



**intergenerational
foundation**

Fairness for Future Generations

A response to the consultation on zero-hours employment contracts

Who we are...

The Intergenerational Foundation (www.if.org.uk) is a think tank which researches fairness between the generations in the UK, in order to protect the interests of younger and future generations, who are at risk of being ignored by current policy-makers.

Our response...

IF welcomes the opportunity to contribute to the consultation on zero-hour employment contracts which is being undertaken by the Department for Business, Innovation and Skills (BIS). As a think tank which conducts research into the economic issues facing young people, we are particularly concerned that younger workers are disproportionately likely to be employed using zero-hours contracts.

IF broadly accepts the arguments about the use of zero-hours contracts that BIS sets out in the consultation document; under the right circumstances this type of employment arrangement can be a useful means of providing both the employer and the employee with a degree of flexibility which is beneficial to both parties. It is certainly plausible to argue that there are particular types of young people – such as full-time students – who would find it a struggle to balance paid employment with their other commitments were it not for the kind of flexible working arrangements which zero-hours contracts can facilitate. IF also supports the view expressed by BIS that two of the biggest problems with zero-hours contracts in their present form are the use of exclusivity clauses, which can actively hamper the degree of flexibility enjoyed by workers employed under this type of arrangement, and the lack of transparency surrounding their use which can often leave someone who has signed a zero-hours contract unaware of the true nature of their rights and responsibilities. We agree that both of these issues ought to be addressed.

However, IF's main concern about the increasing use of zero-hours contracts is that they are having a disproportionate impact upon young workers who are near the beginning of their working lives. Although estimates of the total number of people who are employed using zero-hours contracts vary widely – official data from the ONS claims that they only affect around 250,000 workers, while the Chartered Institute of Personnel and Development (CIPD) has estimated that the true figure is over 1 million¹ – there appears to be a consensus view among researchers that their use has become increasingly common during recent years. Fig. 1 displays the official ONS estimates of the number of workers employed using zero-hours contracts in each year since 2000, which are based on data from the Labour Force Survey.

¹ CIPD (2013) *Zero-Hours Contracts: Myth and Reality* London: CIPD

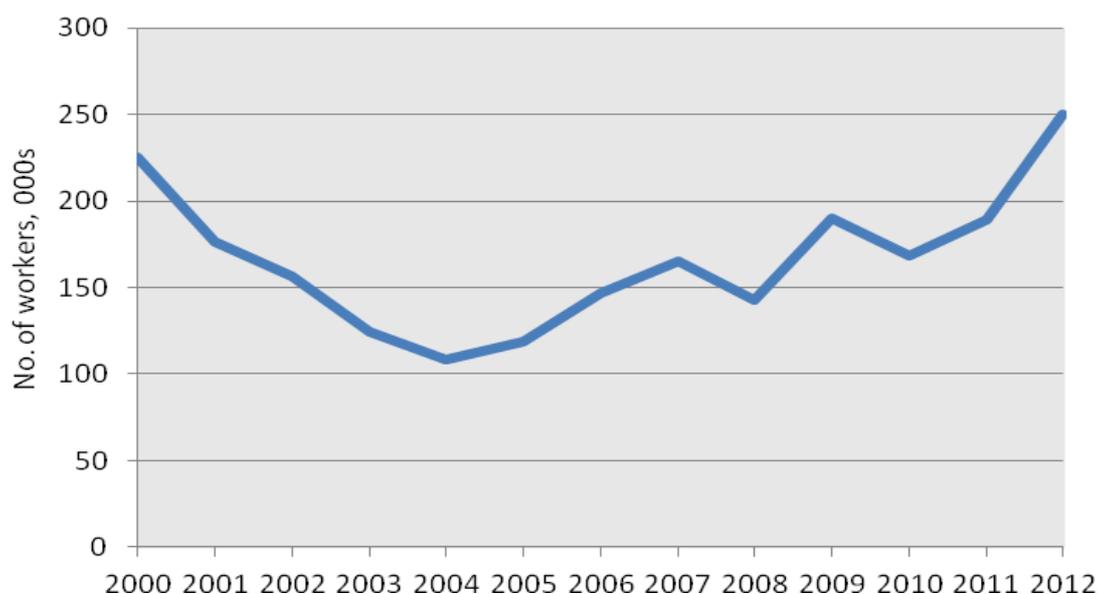


Fig.1 Labour Force Survey estimates of the number of workers employed using zero-hours contracts, 2000–2012²

Fig.1 suggests that the number of people employed using zero-hours contracts has been increasing almost continuously since 2004, although the actual numbers of employees involved is likely to be an underestimate. IF finds this growth problematic, because (based on their own analysis of the Labour Force Survey dataset) the Resolution Foundation has shown that the growth of zero-hours contracts is disproportionately affecting new entrants to the labour market (Fig.2).

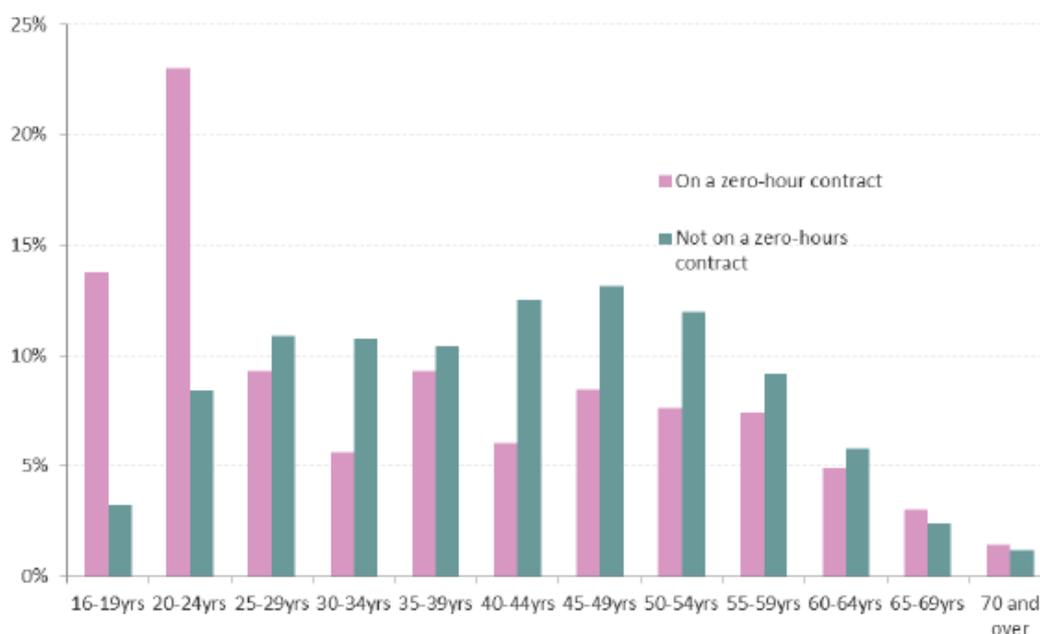


Fig.2 The prevalence of zero-hours contracts by age³

Part of the explanation for the trend shown in Fig.2 is probably that young people are more likely to work in sectors of the economy where zero-hours working arrangements are more prevalent, such as

² ONS (2013) *Estimating Zero-Hours Contracts from the Labour Force Survey* Newport: ONS

³ Pennycock et al. (2013) *A Matter of Time: The Rise of Zero-Hours Contracts* London: Resolution Foundation

customer services and the hospitality trade. However, the worrying implication of this data is that it suggests employers may be offering zero-hours contracts to their new employees instead of offering them a more secure form of employment, potentially sharpening an insider/outsider dynamic between younger workers and older ones who often enjoy much greater benefits and job security. The Resolution Foundation has identified a number of negative consequences which are associated with zero-hours employment arrangements – based on survey evidence taken from zero-hours workers – which young people are disproportionately likely to suffer from:⁴

- Irregular employment makes it harder to budget and to manage household expenses;
- Zero-hours contracts are associated with lower gross hourly wages than permanent contracts;
- Many zero-hours workers are unable to refuse offers of work in practice because of the risk that an employer won't use them again if they refuse to accept a particular shift (this is known as being “zeroed-down”);
- Most zero-hours workers do not receive typical employment benefits such as sickness pay, holiday pay or pensions.

The growing prevalence of zero-hours contracts among younger workers could be interpreted as another way in which they are increasingly being treated as second-class citizens within the UK labour market. Previous research undertaken by IF has shown that the median gross weekly wages of workers aged 18–21 fell by over 19% in real terms between 1997 and 2013, while the pay of workers aged 22 to 29 remained virtually stagnant (based on data from the Annual Survey of Hours and Earnings (ASHE)). Over the same time period, we found that the wages of workers aged 50 to 59 went up by almost 25% in real terms, so the ratio of average earnings between the oldest and the youngest workers in the labour force has risen by over 50% during recent years.⁵

The growth of zero-hours contracts appears to be another element of the generational disadvantage being suffered by today's new entrants to the labour market, who – in contrast to the majority of older workers who enjoy excellent job security on account of their seniority and experience – are working against what the Work Foundation calls “*a background of falling real wages, high levels of workplace fear of the consequences of redundancy and unfair treatment for a significant minority, and an employment recovery where permanent employee jobs have been in a minority.*”⁶

Young workers have been especially disadvantaged by the trend in some industries towards replacing positions which would previously have been full-time with zero-hours roles. One example of an industry where this practice has become widespread is the higher and further education sector: an investigation undertaken by the Universities and College Union (UCU) found that 53% of Britain's universities and 61% of further education colleges have hired staff using zero-hours contracts, affecting over 30,000 people.⁷ Increasingly, recently-qualified young staff are being hired by these institutions to provide teaching on zero-hours contracts which only pay them an hourly rate without providing any of the other employment benefits that are typically available to more senior, full-time members of staff who are doing exactly the same job, such as sick pay and pension rights. Young academics are likely to be placed at a significant disadvantage under these arrangements because they need to accumulate teaching experience in order to get a permanent position – making the offer of one

⁴ Pennycook et al. (2013) *A Matter of Time: The Rise of Zero-Hours Contracts* London: Resolution Foundation

⁵ Kingman, David and Seager, Ashley (2014) *Squeezed Youth: The Intergenerational Pay Gap and the Cost of Living Crisis* London: Intergenerational Foundation

⁶ Brinkley, Ian (2013) *Flexibility or Insecurity? Exploring the rise of zero-hours contracts* London: The Work Foundation

⁷ UCU (2013) *The Use of Zero Hours Contracts in Further and Higher Education* London: UCU

of these contracts difficult to turn down – but as the contracts do not pay them for the time it takes to prepare teaching materials, mark assignments or support their students outside the classroom, they will typically end up doing a huge amount of unpaid work; this prevents them building up a research portfolio, without which it is virtually impossible to obtain a permanent full-time post.⁸

The situation within academia may represent an extreme application of the growth of zero-hours contracts, but the broader lesson to be drawn is that we need to be wary, as a society, of allowing situations to flourish in which young people effectively have no choice about accepting a zero-hours contract if they want to work in a particular industry. For economic reasons, not all young workers will be able to work on zero-hours contracts, so this is likely to lead to a narrowing of opportunities and a loss of talent to the British economy. As Simon Renton, the president of UCU, has argued, if workers effectively have no choice about accepting a zero-hours contract then *“flexibility is not a two-way street and, for far too many people, it is simply a case of exploitation.”*⁹

Recommendations

IF does not feel that the evidence on the use of zero-hours contracts supports the case that there should be an outright ban on such employment arrangements.

However, our main concern is that they are currently having a disproportionate impact upon new entrants to the labour market, who may be being treated less fairly than older members of staff who are employed by the same organisations. If two workers are undertaking similar jobs, but one is receiving less favourable terms of employment than the other on the basis of their age, then that is a form of age discrimination. Under the Equality Act 2010, “indirect” discrimination (which comes about when an employer issues a new policy which affects all workers but has a disproportionate impact upon members of a particular group) on the basis of age is illegal. Therefore, IF would like to see greater vigilance on the part of government to try to ensure that zero-hours contracts are not being used in a manner which discriminates against younger workers.

The other point IF would like to make is that the existing data on the precise number, distribution and impacts of zero-hours contracts are of poor quality, which complicates efforts to formulate policy in this area. IF would like to see the government attempt to produce more and higher-quality data in this area in the future.

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For more information about the Intergenerational Foundation and its work, please visit www.if.org.uk or contact Liz Emerson, Co-Founder at liz@intergenerational.org.uk.

⁸ Dunn, Carrie (2013) “More universities use zero-hours contracts than research shows” *The Guardian* 5 September 2013

⁹ Garner, Richard (2013) “Colleges favour zero-hours contracts, says lecturers’ union research” *Independent* 5 September 2013