

Zero-hours Contracts

by Steve Davies

Introduction

This summer in the United Kingdom (UK), 'zero-hours contracts' grabbed the headlines and dominated discussion about changes to working life. Zero-hours contracts are those in which a worker agrees to be available for work with a particular employer but without any guaranteed hours or times of work and therefore usually no guaranteed pay either. Under these contracts employers only need to pay for work when they need it. These contracts are not a new phenomenon, although the scale of their current use in the UK is unprecedented. This is seen by employers and ministers as part of the 'necessary' flexible labour market.

Who benefits from flexibility?

The Conservative-dominated British government boasts the UK is on the road to economic recovery and that, even at the worst point of the crisis, the private sector created hundreds of thousands of jobs which compensated for the impact of austerity on public sector employment. What ministers never explain is the nature of these new private sector jobs or how the crisis has been used to restructure the labour market. The increase in forms of 'flexible' work is closely related to the attacks on workers' rights and trade unions. Thatcher began the process of weakening the position of workers, through legislative change to the labour markets and through laws which made it more difficult for unions to engage in legal strikes. This assault continued under the Blair and Brown 'new Labour' governments (Blair boasted that the UK had the least regulated labour market of any major industrialised country). The current British government has pushed even harder to remove legal protections for workers and to discourage the use of remaining legal protections by increasing the costs of bringing a case.

Ministers boast about the record numbers in employment but although this is true, the general population is also at a record level with the numbers aged 16-64 increasing by 673,000 just since 2008 (Office for National Statistics (ONS), 2013). In reality the proportion of people employed has not recovered to what it was five years ago at the start of the recession. Latest government figures show that the number of people in part-time employment is 8.07 million, up 38,000 from January to March 2013 (ONS, 2013). This is larger than the increase in full-time jobs over the same period. In addition, 39% of the 1.5 million people in temporary jobs are only in temporary jobs because they cannot find a permanent job. Similarly, 18% of the 7.9 million part-time workers are working part time because they cannot find a full-time job (ONS, 2013). In other words, they would like to work longer hours but cannot find a job that offers full-time employ-

ment. This is flexibility, but almost entirely on the employers' terms.

Zero-hours contracts are the ultimate form of labour market flexibility – a form of modern day feudalism, in which the worker is tied to the employer without guarantees of work or pay.

The extent of zero-hours contracts in the UK

Until recently, it was believed these types of contracts covered only a small proportion of the labour force. These contracts were justified on the grounds that they were useful for employers trying to cope with short-term labour shortages caused by peaks in demand and offered flexibility for some groups of workers who were unable or unwilling to commit to full-time employment. The Office for National Statistics (ONS) estimated this to be as low as 200,000 workers (out of a workforce of 30 million). However, this was undermined by a government admission that there were over 300,000 workers on zero-hours contracts in the social care sector alone and an independent survey of employers estimated there were 3-4% of UK workers on zero-hours contracts, equivalent to around one million workers (Hansard, 2013; Chartered Institute of Personnel and Development (CIPD), 2013). This information, together with media investigations that showed widespread use in other sectors, has forced the ONS to accept that its previous estimate was almost certainly wrong and it is now committed to changing its method of data collection.

Under zero-hours contracts workers have no guaranteed hours of work or pay, and often have far fewer benefits than other workers. Some employers see this form of contract as an ideal way in which to avoid paying holiday, sick or redundancy pay. Partly because of the way British law draws a distinction between *workers* and *employees*, many of those on zero-hours have few employment rights. Those with employee status have rights which workers (such as those on zero-hours contracts) do not – the right not to be unfairly dismissed, maternity rights, among others. Some employers do extend benefits such as sick pay and holiday pay to their zero-hours workers, but many do not.

Defenders of this form of contract argue it is useful for employers facing uneven demand for labour, but that would suggest such companies would employ a small proportion of staff on these contracts. It might also seem likely that smaller companies would be more inclined to use these contracts; that their use would be confined to the private sector and that use of them would decline as the economy

improved and demand became more stable. Media investigations have shown that none of these assumptions are correct.

A government survey of employers found that the proportion of workplaces that had some employees on zero-hours contracts increased from 4% to 8% between 2004 and 2011 (Department for Business, Innovation and Skills (BIS), 2013). This was particularly the case in larger workplaces. In 2004, 11% of workplaces with 100 or more employees used zero-hours contracts, compared with 23% in 2011. As expected the hotel and restaurant sector was the most likely to use zero-hours contracts but they were also extensively used in health and education, and all three sectors saw increased use over the period 2004-11.

It should be emphasised that this is not the preserve of small and medium enterprises (SMEs), many of the employers that use zero-hours contracts are household names, for example, McDonald's, Boots, Amazon, Abercrombie & Fitch, Cineworld, Sports Direct, the Tate galleries and Buckingham Palace. Even the public sector – under the pressure of privatisation and marketization - is using these contracts. Sports Direct has 90% of its staff on zero-hours contracts and McDonald's has around 82,000 people on such contracts. Do the management of these companies seriously expect us to believe that this is a response to the need to deal with unpredictable peaks in demand?

What is completely predictable is that workers are seriously disadvantaged by these contracts. They are even worse than agency contracts (in which workers are employed and paid by an employment agency that then hires them out for specific tasks or times to a third party under contract). At least with these, it is possible to work for more than one employer and to attempt to build up a solid block of work. For workers on zero-hours contracts, there is no certainty of work (and therefore pay); they are unable to plan their daily lives as they do not know whether they will be working or not. This has a serious potential disruption to family life because of the need to be available to work at short notice and such workers have no financial security – even when paid, they are paid 40% on average less than those on standard contracts (Pennycook et al, 2013).

Time to fight back

Unsurprisingly, these contracts are seen as exploitative by most people and are unpopular. Polling shows that a majority would support a ban on zero-hours contracts and all voters (even Conservative voters) say they are normally a bad thing (YouGov/Sunday Times, 2013). What is the trade union movement's response to these contracts? The two largest unions in the UK, Unite and Unison, have both strongly attacked the use of zero-hours and demanded that they be banned. The Labour party meanwhile has focussed on what it calls the 'abuse' of these contracts, suggesting that it does not wish to see a ban. There have been strikes (such as at Serco, the defence contractor) over employer attempts to introduce zero-hours contracts and Unite, in particular, has been campaigning loudly against their extension.

Unions are in tune with popular opinion over zero-hours contracts. Even the Financial Times (2013) observed there were deeper and wider economic implications of their use, when it editorialised:

Were the use of zero-hours contracts to rise as growth gathers pace, it would mean that the UK workforce has become more casualised. The consequences of this shift on distribution and productivity would be impossible to ignore.

The government and employers could be vulnerable on this issue and its blatant unfairness and exploitative nature is obvious to all. Zero-hours represent a Formula 1-speed race to the bottom, to make permanent what Marx would have recognised as a reserve army of labour, with flexibility for the employers and insecurity, stress, low wages and few rights for the workers. The unions need to combine industrial, political, legal and community-based campaign work to place pressure on the government and employers to prevent and eliminate the use of zero-hours contracts.

Steve Davies is a lecturer at the Cardiff University School of Social Sciences. He teaches and researches on globalisation, trade unions and the public sector. He is a former trade union official.

References

- Chartered Institute of Personnel and Development (CIPD) (2013) 'Zero hours contracts more widespread than thought – but only minority of zero hours workers want to work more hours,' *press release*, 5 August 2013. (<http://www.cipd.co.uk/pressoffice/press-releases/zero-hours-contracts-more-widespread-thought-050813.aspx>) Accessed 23 August 2013.
- Department for Business, Innovation and Skills (BIS) (2013) *The 2011 Workplace Employment Relations Study (WERS)*. London: BIS. (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210103/13-1010-WERS-first-findings-report-third-edition-may-2013.pdf) Accessed 23 August 2013.
- Financial Times (2013) 'Zero hours workers.' *Editorial*, 1 August 2013. (<http://www.ft.com/cms/s/0/f987d194-faac-11e2-a7aa-00144feabdc0.html#axzz2aoQyIEFG>) Accessed 23 August 2013.
- Hansard (2013) 'Social Services.' *Written Answers*. (<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130708/text/130708w0004.htm#13070846000527>) Accessed 23 August 2013.
- Office for National Statistics (ONS) (2013) *Labour Market Statistics, August 2013*. Statistical Bulletin. Newport: ONS. (http://www.ons.gov.uk/ons/dcp171778_319808.pdf) Accessed 23 August 2013.
- Pennycook, M, Cory, G and Alakeson, V (2013) *A Matter of Time: The rise of zero-hours contracts*. June 2013. London: Resolution Foundation. (http://www.resolutionfoundation.org/media/media/downloads/A_Matter_of_Time_-_The_rise_of_zero-hours_contracts_final_1.pdf) Accessed 23 August 2013.
- YouGov/Sunday Times (2013) 'Ban Zero Hours Contracts.' YouGov poll for Sunday Times. (http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/ubu9k3q6xe/YG-Archive-Pol-Sunday-Times-results-09-110813.pdf) and (<http://yougov.co.uk/news/2013/08/12/ban-zero-hour-contracts/>) Accessed 23 August 2013.