1. Explain what is meant by a “zero-hours” contract. (3 marks)

Zero-hours contracts

Workers on zero-hours contracts lose an estimated £1,000 a year compared with employees doing the same work, according to a study that underscores the divide between people in precarious jobs and those who have a permanent contract.

The Resolution Foundation said all workers who find themselves without a permanent, full-time role lose out in terms of wages, but people hired on zero-hours contracts suffer the biggest financial punishment.

The think tank said its research showed that workers on zero-hours contracts faced a “precarious pay penalty” compared with other workers doing similar jobs.

The pay penalty directly associated with zero-hours work amounted to 6.6% or 93p an hour. For a typical zero-hours worker doing 21 hours a week, it amounts to £1,000 a year. An examination of workers in low-paid roles revealed a bigger penalty of 9.5%.

The foundation said its analysis were the first to pinpoint a specific penalty associated with zero-hours contracts.

It said it was well known that zero-hours workers earned less than permanent employees – 38% an hour less on average – but it had previously been assumed this was down to their concentration in low-paying sectors, and younger and less experienced staff.

*Source: The Guardian, 30 December 2016*

2. What are the benefits to the employer of using “zero-hours” contracts with its staff? (6 marks)



