

Employee contracts that do not guarantee a minimum number of hours: 2015 update

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Geographical Area: **UK**

Theme: **Labour Market**

Summary

ONS produces biannual estimates of the number of contracts that do not guarantee a minimum number of hours, based on a survey of businesses. The measure complements the figures from the Labour Force Survey (LFS) which show the number of people who report that they are on a “zero-hours contract” in their main employment. This report contains the latest figures from the LFS as well as new estimates from the third time we have surveyed businesses.

The latest estimate of the number of people who are employed on “zero-hours contracts” in their main employment, from the LFS, which is a survey of individuals in households, is 744,000 for April to June 2015, representing 2.4% of people in employment. It should be noted that responses to the LFS can be affected by respondents recognising the term “zero-hours contract”. This latest figure is higher than that for April to June 2014 (624,000 or 2.0% of people in employment), but it is not possible to say how much of this increase is due to greater recognition of the term “zero-hours contracts” rather than new contracts.

People on “zero-hours contracts” are more likely to be women, in full-time education or in young or older age groups when compared with other people in employment. On average, someone on a “zero-hours contract” usually works 25 hours a week. Around 40% of people on a “zero-hours contract” wanted more hours, with most wanting them in their current job, rather than in a different or additional job.

The estimate from the third ONS survey of businesses indicates that there are around 1.5 million contracts that do not guarantee a minimum number of hours (NGHCs), measured on work carried out in the fortnight beginning 19 January 2015.

These latest results from the business survey can be compared with those for January 2014, published in April last year. Such comparisons provide, for the first time, an indication of the change in the number of NGHCs over a one year period. This latest estimate of total NGHCs where work was done in the reference period is some 91,000 higher than the 1.4 million estimate for January 2014, an increase of 6%, though the increase is not statistically significant. As with the LFS figures, responses to the survey could be affected by changes in employers’ reporting behaviour. This

figure should not be directly compared with the last published estimate (1.8 million for the fortnight beginning 11 August 2014) to imply a decrease. It covers a different time of year and so differences in the number of such contracts reported may reflect seasonal factors.

The difference between the business survey and LFS will partly be accounted for by people who have more than one “zero-hours contract” with different employers or who have a “zero-hours contract” to supplement their main employment.

Introduction

This paper updates the [previous analysis on “zero-hours contracts”](#) published by us on 25 February 2015. The report includes the latest figures from the Labour Force Survey (LFS) for the period April to June 2015 and the results from a third survey of businesses relating to January 2015. The results from this latest survey of businesses are comparable with those from the equivalent survey relating to January 2014. Therefore this report also includes some analysis of the year-on-year changes in those business survey estimates.

What are “zero-hours contracts”?

There is no single agreed definition of what “zero-hours contracts” are. While some contracts are explicitly called zero-hours contracts, there are other definitions available and used in published statistics. The common element to the definitions is the lack of a guaranteed minimum number of hours.

When developing the survey of businesses, we consulted on the definition to be used and decided on the lack of any guaranteed hours. To provide clarity and prevent confusion with the other estimates of “zero-hours contracts” the remainder of this article refers to estimates from the ONS business survey as no guaranteed hours contracts.

When comparing figures from the ONS business survey with the LFS estimates a number of issues need to be considered:

- the LFS counts people who report that their main employment is a “zero-hours contract”
- the estimate from businesses is counting contracts - this will be greater than the number of people as people can have more than one contract
- estimates from businesses will include contracts that cover a variety of working arrangements - this will include instances where people in their main employment are working a regular number of hours a week (although these hours are not guaranteed by their contract) as well those who work on an irregular basis due to personal choice, availability of work or to fit in around their main employment.

How many no guaranteed hours contracts are there?

This section looks at the latest estimates from the Labour Force Survey (LFS) and the ONS survey of businesses. Both sources are from sample surveys so will be subject to a degree of uncertainty. Where available, an indication of the level of uncertainty is provided in Annex 1.

Labour Force Survey

The LFS samples around 40,000 households a quarter and collects information about people's employment status. One of the questions on the LFS, asked of people in employment, relates to special working arrangements that vary daily or weekly. Respondents can choose up to three different arrangements from a list of eight options, one of which is "zero hours contracts" defined as "where a person is not contracted to work a set number of hours, and is only paid for the number of hours that they actually work".

As the LFS is based on respondents' views about their working arrangements, and counts people rather than contracts, it is likely that any estimate of "zero-hours contracts" from the LFS will be less than an estimate obtained from businesses. The number of people the LFS classes as being on a "zero-hours contract" will be those who:

- are employed (have done at least one hour of paid work in the week before they were interviewed or reported that they were temporarily away from their job)
- report that their working arrangements in their main employment include some form of flexibility
- recognise that the flexibility of their working arrangements is a result of being on a "zero-hours contract".

Therefore, the people identified by the LFS as being on a "zero-hours contract" will be those in employment who are aware that their contract allows for them to be offered no hours. This might exclude some people who select another option, such as on-call working, unless they report a "zero-hours contract" as well.

The latest estimate from the LFS shows that 744,000 people reported that they were on a "zero-hours contract" in the period April to June 2015, representing 2.4% of people in employment. This is 120,000, or 19%, higher than the reported figure from the same period in 2014 (624,000 or 2.0% of people in employment). It is possible that this increase may be affected by increased recognition of the term "zero-hours contracts" rather than new contracts themselves. However, it is not possible to estimate the scale of any such increased recognition.

The previously published LFS-based estimate was 697,000, relating to the period October to December 2014 and published in February 2015. However, any comparison between that figure and the latest estimate may be affected by seasonal factors and so it is more appropriate to compare the estimates for April to June 2015 with those of the same period in 2014.

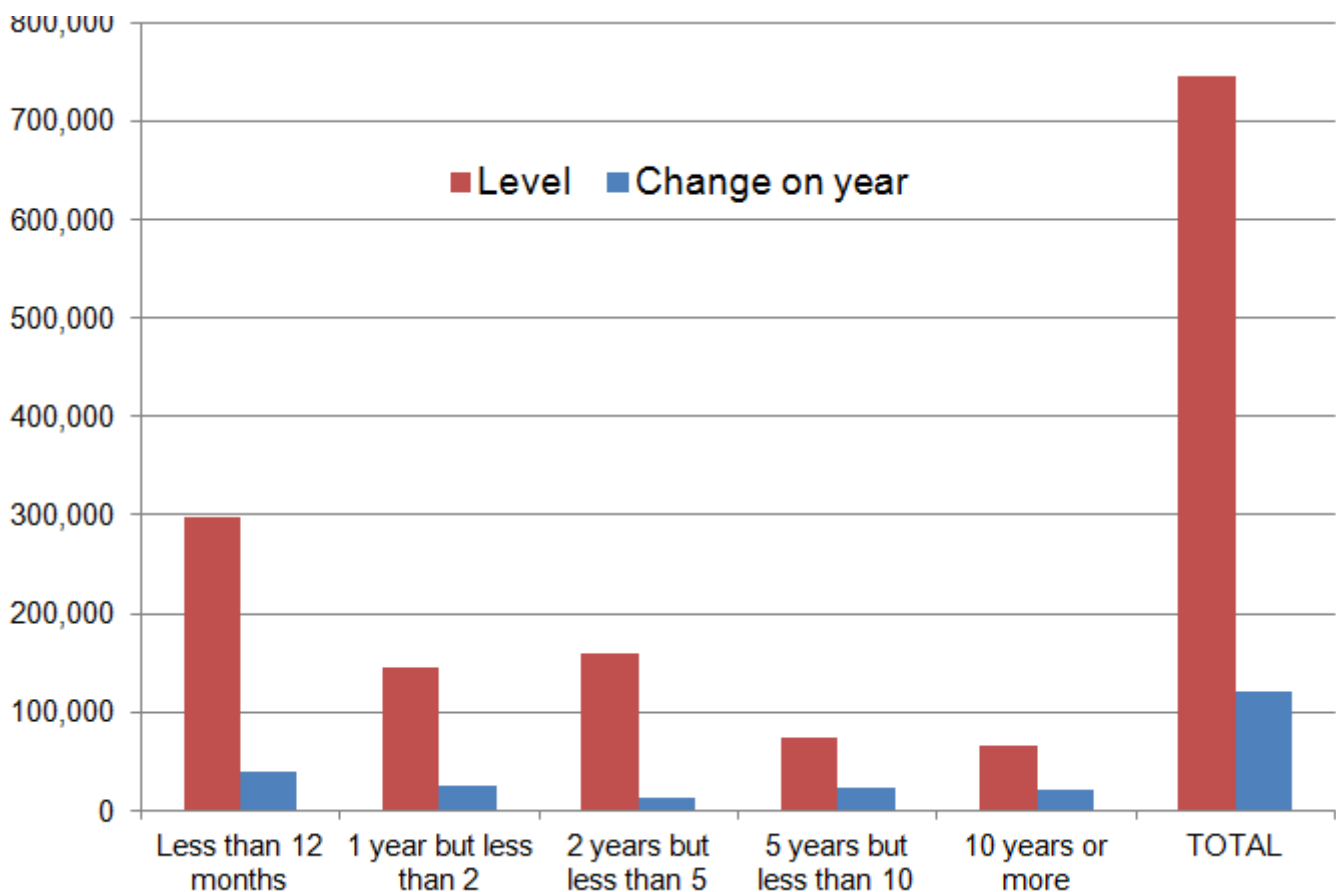
When looking at the length of time in current job, two-thirds of the increase in "zero-hours contracts" is from people in their job for more than a year, that is they were already with their current employer in April to June 2014. Consequently this part of the overall increase does not necessarily relate to

“new” zero hours contracts. It could have been due to either increased recognition or people moving on to a “zero-hours contract” with the same employer. Also, the estimates of change over the last year are subject to a degree of sampling error. The number of people on a “zero-hours contract” who had been in their current job less than a year also increased. This could have been due either to a rise in the prevalence of “zero-hours contracts” or to increased awareness of the terms of the contract when people start work (see Figure 1).

Comparisons with 2012 and earlier years are affected by a large increase between 2012 and 2013 that appeared to be mainly due to increased recognition of “zero-hours contracts”. This change was covered in a [previous ONS report published on 30 April 2014](#).

Figure 1: Number of “zero-hours contracts” by length of time with current employer

April to June 2015 and change since April to June 2014, UK



Source: Labour Force Survey - Office for National Statistics

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ONS business survey

The ONS business survey asked a sample of 5,000 businesses how many people were employed on contracts that do not guarantee a minimum number of hours. Over 2,700 responses to the survey were received - a response rate of 55%. The latest estimates from this survey indicate that there were 1.5 million contracts that did not guarantee a minimum number of hours where work was carried out in the fortnight beginning 19 January 2015 (around 4% of all contracts). This total excludes contracts that do not guarantee a minimum number of hours where work was not carried out in the reference period.

These latest results from the business survey can be compared with those for January 2014, published in April 2014. Such comparisons provide, for the first time, a reliable indication of the change in the number of contracts that do not contain a minimum number of hours (NGHCs) over a one-year period. This latest estimate of total NGHCs where work was done in the reference period is some 91,000 higher than the 1.4 million estimate for January 2014, an increase of 6%. This increase is not statistically significant.

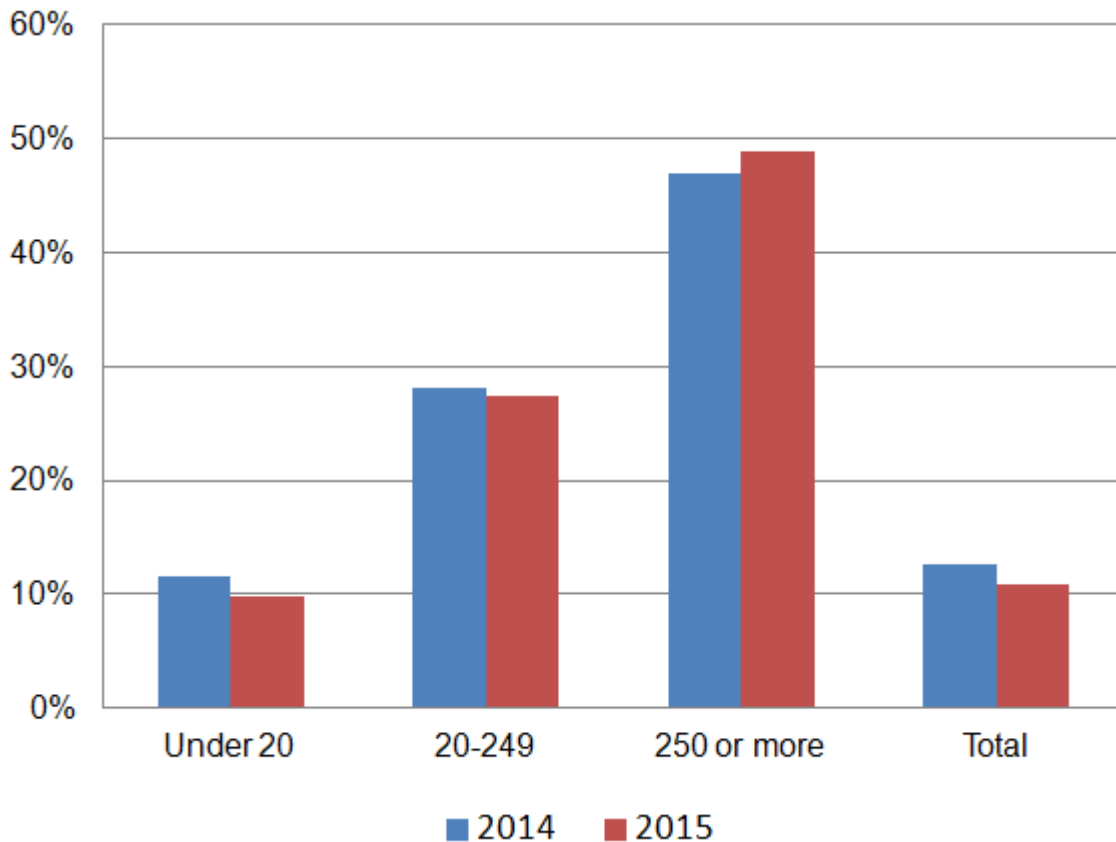
It should be noted that these latest results are not directly comparable with those from the previous business survey, published in February 2015 and relating to August 2014. That survey indicated a total of 1.8 million NGHCs but was carried out at a different time of the year and so a comparison between that and the latest figure may be affected by seasonal factors. We do not have sufficient information to estimate these seasonal factors.

As well as the number of contracts, the ONS business survey also estimated that 11% of employers made some use of NGHCs. This compares with 13% for the same period in 2014, but the difference is not statistically significant.

The proportion of businesses using NGHCs differs when the industry or size of business are considered. Figure 2 shows the proportion of businesses using NGHCs by size of business. It shows that nearly half of businesses with employment of 250 or more make some use of NGHCs compared with 10% of businesses with employment less than 20. The pattern by size band is similar to the position in 2014.

Figure 2: Proportion of businesses using contracts that do not contain a minimum number of hours (NGHCs) by size of business, January 2015 compared with January 2014

UK



Source: Office for National Statistics

Notes:

1. Business survey size of business in terms of number of employees

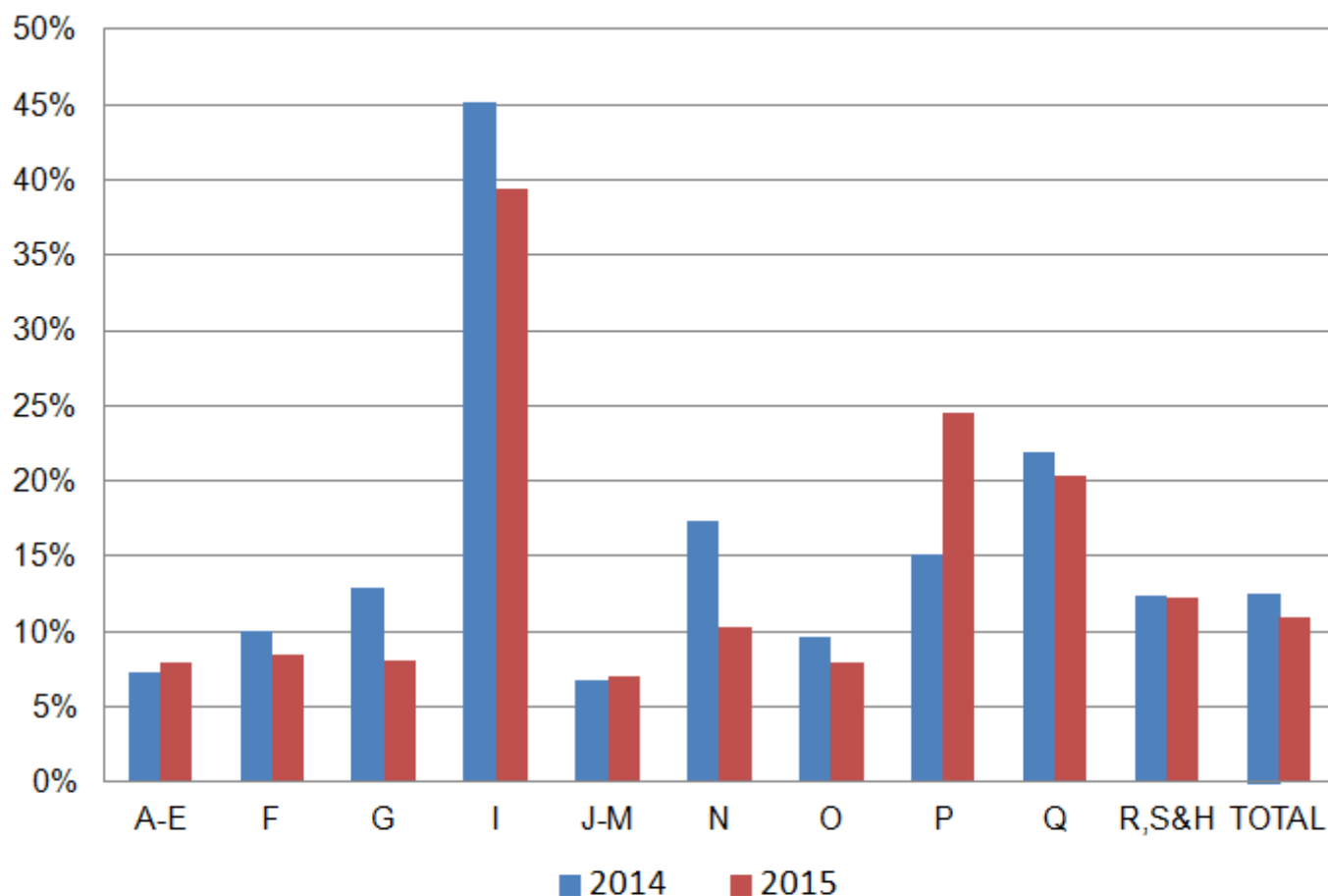
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Looking by industry, the proportion of businesses using NGHCs varies considerably (Figure 3). In Accommodation and food services, 39% of companies make some use of NGHCs with Education having 25% of employers using them.

Figure 3: Proportion of businesses using contracts that do not contain a minimum number of hours (NGHCs), by industry, January 2015 compared with January 2014

UK



A-E Production including Agriculture	N Admin and support services
F Construction	O Public admin
G Wholesale and Retail	P Education
I Accommodation and Food	Q Health and Social work
J-M Information, Finance, Professional	R,S&H Transport, Arts, Other services

Source: Office for National Statistics

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Comparing 2015 with the previous year, there was a fall in the proportion of firms in the Accommodation and food sector reporting that they used NGHCs and a rise in Education. However, these changes should be treated with caution, due to the relatively small sample sizes at industry level.

In addition to the 1.5 million contracts where work was carried out, there were also 1.9 million contracts where no work was carried out. This compares with a figure of 1.3 million contracts where no work was carried out in the same period in the previous year, an increase of around a half, although it is not possible to say how many of these contracts relate to filled positions where the employee was still available to work.

After the business survey in January 2014, ONS carried out some follow-up work with businesses to gather some more information about these contracts. The follow-up work did not highlight any single reason why these contracts did not provide any work. A number of reasons were given including:

- employees not accepting work offered to them for personal reasons - employers may not know the exact reasons but it could include people not currently in a position to work (for example, due to sickness, holiday etc.) or those not available to the employer in the reference period because they had a permanent or no guaranteed hours job with a different employer
- openings for work that employers had not been able to fill because the flexibility, or other aspects of the contract, meant that no-one had accepted the work
- openings for work the employer might have at other times but, due to fluctuating demand, were not available in the reference period. It is not possible to say whether employers would have been able to fill these positions had they been available
- some employers having some out-of-date contracts on their list, although businesses said they generally kept their lists up-to-date.

None of the businesses contacted in the follow-up used exclusivity clauses. While the analysis has proved inconclusive, it indicates that for most of these contracts the reason that work was not undertaken was due to the employees not accepting work or employers not having suitable work available.

Comparison of Labour Force Survey and ONS business survey

The number of NGHC contracts from the business survey is higher than the number of workers reporting “zero-hours contracts” in the LFS. The results of the business survey will differ from the LFS for a number of reasons:

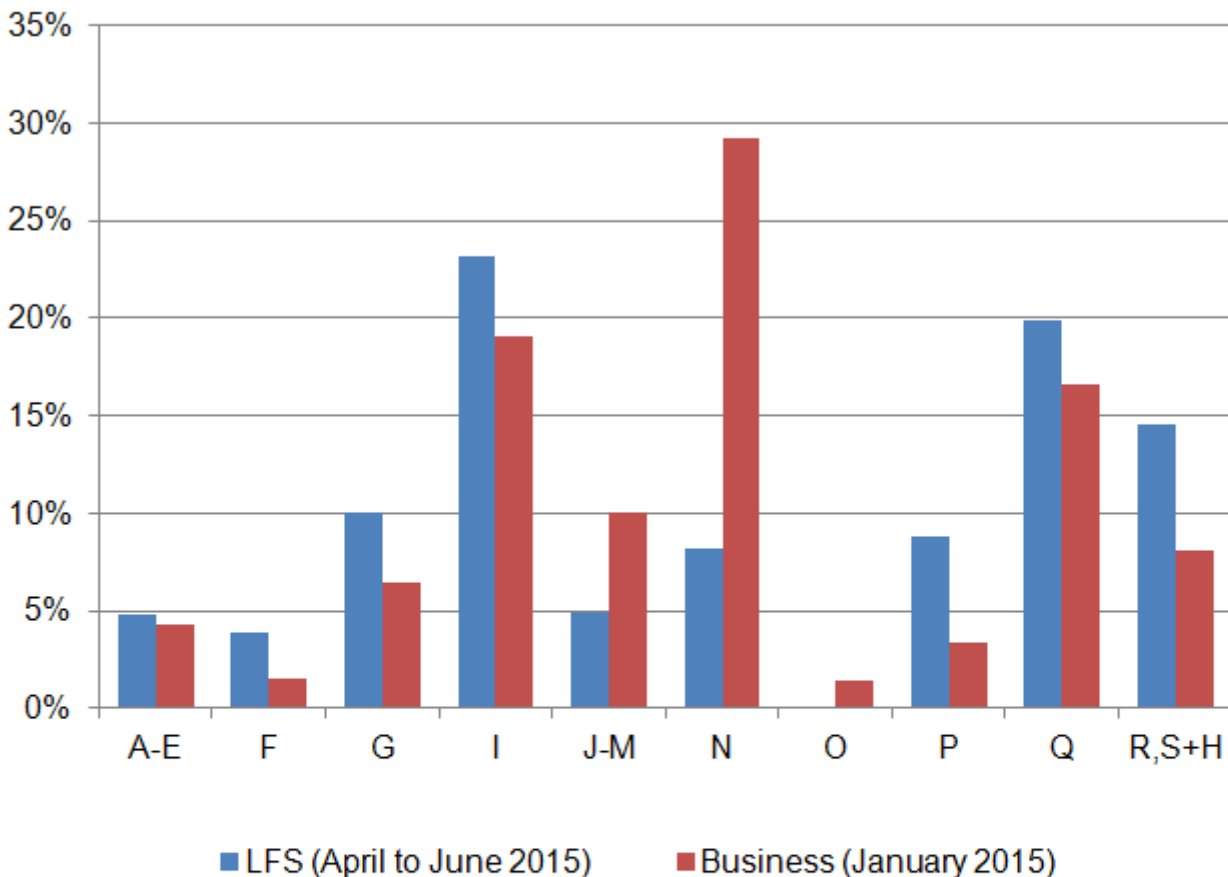
- the employer survey will count contracts not people and will provide higher estimates (as one person can have more than one contract)
- employers are likely to be more aware of their employees’ formal contractual arrangements. This may differ from the perception of employees if their normal working hours are relatively stable or if changes in hours are mainly as a result of personal choice
- there may be multiple contracts for each job in the business survey.

Figure 4 shows the distribution by industry of NGHCs from our business survey and “zero-hours contracts” from the LFS. Where there are differences in the distributions, this will be partly due to how people are classified in the two surveys. On the LFS, people are classified to an industry according to their own description of the main activity at their workplace. Businesses are allocated to the industry where most of their employees work. For example, many local authorities are classified to Education (section P), while their employees will cover other areas such as Social work (section Q), Public administration (section O) and Recreation (section R). Similarly, employment agencies

are classified to Administration and support services (Section N) on the business survey, while people employed by them but placed at another employer may give a different answer on the LFS. The distribution may also be affected by the business survey including second and subsequent jobs, whereas the LFS estimates are for main employment only.

Figure 4: Distribution of workers on non-guaranteed hours contracts and “zero-hour contracts” by industry, 2015

UK



A-E Production including Agriculture	N Admin and support services
F Construction	O Public admin
G Wholesale and Retail	P Education
I Accommodation and Food	Q Health and Social work
J-M Information, Finance, Professional	R,S+H Transport, Arts, Other services

Source: Labour Force Survey - Office for National Statistics

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What are the characteristics of people employed on “zero-hours contracts”?

While the business survey provides a measure of the number of contracts that do not guarantee hours, the Labour Force Survey (LFS) can provide additional information about the type of people who report that their main employment is on a “zero-hours contract”.

Who are they?

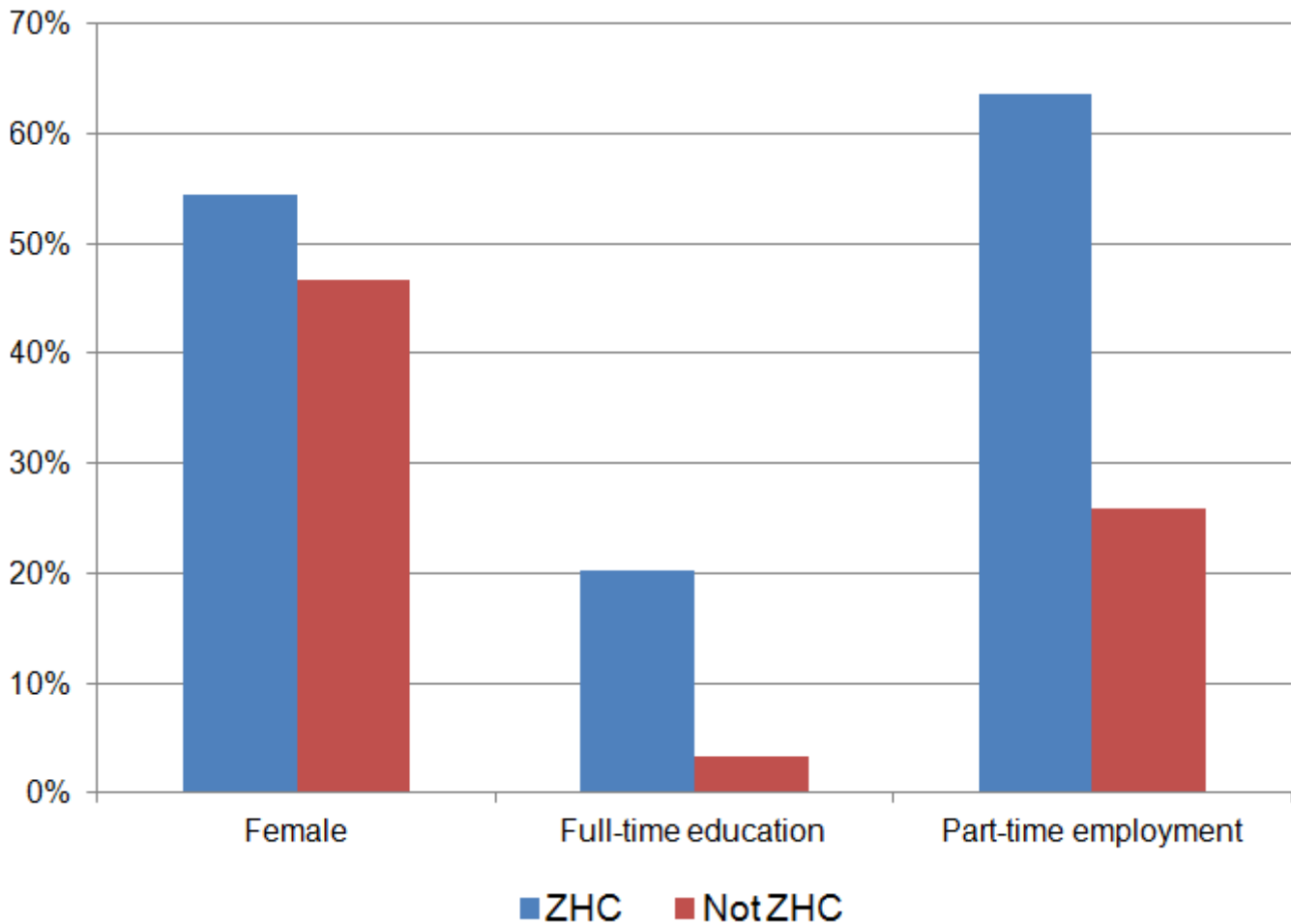
Looking at the type of people who report that they are employed on a “zero-hours contract” compared with other people in employment shows that there are differences in the type of people on “zero-hours contracts” (Figures 5 and 6). For April to June 2015:

- women make up a larger proportion of those reporting working on “zero-hours contracts” (54%) compared with people not on “zero-hours contracts” (47%)
- people who report being on a “zero-hours contract” are more likely to be at the youngest or oldest ends of the age range. 34% of people on “zero-hours contracts” are aged 16 to 24 and 6% are aged 65 and over (compared with 12% and 4% respectively for other employed people)
- 20% of people on “zero-hours contracts” are in full-time education compared with 3% of other people in employment.

These patterns may partly reflect the groups most likely to find the flexibility of “zero-hours contracts” an advantage, for example, young people who combine flexible working with their studies or people working beyond state pension age.

Figure 5: Proportion of people in employment by gender, education and part-time employment, April to June 2015

UK



Source: Labour Force Survey - Office for National Statistics

Notes:

1. ZHC = Zero-Hour Contracts

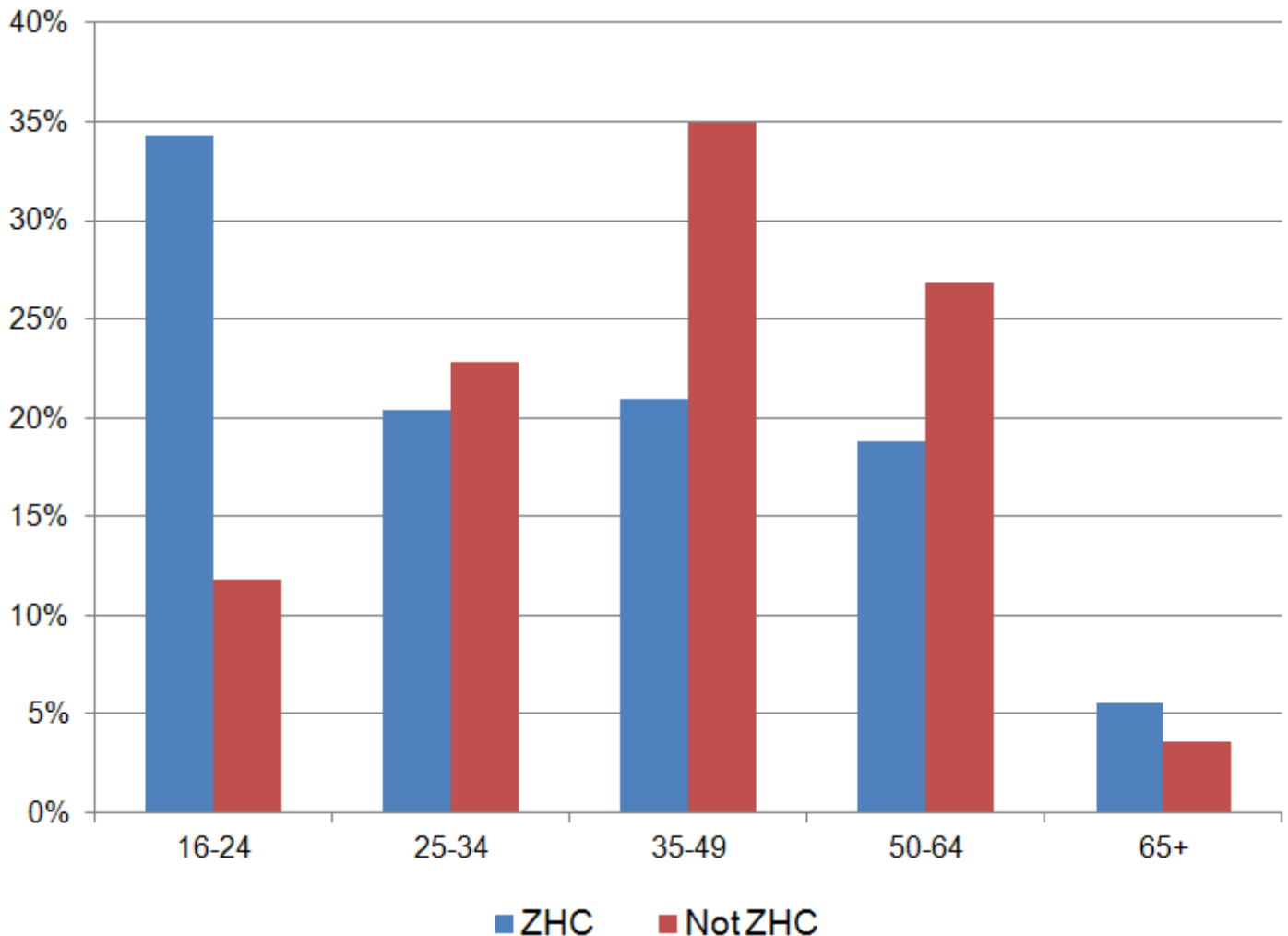
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Figure 6: Distribution of people in employment by age, April to June 2015

UK



Source: Labour Force Survey - Office for National Statistics

Notes:

1. ZHC = Zero-Hours Contracts

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Hours worked and flexibility

The majority of people on “zero-hours contracts” (64%) reported that they worked part-time, compared with just over a quarter (26%) of other workers. This means that the average actual weekly hours worked in their main job by someone on a “zero-hours contract” is lower at 22.2 per week compared with 32.3 for other people. There is a similar pattern for usual hours worked which were 25.1 and 36.6 respectively.

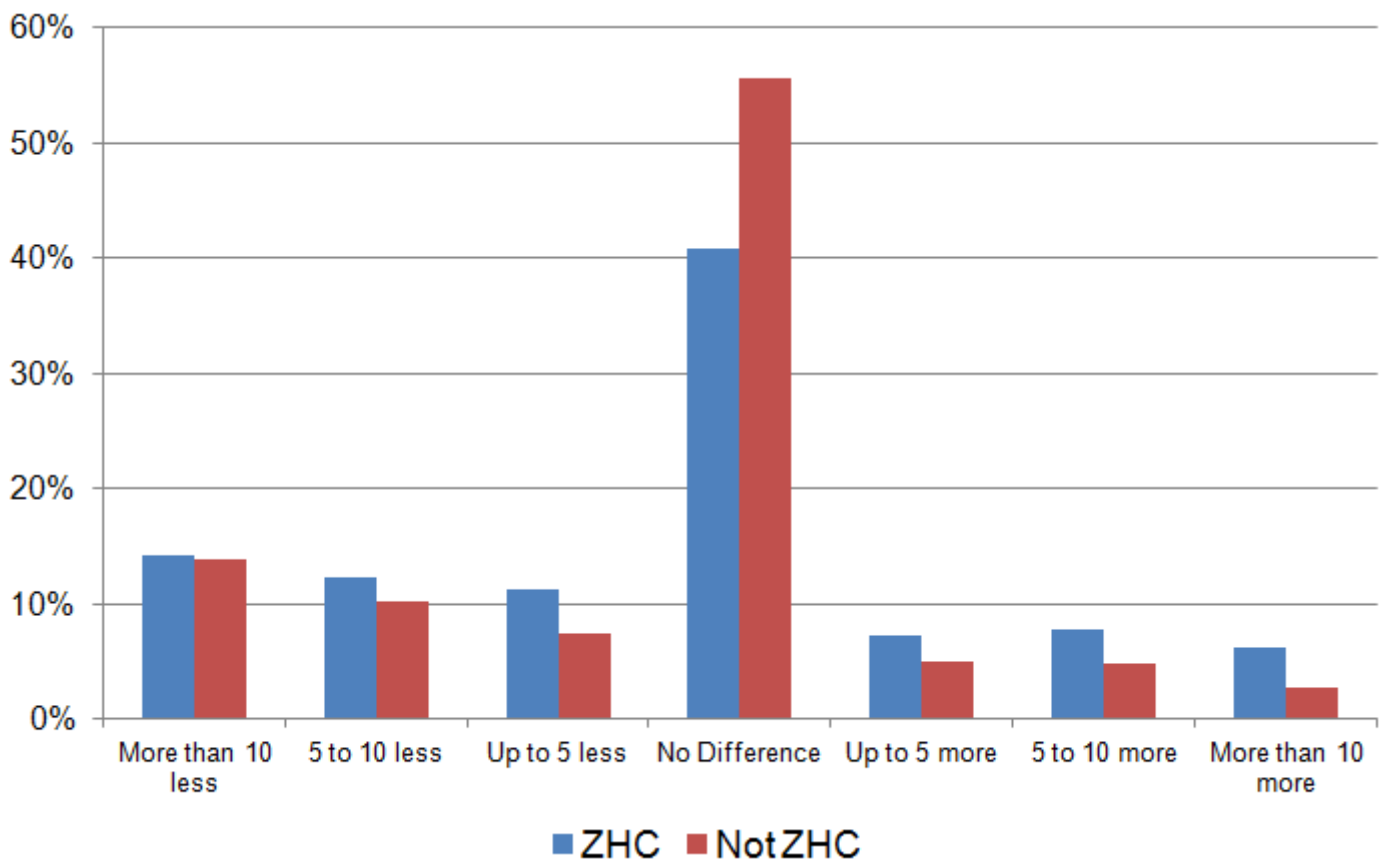
In April to June 2015, 15% of people on “zero-hours contracts” worked no hours in the week before their LFS interview compared with 9% of other workers.

Comparing usual and actual hours, Figure 7 shows the differences between actual and usual hours worked for people on “zero-hours contracts” and other workers. For April to June 2015:

- 41% of people on “zero-hours contracts” worked their usual hours compared with 56% of other workers
- 38% of people on “zero-hours contracts” worked less than their usual hours compared with 32% of other workers
- 21% of people on “zero-hours contracts” worked more than their usual hours compared with 13% of other workers

Figure 7: Actual hours minus usual hours, April to June 2015

UK



Source: Labour Force Survey - Office for National Statistics

Notes:

1. ZHC = Zero-Hours Contract

Download chart

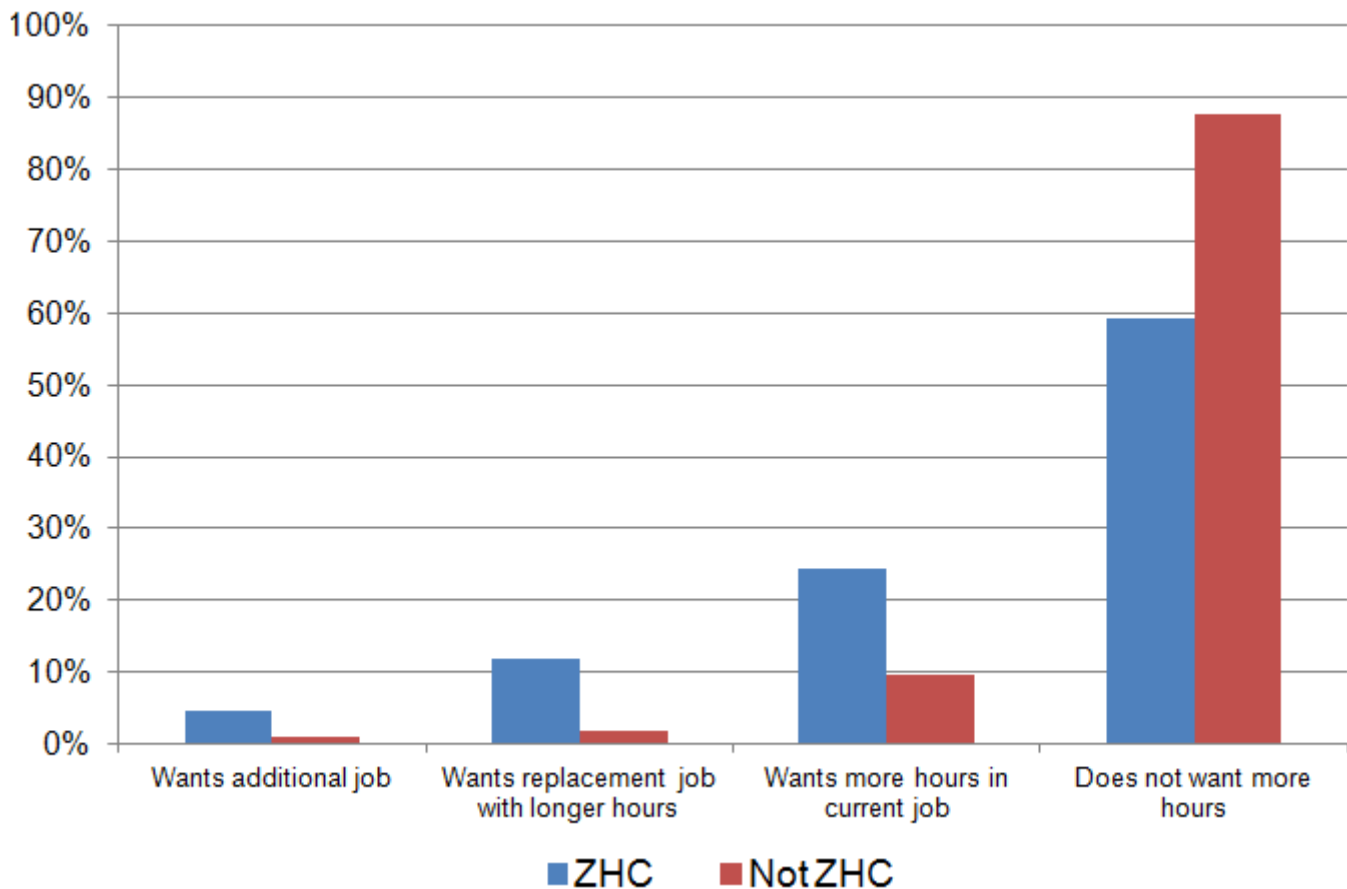
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Around 2 in 5 (41%) of people on “zero-hours contracts” want more hours compared with 12% of other people in employment, though this could be linked to a higher proportion of “zero-hours contract” jobs being part-time. Looking in more detail, 12% of people on “zero-hours contracts” would like a different job with more hours compared with 2% for other people in employment (the remainder would like more hours in their current job or an additional job, see Figure 8).

Figure 8: Looking for another job or more hours, April to June 2015

UK



Source: Labour Force Survey - Office for National Statistics

Notes:

1. ZHC = Zero Hours Contract

Download chart

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Annex 1 - Measures of uncertainty

Labour Force Survey

The latest estimate of 744,000 people employed on “zero-hour contracts” has a 95% confidence interval of $\pm 72,000$, which means the true figure is likely to lie between 673,000 and 816,000.

ONS business survey

The estimate of 1.5 million contracts that do not guarantee hours and where work was carried out has a 95% confidence interval of $\pm 340,000$, which means the true figure is likely to lie between 1.2 million and 1.8 million.

Background notes

1. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

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