-grained enough to enable any judgement about whether zero-hours and short-hours contract employees are paid the same as other employees for doing the same kinds of work.<sup>14</sup> Most employers say they pay zero-hours contract employees a similar rate to other employees doing the same job.

**Table 10: Hourly earnings, by industry**

	In employment on a zero-hours contract (£) Mean	In employment and not on a zero-hours contract (£) Mean
Production, including agriculture	9	14
Construction	*	14
Wholesale and retail	7	10
Accommodation and food	6	8
Information, finance, professional	*	19
Admin and support services	8	12
Public administration	*	16
Education	13	14
Health and social work	9	13
Transport, arts, other services	8	12
Total	8	13

Source: Labour Force Survey, April–June 2015

**Figure 17: Distribution of annual earnings (%)**



Source: CIPD *Employee Outlook* summer 2015 (zero-hours contract employees, n=261; short-hours contract employees, n=125; all employees, n=1,949)

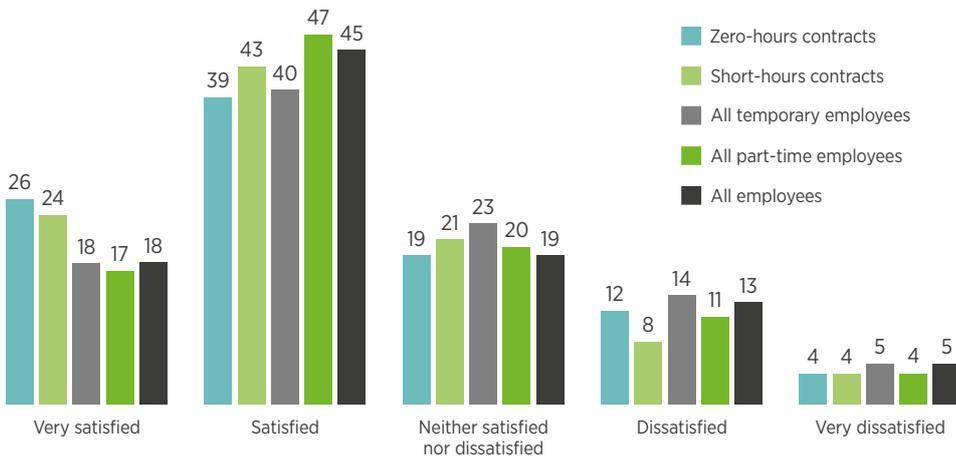
### Job satisfaction and well-being

The proportions of zero-hours contract and short-hours contract employees who are either very satisfied or satisfied with their jobs are – at 65% and 67% respectively – slightly higher than the proportion for employees as a whole, which is 63% (see Figure 18). Similarly, the proportions dissatisfied or very dissatisfied with their jobs – at 16% and 12% respectively – are lower than the proportion for employees as a whole (18%).

The summer 2015 EO also asked employees four questions used by the ONS to measure life satisfaction and these have been used to calculate a life satisfaction score for each employee (which can range from zero to a maximum of 40).<sup>15</sup> The mean score for all employees is 25.6 (see Table 11).

The mean scores for part-time employees, zero-hours contract employees and short-hours contract employees are slightly higher than for other employees.

Figure 18: Job satisfaction (%)



Source: CIPD *Employee Outlook* survey, summer 2015 (zero-hours contract employees, n=368; short-hours contract employees, n=168; all temporary employees, n=279, all part-time employees, n=869, all employees, n=2,558)

Table 11: Distribution of life satisfaction scores

	Zero-hours contract employees (n=364)	Short-hours contract employees (n=162)	All temporary employees (n=275)	All part-time employees (n=861)	All employees (n=2,558)
10th percentile	16	16	15	17	16
25th percentile	22	21	21	22	21
Median	26	28	26	27	26
75th percentile	32	33	31	32	31
90th percentile	36	36	35	36	35
<b>Mean</b>	<b>26.2</b>	<b>26.8</b>	<b>25.5</b>	<b>26.7</b>	<b>25.6</b>

Source: CIPD *Employee Outlook* survey, summer 2015

Satisfaction, though, does vary according to whether or not the employee is content with the number of hours they work (see Table 12). Part-time employees wanting to work more hours are much less likely to be satisfied with their job, and have lower life satisfaction scores, than employees who don't want more hours.<sup>16</sup> This applies regardless of whether an employee has a zero-hours or short-hours contract.

These data suggest that the job satisfaction and overall well-being of zero-hours and short-hours contract employees are similar to those of other employees *with similar characteristics and in similar positions*.<sup>17</sup> The remainder of this section explores the summer 2015

EO data further, looking at some of the factors known to influence job satisfaction.

### Relationships with managers and colleagues

Zero-hours contract employees are less likely than other employees to say they have a manager or supervisor or someone they report to as part of their job. Just 60% of zero-hours contract employees say this is the case, with a further 17% saying they sometimes have a manager and 23% having no manager. A higher proportion (75%) of short-hours contract employees say they have a manager and the proportion saying they do not have a manager (8%) is slightly lower than for employees as a whole (9%). Not that lack of

a manager may be a bad thing as far as the employee is concerned – employees without a manager have higher job satisfaction than employees with a manager!<sup>18</sup>

Zero-hours contract employees who have a manager are slightly more likely to be satisfied with their relationship with them than other employees are (see Table 13). Short-hours contract employees have an even more positive view of their managers, with 75% either very satisfied or satisfied with their working relationship. Zero-hours contract and short-hours contract employees are just as positive about working relationships with colleagues as other employees.

**Table 12: Job satisfaction and life satisfaction, by demand for more working hours**

	% very satisfied/satisfied with their job	Mean life satisfaction score
<b>Zero-hours contract employees</b>		
Want more hours (n=75)	34	23.4
Do not want more hours (n=179)	75	27.7
<b>Short-hours contract employees</b>		
Want more hours (n=52)	57	24.1
Do not want more hours (n=106)	74	28.0
<b>All part-time employees</b>		
Want more hours (n=230)	45	24.0
Do not want more hours (n=639)	71	27.6

Source: CIPD *Employee Outlook* survey, summer 2015

**Table 13: Relationships with managers and colleagues**

Satisfaction with line manager	Zero-hours contract employees (n=283)	Short-hours contract employees (n=154)	All employees (n=2,343)	Positive relationship with colleagues	Zero-hours contract employees (n=368)	Short-hours contract employees (n=168)	All employees (n=2,572)
Very satisfied	23	32	25	Strongly agree	32	32	27
Satisfied	46	43	40	Agree	49	50	54
Neither satisfied nor dissatisfied	20	17	18	Neither agree nor disagree	15	14	14
Dissatisfied	8	6	10	Disagree	2	3	3
Very dissatisfied	3	2	5	Strongly disagree	1	<0.5	1

Source: CIPD *Employee Outlook* survey, summer 2015

**Work-life balance, workload, pressure – and support in dealing with these**

Zero-hours contract employees – and short-hours contract employees, in particular – are more likely to see their work-life balance in a positive light than other employees (see Figure 19). This seems to occur primarily because zero-hours and short-hours contract employees are more likely to work part-time than other employees.

Poor work-life balance and low levels of job satisfaction and well-being are often associated with feelings of being consistently under excessive pressure and with heavy or uncontrollable workloads.

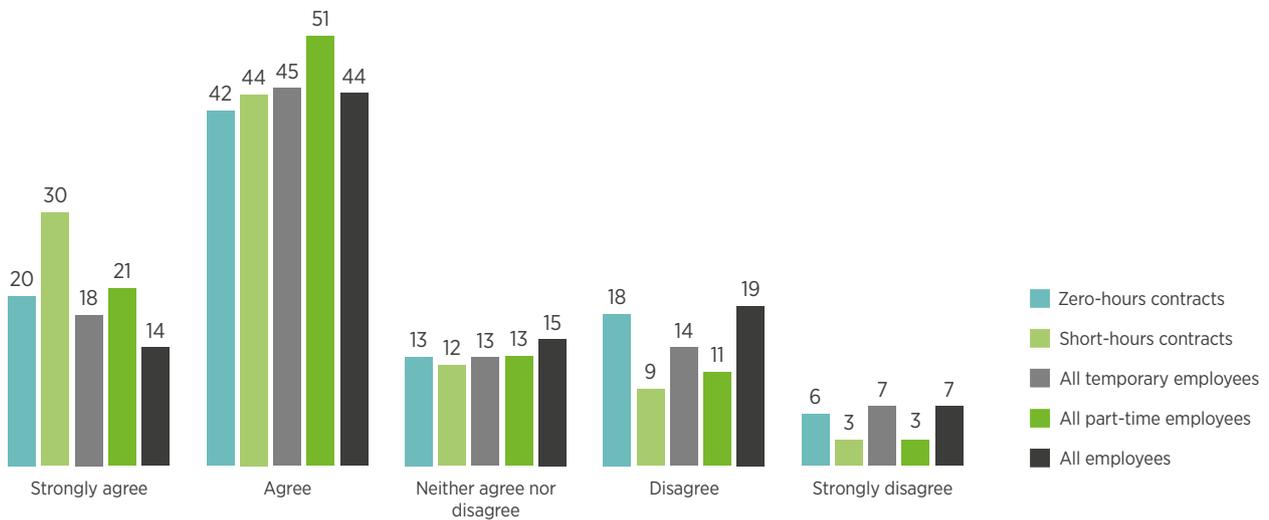
Over two-fifths (41%) of employees feel under uncomfortable and excessive pressure at work at least once or twice a week (see Figure 20). All the various forms of ‘atypical’ or ‘non-standard’ work

captured in this survey have lower proportions of employees feeling under excessive pressure. Hence 34% of temporary employees, 32% of zero-hours contract employees and 26% of part-time employees feel under excessive pressure at least once or twice a week. Short-hours contract employees are even less likely to report excessive pressure.

There is a strong correlation between perceptions of excessive

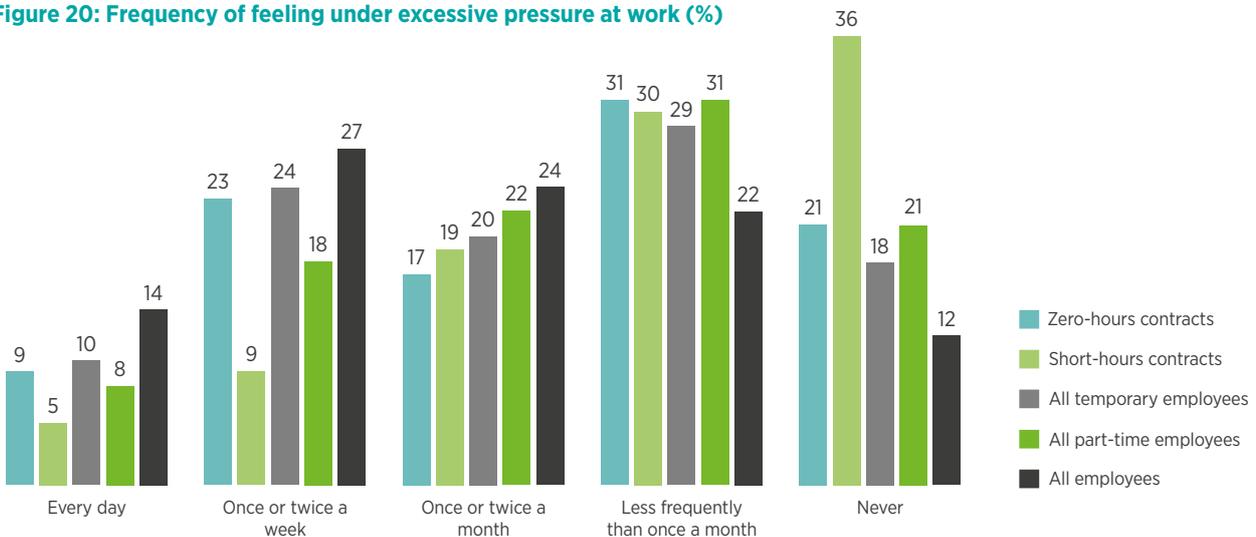
**Figure 19: Work-Life balance (%)**

‘I achieve the right balance between my work and home lives’



Source: CIPD *Employee Outlook* survey, summer 2015 (zero-hours contract employees, n=368; short-hours contract employees, n=168; all temporary employees, n=279, all part-time employees, n=869, all employees, n=2,558)

**Figure 20: Frequency of feeling under excessive pressure at work (%)**



Source: CIPD *Employee Outlook* survey, summer 2015 (zero-hours contract employees, n=368; short-hours contract employees, n=168; all temporary employees, n=279, all part-time employees, n=869, all employees, n=2,558)

pressure and excessive workloads.<sup>19</sup> For the 62% of employees who think their workload is ‘about right’, just 24% say they feel under excessive pressure at least once or twice a week. For the 30% who think their workload is ‘too much’, that proportion rises to 83% (see Table 14).

Zero-hours contract employees and temporary employees with excessive workloads are as likely as other employees in that position to feel under pressure – but they are much less likely to have an excessive workload. Short-hours contract employees are the least likely to regard their workload as excessive and the least likely to be under frequent pressure even when their workload is manageable.

The nature of zero-hours and short-hours contracts may help explain why employees on these contracts are less likely to say their workload is too much: the

link between time and outputs (and money) may be much clearer for these employees than it is for employees with fixed hours, where job descriptions, roles, workloads and working hours can be more elastic. A more transactional employment relationship can have benefits even if there are also drawbacks in terms of involvement and engagement (see below).

A down side, though, is that the (smaller) proportion of zero-hours contract employees who do feel under excessive pressure at work are less likely than other employees to say there is support available to help them deal with it. Over two-fifths (43%) of employees who feel under excessive pressure at least once or twice a week do not feel they have any support at work – from managers, colleagues or anywhere else – but this proportion rises to 59% for zero-hours contract employees.<sup>20</sup>

Zero-hours contract and short-hours contract employees tend not to have a more negative assessment of the support provided by their employer and manager (see Table 15). There is an exception: zero-hours contract employees are less likely than other employees to agree their managers support them in managing their work-life balance. This may be due to the variability and instability of working hours that is *sometimes* associated with zero-hours, such as when work is offered and/or withdrawn at short notice. It could also reflect the general uncertainty that zero-hours contracts can engender.

### Job challenge and opportunities for progression

Zero-hours contract employees are as satisfied with their job role and the degree of challenge it offers as other employees (see Figure 21). However, they are slightly less likely to think their employer gives

**Table 14: Relationship between perceptions of workload and excessive pressure**

	Zero-hours contract employees (n=368)	Short-hours contract employees (n=168)	Temporary employees (n=279)	All part-time employees (n=861)	All employees (n=2,572)
% saying workload is ‘about right’	74	79	72	73	62
<i>of which:</i> % under excessive pressure at least once or twice a week	24	12	27	16	24
% saying workload is ‘too much’	15	9	15	18	30
<i>of which:</i> % under excessive pressure at least once or twice a week	77	*	80	74	83

Source: CIPD *Employee Outlook* survey, summer 2015

them opportunities to learn and grow. The previous section found that 82% of employers of zero-hours contract workers say they are eligible for company training and development, but this may not mean they are eligible for development opportunities that enable them to enhance their skills beyond those required for the current job. Alternatively, as

zero-hours contract employees tend to be employed in low-paid industries and low-skilled jobs, this may reflect a general lack of development opportunities for employees in these jobs. The concentration of zero-hours contract employees in part-time roles is also a factor: the proportion of full-time zero-hours contract employees who strongly

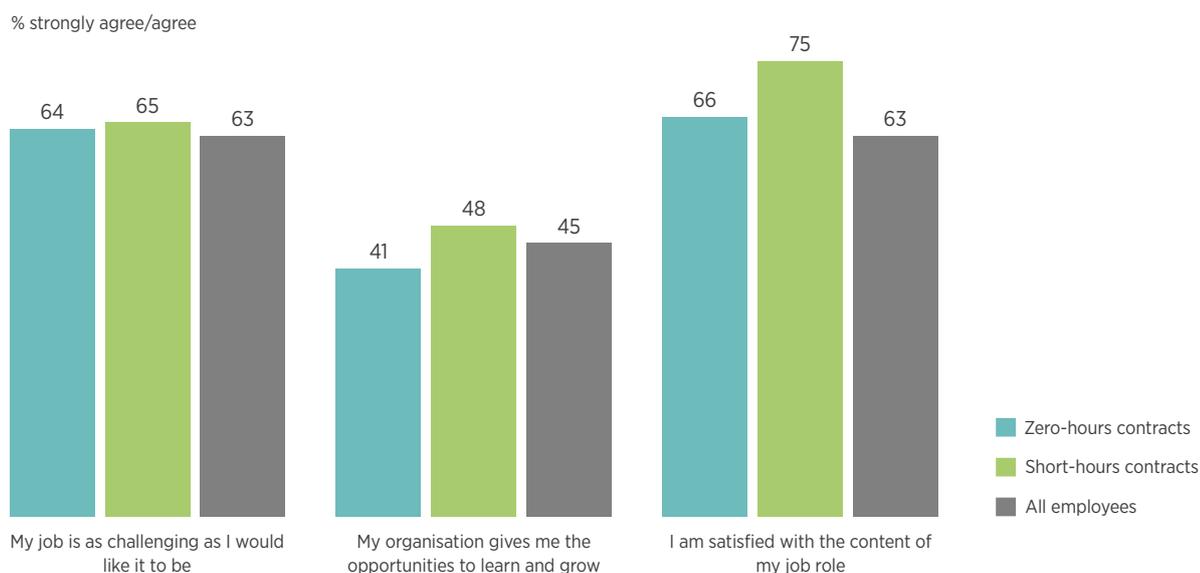
agree or agree that their job gives them opportunities to learn and grow is slightly higher than it is for full-time employees as a whole (49% versus 47%). In contrast, short-hours contract employees are more satisfied with their job role and the opportunities to learn and grow than other employees.

**Table 15: Perceived managerial and organisational support**

	Zero-hours contract employees (n=368)	Short-hours contract employees (n=168)	Temporary employees (n=279)	All part-time employees (n=861)	All employees (n=2,572)
'My manager provides support to help me manage my work-life balance' (% strongly agree/agree)	27	37	35	39	35
'My organisation provides support to help me manage my work-life balance' (% strongly agree/agree)	28	35	27	35	31
'Thinking about your manager or boss or the person you report to as part of your job, to what extent do you feel they are considerate of your well-being at work?' (% very/fairly considerate)	74	83	76	77	75
'To what extent do you feel your organisation as a whole is considerate of its employees' well-being at work?' (% very/fairly considerate)	65	75	68	67	67

Source: CIPD *Employee Outlook* survey, summer 2015

**Figure 21: Job content and challenge (%)**



Source: CIPD *Employee Outlook* survey, summer 2015 (zero-hours contract employees, n=364; short-hours contract employees, n=162, all employees, n=2,558)

*‘Zero-hours contract employees are less likely to feel well informed about what is going on at their workplace than other employees.’*

**Employee involvement**

Zero-hours contract employees are less likely to feel well informed about what is going on at their workplace than other employees (see Table 15). Less than half of them (43%) feel fully or fairly well informed, compared with 56% of all employees and 60% of short-hours contract employees. This carries through into less satisfaction with the opportunities they have to feed their views and ideas upwards within the organisation. Whereas 36% of zero-hours contract employees are very satisfied or satisfied with the opportunities available, the proportions are 44% for all employees and 50% for short-hours contract employees.

Dissatisfaction with opportunities for upwards communication is usually the result of employees not feeling well informed. Almost four-fifths (78%) of those zero-hours contract employees who do feel fully or fairly well informed about what’s going on are very satisfied or satisfied with their ability to make their views known – comparable figures for short-hours contract employees and all employees are 86% and 88% respectively.

**Table 16: Satisfaction with communication and opportunities for upwards feedback**

Communication within organisation	Zero-hours contract employees (n=283)	Short-hours contract employees (n=154)	All employees (n=2,343)	Satisfaction with opportunities to feed views upwards	Zero-hours contract employees (n=283)	Short-hours contract employees (n=154)	All employees (n=2,343)
Fully informed	9	19	11	Very satisfied	14	20	12
Fairly well informed	34	41	45	Satisfied	22	30	32
Receive limited amount of information	39	22	30	Neither satisfied nor dissatisfied	33	32	29
Get to hear very little	16	18	12	Dissatisfied	24	14	21
Don't know	2	0	1	Very dissatisfied	6	4	6

Source: CIPD *Employee Outlook* survey, summer 2015

# Conclusions

Zero-hours and short-hours contracts look set to become a permanent feature of the UK labour market, even if their use changes over time in response to economic conditions and changes in business models, production processes, service availability and customer preferences. Employee preferences – for and against them – and the publicity attached to them will also have some effect on whether and how they are used.

The spring 2015 LMO asked all employers whether they thought zero-hours contracts would be a short-term, medium-term or long-term feature of the UK employment market. Two-fifths of employers (39%) think they will be a long-term feature – in other words, around for the next four years, if not longer. A

slightly larger proportion (43%) see them as a short- to medium-term feature of the labour market, with 18% unsure. Employers in the public and voluntary sectors and employers already using zero-hours contract workers are more likely to see them as a long-term feature of the labour market.

The proportion of employers suggesting they might be a transient form of employment practice is surprisingly high given how long some employers have been using zero-hours contracts. Technology now allows many employers to make rapid short-term forecasts of both customer demand and staffing requirements, creating the opportunity for highly flexible contingent work. It is difficult to see this trend going into reverse.

In addition, a fifth of employees with these contracts have been with their current employer for five years or more. Zero-hours contracts clearly suit some employees, who may prefer these terms even if their employer offered them guaranteed minimum hours.

## There has been little change since 2013 in how zero-hours contracts are used

For zero-hours contracts, comparisons can be made with the CIPD surveys of employers and employees carried out in 2013 (see Table 17). It is striking how similar most of the results are.

Although the number of people employed on zero-hours contracts has increased, there is no evidence of any qualitative shift in why they are used, how they are

**Table 17: Comparative survey data on zero-hours contracts**

	2013	2015
<b>Employers using zero-hours contracts:</b>		
% of employers using zero-hours contracts	23	25
% of workforce covered by zero-hours contracts	19	20
% who regard zero-hours contract workers as employees	64	67
% who give zero-hours contract workers written contracts of employment	74	81
% who pay zero-hours contract staff the same rate as other staff doing the same job	64	63
% where zero-hours contract staff are eligible for company training and development	76	82
<b>Employees on zero-hours contracts:</b>		
Mean hours worked	23.7	23.9
% wanting to work more hours	32	38
% earning less than £15,000 per year	50	49
% very satisfied/satisfied with their job	65	65
% strongly agree/agree they have the right balance between work and home life	65	62
% feeling under excessive pressure at least once or twice a week	29	32

Sources: Employer data: summer and autumn 2013 and spring and summer 2015 CIPD *Labour Market Outlook* surveys; employee data: autumn 2013 and summer 2015 *Employee Outlook* surveys

*‘Almost two-thirds of zero-hours contract employees are satisfied with their job, but one-sixth are dissatisfied.’*

used or in their impact on either organisations or individuals.

Almost two-thirds of zero-hours contract employees are satisfied with their job, but one-sixth are dissatisfied (see Figure 18). These proportions are very similar to those for employees as a whole, which suggests that, *for those employed on zero-hours contracts*, the pros and cons of these arrangements balance each other.

Zero-hours contract employees are more likely than other employees to have hours (and earnings) that vary from week to week – including the possibility of spells when there is no work and thus no income from work. This variability will be a source of anxiety to some, especially for those faced with large and regular financial commitments. It can be seen in lower job satisfaction among those who want to work more hours (a characteristic shared with other part-time employees wanting more hours). But other zero-hours contract employees will regard uncertainty as an acceptable price for the freedom to turn down work at short notice in order to do other things. As yet, no research has been carried out on the contribution that earnings from zero-hours contract work make to *household* finances. However, zero-hours contract work is most prevalent among young people (especially students) and people over the age of 50, groups who may be less likely than others to have high and regular financial commitments or lack alternative income sources.

Zero-hours contract employees are as satisfied as other employees with the job itself and with relationships with colleagues and managers (where they have an identified manager). But a larger proportion don't feel well

informed about what is happening in their workplace and a smaller proportion feel their job gives them opportunities to learn and grow. On the other hand, they are less likely to think their workload is too much, less likely to find themselves under excessive pressure on a regular basis and more likely to be satisfied with their work-life balance. There is a suggestion here that zero-hours contract workers are more likely to have a more distant, transactional employment relationship than the norm – one where work is measured (and paid) by the hour, with less engagement in the long-term future of the employer and the employee. It is impossible to ascertain the extent to which this is the result of employers wanting low-maintenance, flexible labour or employees wanting low-maintenance, no-strings work. This argument could also apply to some other forms of work – temporary and agency work, in particular.

Nevertheless, provided there is sufficient turnover in the labour market and people have access to reliable information about working conditions, most people will gravitate towards work that provides at least a reasonable fit with their preferences and circumstances, especially if labour market conditions allow potential employees a degree of choice over which job offers to accept and reject. So while zero-hours contract work will not be a good fit for some employees, the fact that it seems to work reasonably well for many employees on these contracts should not be a surprise.

### **Short-hours contract work is qualitatively different from zero-hours contract work**

This report also provides comparisons between zero-hours contracts and short-hours contracts – the latter are defined

as contracts that offer up to eight hours a week of guaranteed employment. On the face of it, these types of contract would appear close substitutes for zero-hours contracts. However, the evidence suggests there are sometimes quite substantial differences between the two: both in how they are used by employers and in their suitability to employees.

Short-hours contracts are less widely used by employers – there are an estimated 400,000 employees with these types of contract. Most employers use either short-hours contracts or zero-hours contracts but not both.

On average, employees on short-hours contracts work less than half the hours each week of zero-hours contract employees. The distribution of hours worked is more compact and most short-hours contract employees usually work no more than a few hours in excess of their guaranteed minimum.

Short-hours contract employees have very high levels of job satisfaction. Like zero-hours contract employees, they are less likely than other employees to feel overworked or under excessive pressure. Unlike zero-hours contract employees, however, they are very positive about their involvement in the workplace and the learning opportunities available to them.

These differences mean their experience does not provide any reliable guide to what might happen if a minimum hours guarantee – or the right to request a minimum guaranteed number of hours – was ever introduced for existing zero-hours contract employees.

### **There is room for improvement in the operation of zero-hours contracts but there is not a strong case for more legislation**

There are still unresolved issues around the operation of zero-hours contracts for at least some employees. There has been an increase in the proportion of employees receiving written statements of terms and conditions but there is still room for improvement here, both in clarifying employment status and in codifying procedures for the cancellation of work at short notice and termination of a zero-hours contract. This could be achieved in part through greater use of model contracts, but the CIPD also believes all workers should be legally entitled to a written copy of their terms and conditions not later than after two months in employment (currently, under the Employment Rights Act 1996, only employees are entitled to this).

In addition, it is unclear why some private sector employers have chosen to make zero-hours contracts the norm within their organisations. Uncertainty over staffing requirements is unlikely to be so pervasive that it requires the vast majority of the workforce to be on zero-hours contracts. Employers who have chosen this option should be clear with the workforce and other stakeholders about the reasons why they have taken this decision, given the likelihood of negative publicity – which may be deserved or undeserved.

The available evidence does not provide a strong case for further legislation to regulate the use of zero-hours contracts. The Government has introduced legislation that prohibits clauses preventing zero-hours workers from working for other organisations if their primary

employer has no work for them. In the CIPD's view, this is a proportionate response to a problem highlighted in CIPD (2013b), which found that 20% of zero-hours employees said they were sometimes (17%) or always (3%) penalised in some way for not being available for work.

If policy-makers do want to intervene further to improve the rights of zero-hours workers, the CIPD has suggested introducing a right for zero-hours contract workers to request regular hours after they have been in employment with an organisation for 12 months. This would allow zero-hours contract workers who have built up a record of service with an employer, and who work a consistent number of hours, a light-touch route to a reasonable degree of stability and financial security. However, as with the right to request flexible working arrangements, employers would be able to refuse such requests when there is an adequate business reason for doing so.

Some opponents of zero-hours contracts still favour an outright ban. This could do more harm than good. The research findings in this report and in CIPD (2013b) suggest that the majority of zero-hours contract employees are satisfied with their jobs and choose to work in this way. Prohibiting contracts that give employees an option to turn work down could lead to some employees being forced to withdraw from the labour force. Nor would it do much to improve job security or financial security: employers with little concern for their employees' well-being could simply change contracts to guarantee a very small minimum number of hours or replace zero-hours contracts with casual labour.

*‘The best way to improve the working lives of the zero-hours contract workforce is to help more employers understand why they need to develop flexible and fair working practices and how to implement them.’*

The best way to improve the working lives of the zero-hours contract workforce is to help more employers understand why they need to develop flexible and fair working practices and how to implement them. Zero-hours contracts can provide flexibility for both employers and individuals if employers ensure they are used in the following ways:

- Employers should use zero-hours contracts only 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 contract 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 conduct regular reviews (at least once a year) of how these contracts are operating in practice. Reviews should include conversations with line managers and staff on zero-hours contracts. If the reality of the employment relationship no longer matches the contract of employment, one or the other should be adjusted to bring them into line.
- Employers need to provide training and guidance for line managers to ensure they are managing zero-hours workers in line with their employment

status. Training must ensure that line managers are aware that zero-hours workers have a legal right to work for other employers when there is no work available from their primary employer.

- Employers should provide zero-hours workers with reasonable compensation if pre-arranged work is cancelled with little or no notice. The CIPD believes a reasonable minimum would be to reimburse any travel expenses incurred and provide at least an hour’s pay as compensation. Some employers appear to go further than this; for example, paying employees in full for shifts cancelled at short notice. This would seem a reasonable position if organisations also prevent or penalise employees from cancelling pre-arranged work at short notice. Compensating employees for short-notice cancellation also imposes discipline on line managers, as short-notice cancellations will in some cases be the result of lazy or inadequate management rather than genuine variability in staff demand and availability.
- Employers should ensure there are comparable rates of pay for people doing the same job regardless of differences in their employment status. This could be written into employment policies and terms and conditions, with practice reviewed periodically.

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# Endnotes

- <sup>1</sup> The survey carried out in August 2014 produced a higher number (1.8 million). However, the ONS advise against comparisons with the January surveys because seasonal factors may be very important.
- <sup>2</sup> However, wherever cell sizes are reported, these are *unweighted*. Estimates based on cell sizes where unweighted  $n < 50$  are not reported.
- <sup>3</sup> There are a small number of employers who responded to both the spring and summer 2015 LMOs and said they used short-hours or zero-hours contracts. 'Duplicate' observations have been removed from the combined dataset, so there is just one observation per employer.
- <sup>4</sup> These results appear consistent with the ONS business survey for January 2015, where accommodation and food, health and social work, and education were the three industries where the proportion of employers using contracts without minimum guaranteed hours is well above average (ONS 2015).
- <sup>5</sup> For employers of zero-hours contract workers, precise comparisons cannot be made with a similar question in the autumn 2013 LMO (reported in Figure 6 of CIPD 2013a) because the spring 2015 question included two additional response options – whether or not working days varied greatly each week – that were together selected by 6% of zero-hours contract employers. However, the broad pattern of response appears similar.
- <sup>6</sup> Descriptions of the various categories of organisation culture and mindset collected in the summer 2015 LMO can be found in CIPD (2015c).
- <sup>7</sup> These associations were analysed systematically by running logistic regressions with a binary choice dependent variable (whether or not to use zero-hours/short-hours contracts) and industry, organisation size, sector, mindset, product/service strategy, organisation culture and temporary contract workforce share as control variables. For the regression for zero-hours contracts – Pseudo  $R^2 = 0.17$  – the only significant variables were organisation size (which had a positive effect on the likelihood of using zero-hours contracts in organisations with 1,000+ employees), organisations with a cost-cutter mindset (negative effect) and the percentage of the workforce on temporary contracts (positive effect wherever these were used, especially where 11%+ of workers were on temporary contracts). For the regression for short-hours contracts – Pseudo  $R^2 = 0.25$  – the only significant variables were organisation size (positive effect in all organisations with 10+ employees, but largest in organisations with 1,000+ employees), the percentage of the workforce on temporary contracts (positive effect wherever these were used, especially where 11%+ of workers were on temporary contracts) and product/service strategy (positive effect in organisations with a basic/standard approach to quality).
- <sup>8</sup> Seven per cent of employers say they use a combination of workers and employees (respondents could select more than one category).
- <sup>9</sup> When the autumn 2013 LMO took place, only employers with 1,250 or more employees would definitely have been covered by auto-enrolment (those with a staging date of 1 September 2013 or earlier). By spring 2015, all employers with 50 or more employees – and many employers with between 30 and 49 employees – would have had their staging date.
- <sup>10</sup> People who described themselves as self-employed were filtered out of the summer 2015 *Employee Outlook* survey.
- <sup>11</sup> Among 16–24-year-old zero-hours contract employees who have left full-time education, 63% have GCSE, A Level or equivalent and/or higher education qualifications. The proportion is 59% for those aged 50–64 and 52% for those aged 65 or over.
- <sup>12</sup> Even for employees with 'fixed hours' contracts, actual hours can deviate from usual hours because of planned and unplanned absence (annual leave, sick leave) or because of variations in paid and unpaid overtime.
- <sup>13</sup> A direct comparison with the LFS data cannot be made because the EO did not ask full-time employees if they wanted more hours. The number of 'involuntary' part-time employees on short-hours contracts was too small to provide reliable estimates of how many of these wanted more hours. For part-time employees on zero-hours contracts, a direct comparison can be made with the summer 2013 EO data reported in CIPD (2013b). In 2013, 38% of part-time zero-hours contract employees wanted to work more hours, compared with 32% in 2015.
- <sup>14</sup> Hourly earnings can be calculated from the EO but insufficient data means many observations have to be discarded, making the residual calculations unreliable. In addition, the EO did not collect data on job tenure and occupation.
- <sup>15</sup> The four questions are: Q1: 'How satisfied are you with your life nowadays?', Q2: 'To what extent do you feel the things you do in your life are worthwhile?', Q3: 'How happy did you feel yesterday?' and Q4: 'How anxious did you feel yesterday?'. In each case, respondents are asked to select a value ranging from zero ('not at all') to ten ('completely'). Q4 has been reverse-coded so that zero is completely anxious and ten is not at all anxious. The four values have then been added to produce a score for each individual.
- <sup>16</sup> Employees were not asked if they wanted to work *fewer* hours.

- <sup>17</sup> This was tested formally by running regression equations for job satisfaction and the life satisfaction score controlling for a range of other variables, including gender, age, region, managerial status (as a partial proxy for occupation), industry, organisation size, sector of employment, highest educational qualification, earnings, perceptions of workload, work-life balance and excessive pressure, job challenge, relationship with managers and colleagues, perceived managerial and organisational support, part-time/full-time and permanent/temporary status. Perceived mental and physical health and job satisfaction were also entered as controls into the regression for life satisfaction score. None of the coefficients on the 'atypical' employment variables – zero-hours contracts, short-hours contracts, temporary employment or part-time employment – were statistically significant in either regression. The lack of any significant coefficient for part-time work was unexpected but this may be because, unlike many analyses, these regressions explicitly controlled for perceptions of work-life balance, workload and excessive pressure at work.
- <sup>18</sup> Excluding owner/proprietors and those either running an organisation or at its top layer, job satisfaction among employees with no manager is higher (66% very satisfied/satisfied) than it is for employees with a manager (61%) or employees who sometimes have a manager (55%).
- <sup>19</sup> For employees as a whole, the Spearman's rank correlation coefficient between feeling under excessive pressure and perceptions of workload is highly significant at  $-0.55$  (excessive pressure is scored from 1=every day to 5=never, whereas perceived workload is scored from 1=too little to 3=too much).
- <sup>20</sup> There are too few short-hours contract employees who are regularly under excessive pressure to calculate reliable estimates for this group.







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