

Article

Contracts that do not guarantee a minimum number of hours: September 2016

Contact:
Mark Chandler
mark.chandler@ons.gsi.gov.uk

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1 . Summary

Estimates of the number of employment contracts that do not guarantee a minimum number of hours are derived from our twice-yearly survey of businesses. They are complemented by estimates from the Labour Force Survey (LFS) – a survey of households – of the number of people who report that they are on a “zero-hours contract” in their main job.

This report contains the latest figures from the LFS which cover the period April to June 2016. The latest available results from the survey of businesses relate to November 2015 and were first published in March this year. Updated estimates from the business survey, relating to May 2016, will be provided in a supplement to this report later this year.

According to the LFS, the number of people employed on “zero-hours contracts” in their main job during April to June 2016 was 903,000, representing 2.9% of all people in employment. This latest estimate is 156,000 higher than that for April to June 2015 (747,000 or 2.4% of people in employment). In recent years, increases in the number of people reporting to the LFS that they were on a zero-hours contract were likely to have been affected by greater awareness and recognition of the term “zero-hours contract”. This latest annual change may also have been affected in this way but it is not possible to estimate the extent.

People on “zero-hours contracts” are more likely to be young, part-time, women, or in full-time education when compared with other people in employment. On average, someone on a “zero-hours contract” usually works 25 hours a week. Around 1 in 3 people (31%) on a “zero-hours contract” want more hours, with most wanting them in their current job, as opposed to a different job which offers more hours. In comparison, 10% of other people in employment wanted more hours.

The results from the November 2015 survey of businesses indicated that there were 1.7 million contracts that did not guarantee a minimum number of hours, where work had actually been carried out under those contracts. This represented 6% of all employment contracts. The equivalent figures for May 2015 were 2.1 million and 7%. Note that the differences between these estimates may have been affected by seasonal factors relating to the periods the data were collected for.

2 . Introduction

This report updates our article [Contracts that do not guarantee a minimum number of hours: March 2016](#), published on 9 March 2016. This report contains the latest figures from the Labour Force Survey (LFS), which cover the period April to June 2016. The latest available results from the survey of businesses relate to November 2015 and were first published in March this year. Updated estimates from the business survey, relating to May 2016, will be provided in a supplement to this report later this year.

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 our business survey as no guaranteed hours contracts.

When comparing figures from the 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 1 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
- employers are likely to be more aware of their employees’ formal contractual arrangements and 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

3 . How many no guaranteed hours contracts are there?

This section looks at the latest estimates from the Labour Force Survey for the period April to June 2016 and our previous survey of businesses for November 2015. Both measures are estimates from surveys, which due to sampling error are subject to a degree of uncertainty. Where available, an indication of the level of uncertainty is provided in Annex 1.

Labour Force Survey

The Labour Force Survey (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 3 different arrangements from a list of 8 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:

1. are employed (have done at least 1 hour of paid work in the week before they were interviewed or reported that they were temporarily away from their job)
2. report that their working arrangements in their main employment include some form of flexibility
3. 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, although they have the opportunity to report a “zero-hours contract” as well.

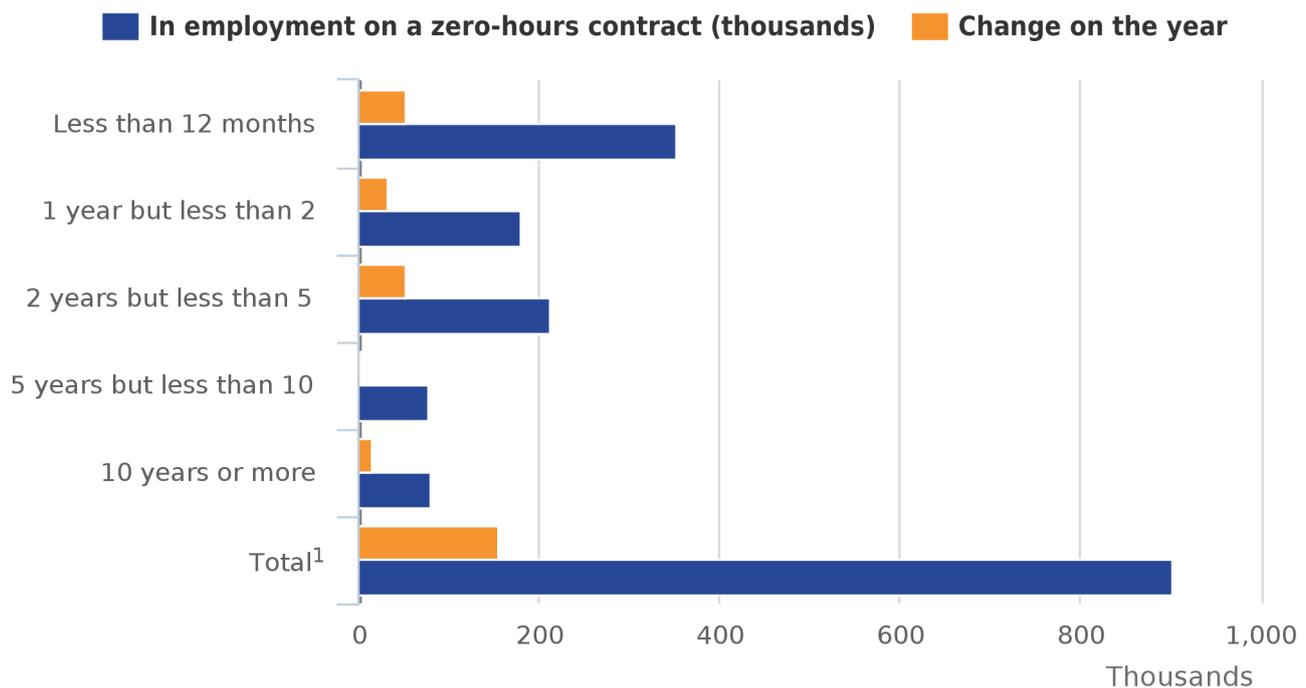
The latest estimate from the LFS shows that 903,000 people reported that they were on a “zero-hours contract” in the period April to June 2016, representing 2.9% of people in employment. This is 21% higher than the reported figure from the same period in 2015 (747,000 or 2.4% of people in employment). In recent years, increases in the number of people reporting to the LFS that they were on a “zero-hours contract” were likely to have been affected by greater awareness and recognition of the term “zero hours contract”. This latest annual change may also have been affected in this way but it is not possible to estimate the extent.

When looking at the length of time in current job, two-thirds (66%) 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 2015. This could reflect either increased recognition or people moving on to a “zero-hours contract” with the same employer. 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 complicated 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 our report [Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours](#), published on 30 April 2014.

Figure 1: Number (thousands) of people on “zero-hours contracts” by length of time with current employer, April to June 2016 and change since April to June 2015

UK



Source: Office for National Statistics

Notes:

1. Includes those that did not state their time with current employer

ONS business survey

The latest available results from the survey of businesses relate to November 2015 and were first published in March this year. Updated estimates from the business survey, relating to May 2016, will be provided in a supplement to this report later this year.

Our business survey for November 2015 asked a sample of 5,000 businesses how many people were employed on contracts that do not guarantee a minimum number of hours (NGHCs) and received around 2,300 responses. The estimates from the employer survey indicate that there were 1.7 million contracts that did not guarantee a minimum number of hours where work was carried out in the fortnight beginning 9 November 2015 (around 6% 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.

Table 1: Contracts with no guaranteed minimum number of hours (NGHCs), 2014 to 2015, UK

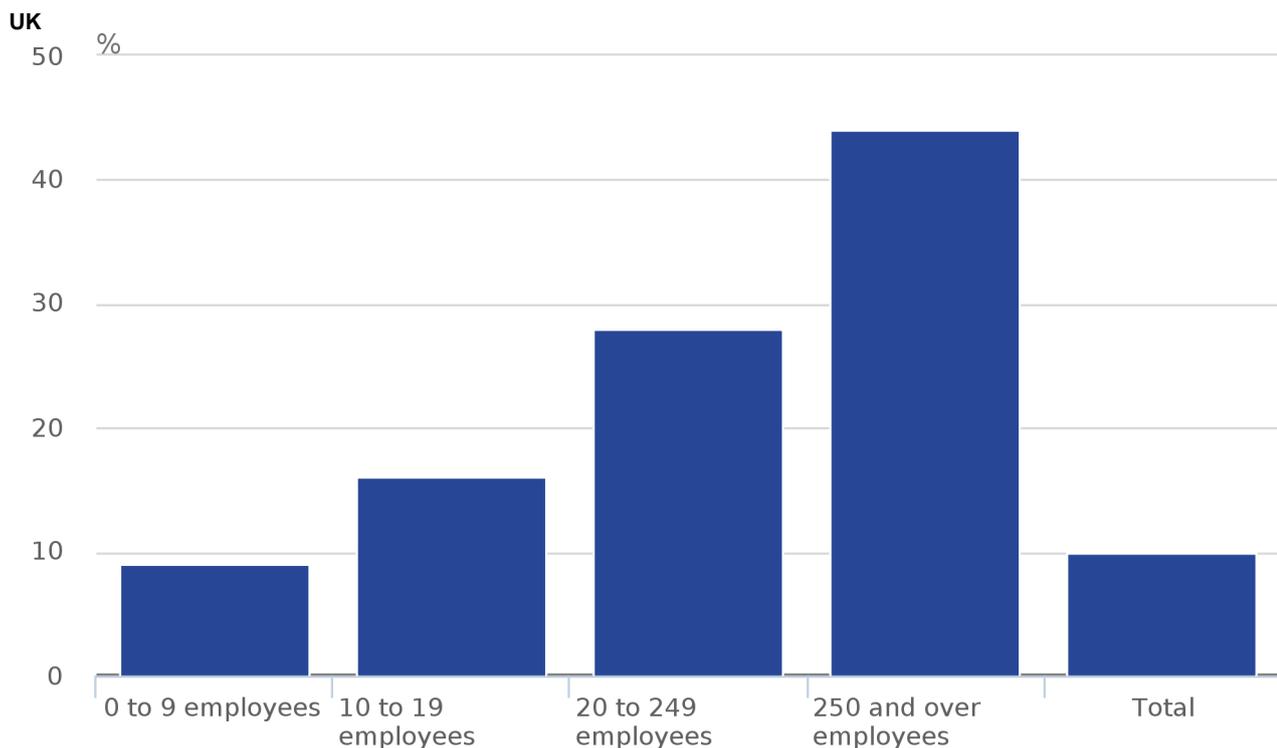
Millions and %

Reference period	Total NGHCs where work was carried out (millions)	Percentage of contracts that are NGHCs (%)	Percentage of businesses making some use of NGHCs (%)
Jan-14	1.4	5	13
Aug-14	1.8	6	11
Jan-15	1.5	6	11
May-15	2.1	7	11
Nov-15	1.7	6	10

Source: Office for National Statistics Business Survey

As well as the number of contracts, the business survey also estimated that 10% of businesses make some use of contracts that do not contain a minimum number of hours (NGHCs). However, the proportion of businesses using NGHCs differs when industry or size of business are considered. Figure 2 shows the proportion of businesses using NGHCs by size of business. It shows that over 40% of businesses with employment of 250 and over make some use of NGHCs, compared with around 10% of businesses with employment of less than 10.

Figure 2: Percentage (%) of businesses making some use of contracts that do not contain a minimum number of hours (NGHCs) by size of business, November 2015

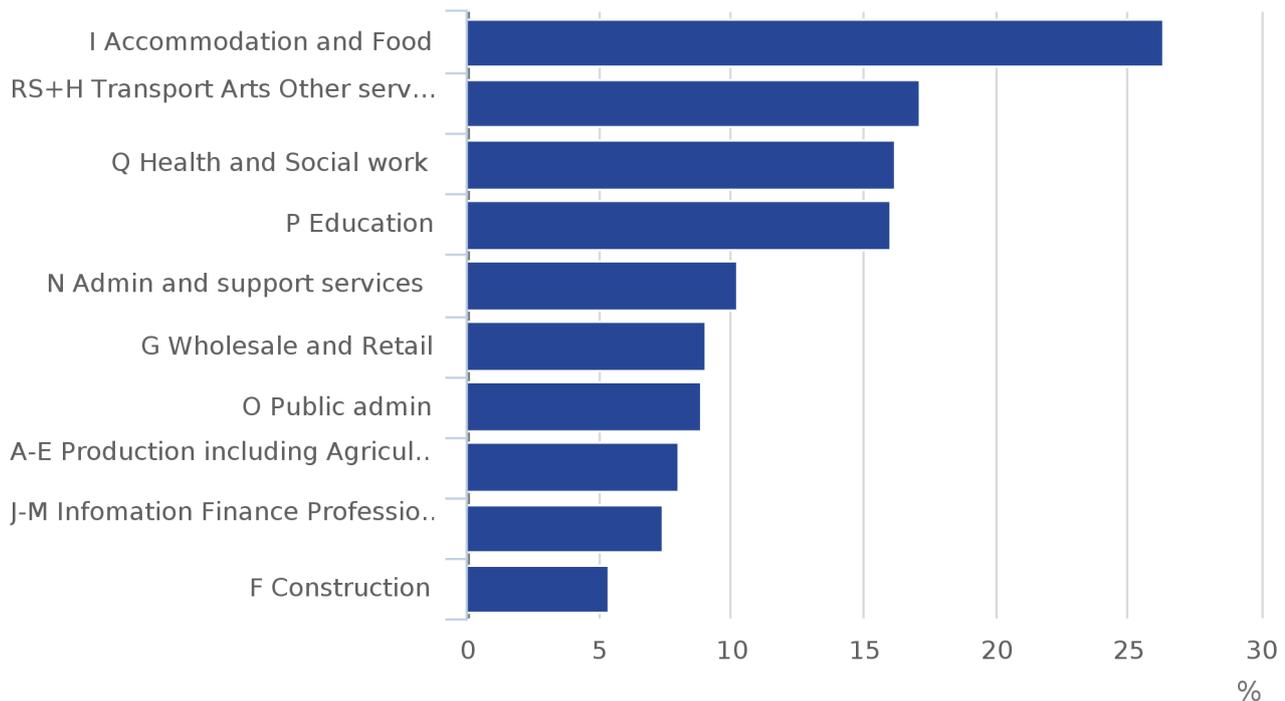


Source: Office for National Statistics

Looking at industry, the proportion of businesses using NGHCs varies considerably (Figure 3). In accommodation and food services more than 1 in 4 companies (26%) made some use of NGHCs in November 2015, compared with construction where around 1 in 20 companies made some use of NGHCs (5%).

Figure 3: Percentage (%) of businesses making some use of contracts that do not contain a minimum number of hours (NGHCs), by industry, ranked highest to lowest, November 2015

UK



Source: Office for National Statistics

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

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?

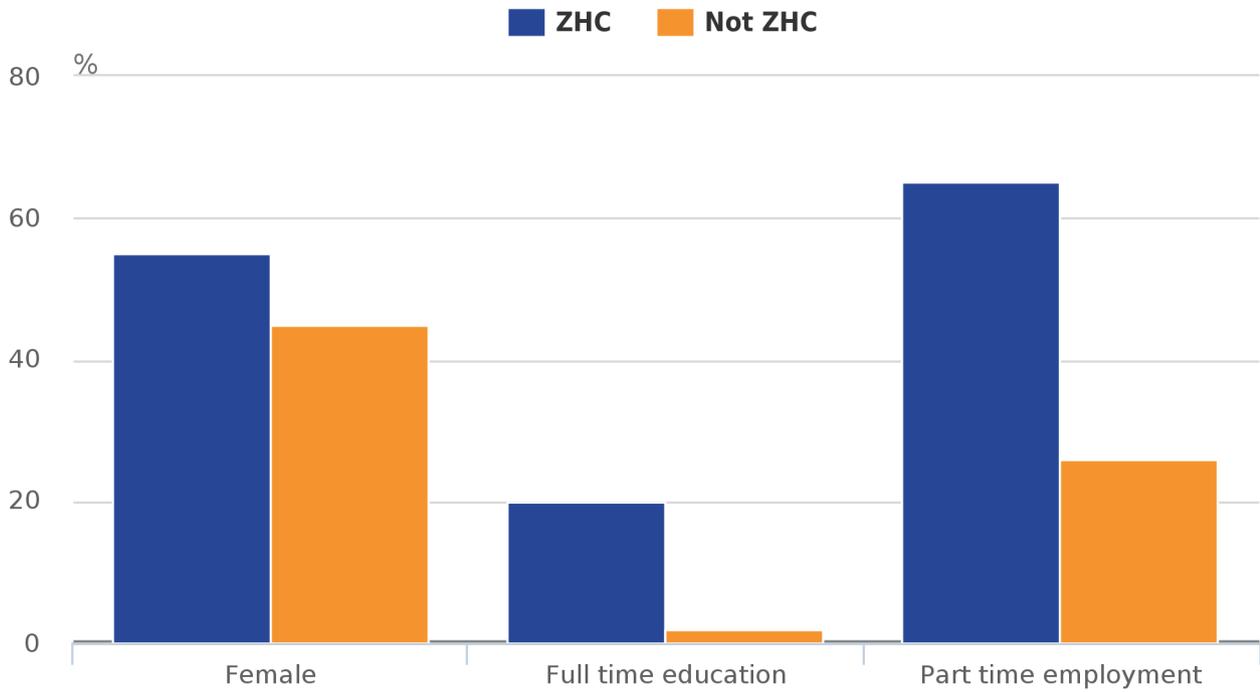
Looking at the type of people who report that they are employed on a “zero-hours contract” compared with other people in employment shows that there are differences in the type of people on “zero-hours contracts” (Figures 4 and 5) and the industries they work in (Figure 6a and 6b). For April to June 2016:

- women make up a bigger proportion of those reporting working on “zero-hours contracts” (55%) compared with women in employment not on “zero-hours contracts” (45%)
- people who report being on a “zero-hours contract” are more likely to be at the youngest end of the age range; 36% of people on “zero-hours contracts” are aged 16 to 24 (compared with 12% for all people in employment not on a “zero-hours contract”)
- 20% of people on “zero-hours contracts” are in full-time education compared with 2% of other people in employment
- 1 in 4 people in employment on a “zero-hours contract” are in the accommodation and food industry, with 13% of people employed in this industry on a “zero-hours contract”

These characteristics have shown little change over recent years with the patterns partly reflecting 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.

Figure 4: Percentage (%) of people in employment by gender, education and part-time employment, April to June 2016

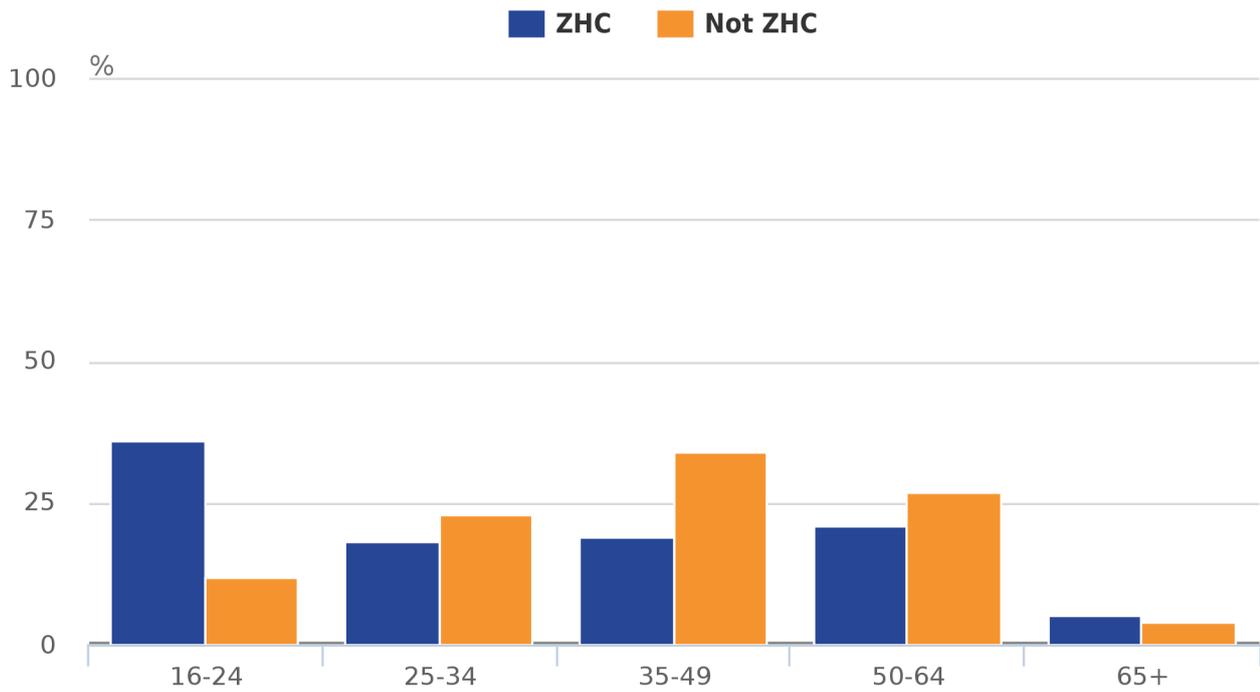
UK



Source: Office for National Statistics

Figure 5: Distribution (%) of people in employment by age, April to June 2016

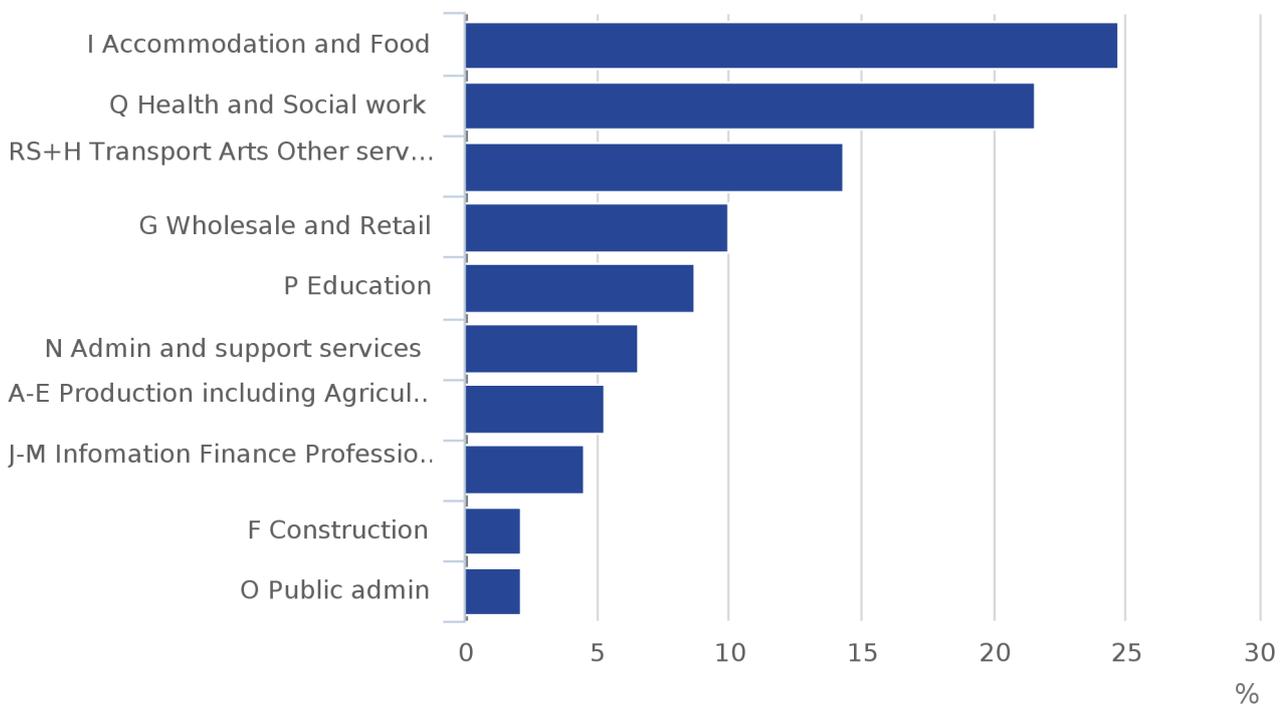
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Source: Office for National Statistics

Figure 6a: Distribution (%) of people on a “zero-hours contract” by industry, ranked highest to lowest, April to June 2016

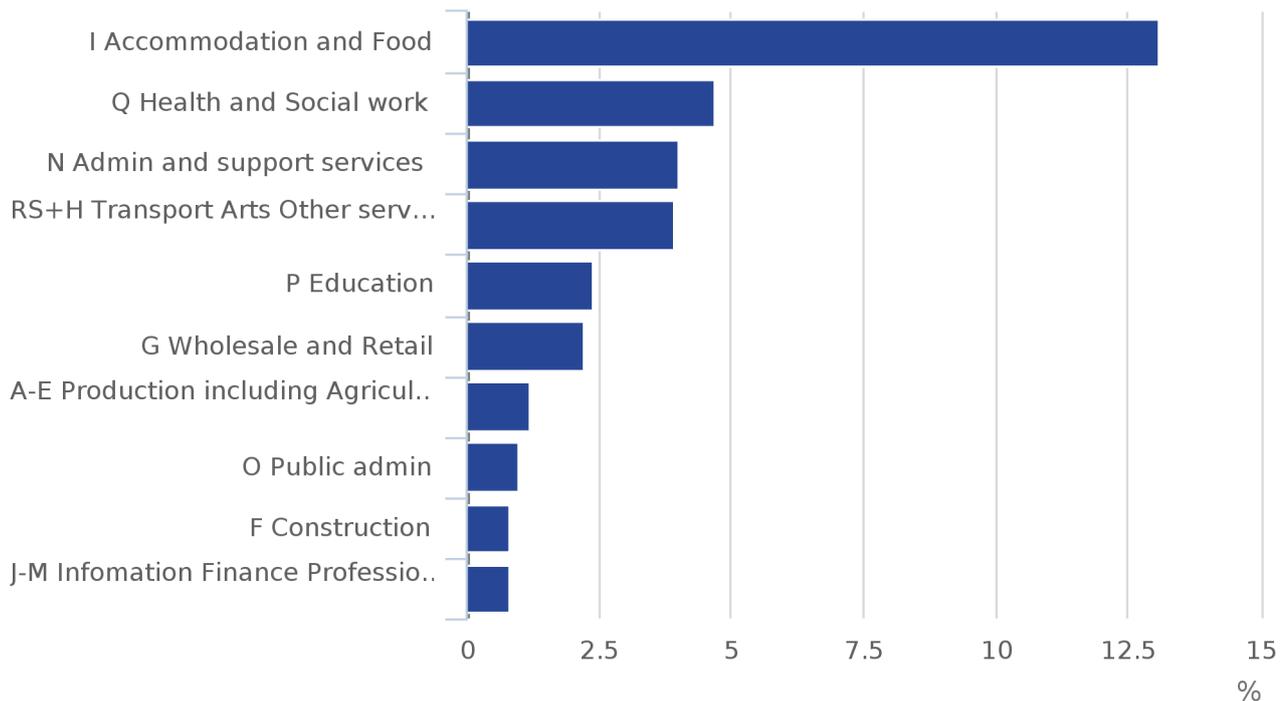
UK



Source: Office for National Statistics

Figure 6b: Percentage (%) of people in each industry in employment on a “zero-hours contract”, ranked highest to lowest, April to June 2016

UK



Source: Office for National Statistics

Hours worked and flexibility

The majority of people on “zero-hours contracts” (65%) reported that they worked part-time, compared with 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 21.1 per week compared with the average actual weekly hours for all workers at 32.5. This shows a similar pattern to usual hours worked, which were 24.7 and 36.6 respectively.

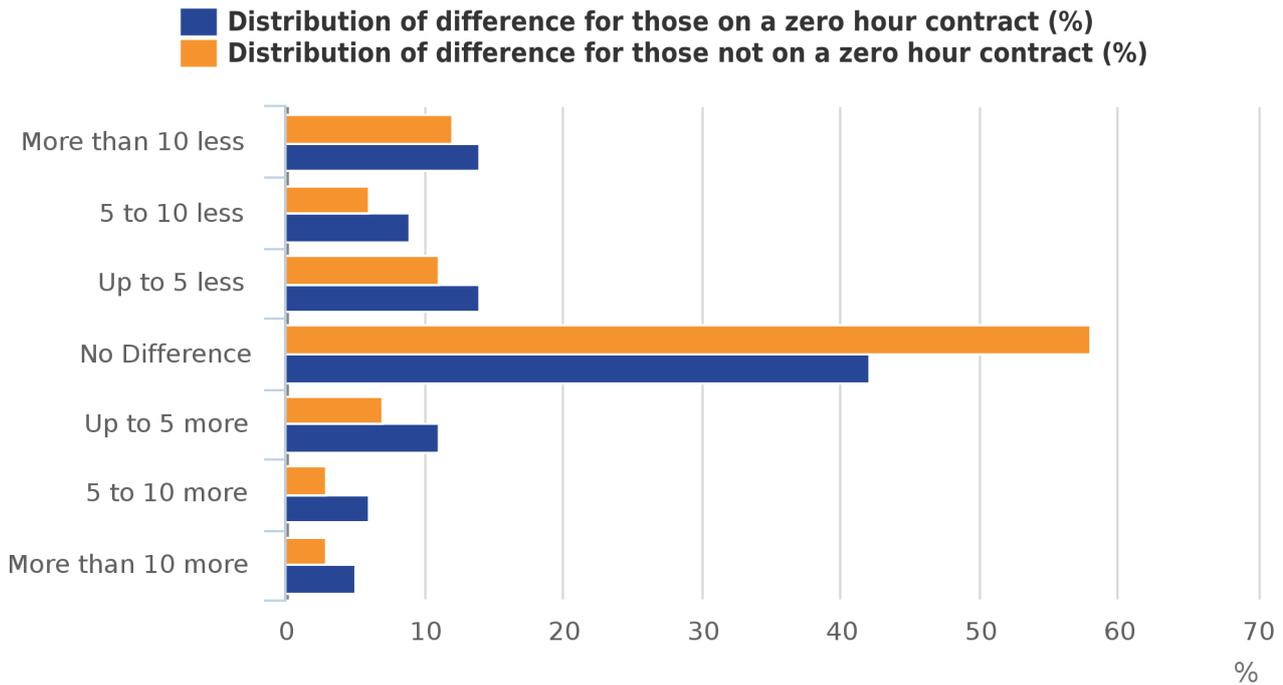
In April to June 2016, 15% of people on “zero-hours contracts” worked no hours in the week before their LFS interview compared with 9% of other workers.

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 2016:

- 42% of people on “zero-hours contracts” worked their usual hours compared with 58% of other workers
- 37% of people on “zero-hours contracts” worked less than their usual hours compared with 29% of other workers
- 22% 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 2016

UK

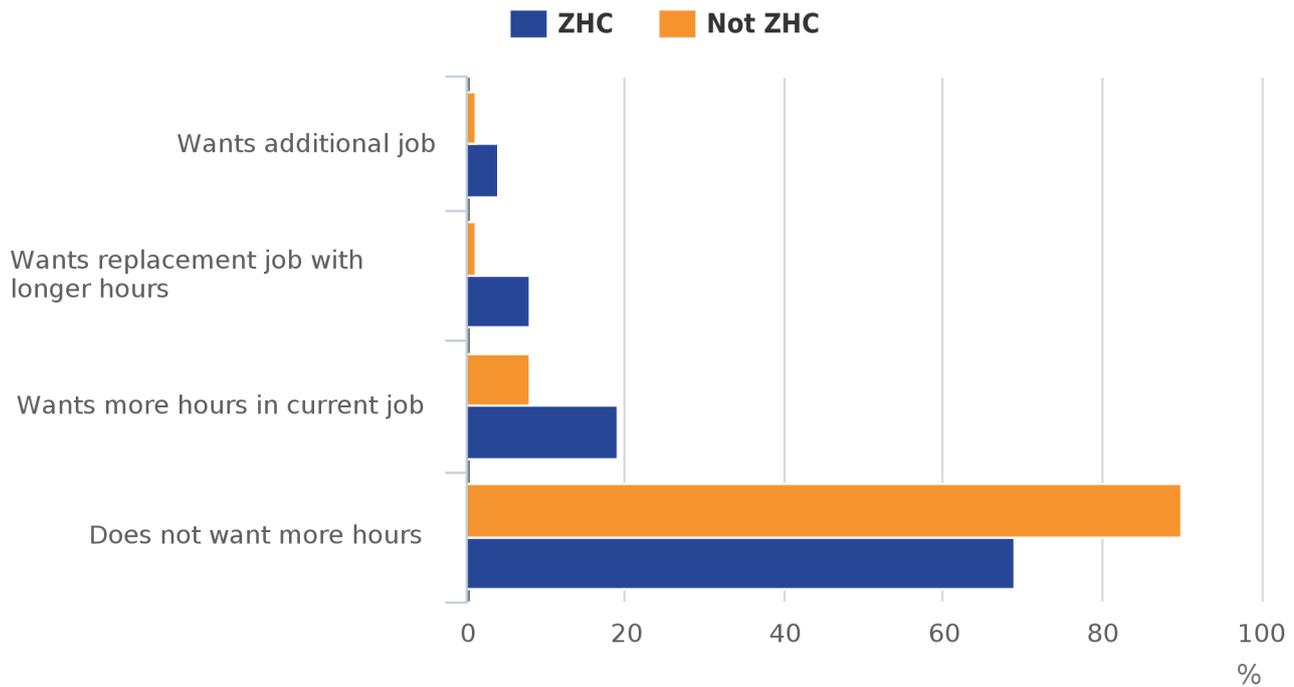


Source: Office for National Statistics

Around a third (31%) of people on “zero-hours contracts” want more hours compared with 10% of people in employment not on a zero-hours contract, though this could be linked to a higher proportion of “zero-hours contract” jobs being part-time. Looking in more detail, 8% of people on “zero-hours contracts” would like a different job with more hours compared with 1% for other people in employment (the remainder would like more hours in their current job or an additional job) (Figure 8).

Figure 8: Percentage (%) of people looking for another job or more hours, April to June 2016

UK



Source: Office for National Statistics

5 . Annex 1 - Measures of uncertainty

Labour Force Survey

The estimate of 903,000 people employed on “zero-hour contracts” has a 95% confidence interval of plus or minus 68,000, which means the true figure is likely to lie between 835,000 and 972,000.

ONS business survey

The November 2015 estimate of 1.7 million contracts that do not guarantee hours and where work was carried out has a 95% confidence interval of plus or minus 425,000, which means the true figure is likely to lie between 1.3 million and 2.2 million.