



## When Work Doesn't Pay

### Working paper on zero-hours contracts

Feeding Britain



The debate over zero-hours contracts (ZHCs) has raged in the UK for a number of years. Do they represent a flexible approach to modern working which benefits both the worker and the employer, or are they an exploitative tool used unscrupulously by employers, leading in some cases to hardship, insecurity and destitution?

Today Heidi Allen MP, a Trustee of Feeding Britain, and Frank Field MP, Chair of Feeding Birkenhead, Supporting Wirral, will present a bill to Parliament which seeks to shore up the rights of workers who desire additional security at work. The hope, via constituting businesses to offer a minimum number of hours for those who desire it, is that workers will benefit from the greater financial security this affords.

Across the Feeding Britain network, we hear day in, day out, that individuals are suffering at the hands of ZHCs. They are driven to food banks or social supermarkets, burdened with fluctuating incomes making budgeting or forecasting impossible, falling victim to 'insecurity premiums' which force last minute costs on budgets already precariously taught, and live in a 'climate of fear' associated with turning down an impractical shift. In some cases, ZHCs appear to punish those who work and are doing everything in their power to contribute to society, a reality which is as dysfunctional as it is cruel.

### Zero-hours contracts and hunger

Increasingly we are receiving evidence around individuals on ZHCs who are being forced to the door of the food bank to supplement their low or volatile income. Not only is this promoting a message that work doesn't pay, but ZHCs are also having the equally damaging impact of making Universal Credit (UC) payments fluctuate and in turn pushing proud, resilient individuals to rely heavily on food banks.

As hours vary each week, or sometimes each day, on ZHCs there is often a delay with UC catching up on the hours worked and, in some cases, UC forecasts are being made on the previous month where hours worked are dramatically different. This represents the first domino to fall, with wildly unpredictable payments leading to rent arrears and the loss of other passported benefits. Housing associations have reported a rise in the number of tenants who are falling foul of ZHCs and its impact on the financial housing support they receive.

*Paul, 61, West Cheshire*

*"Zero-hour contracts are no good to anybody. You need at least 40 hours a week to be able to fend for yourself and pay the bills. My universal credit payments were different each month and I could not keep up with the bills. I had to use foodbanks and got into arrears with both my rent and my council tax. I am better off not working than working in this way.*

*Single Parent, Coventry*

*A single parent works in a care job that cannot guarantee her hours. She is paid weekly, variable amounts, oftentimes just one shift in a week, and claims Universal Credit alongside. She can never predict how much UC will be paid to her, so cannot budget for her rent, utilities and food, and relies on foodbanks to supplement her low earned income, whilst she waits for UC payments to ensure she has enough to pay her rent.*

*Development Worker, Leeds*

*As part of my role I help to signpost people in need of food to appropriate provision. One lady asked for a food parcel for her and her 2 children. She had a zero-hours contract as a cleaner, had been ill for 2 weeks and so had no money coming in and no food left in the house.*

*I have also been part of a running drop-in for homeless and vulnerable adults for nearly 10 years. Throughout that time, many of the people who have come to us regularly for a meal and help with clothes and other items have been on ZHC's.*

### **Budget? "I haven't got anything to budget with"**

It is occasionally suggested that individuals who find themselves in crisis or financial insecurity would have benefitted from 'budgeting' lessons. An obvious response in the case of ZHCs is how can you budget when you have no idea how much money you will receive from week to week? While hours for those on a ZHC may vary, their bills most certainly do not. It is not possible to budget effectively when hours are limited, or there are short notice shift pattern changes. The misery, hardship and vulnerability of financial insecurity caused by ZHCs in many cases can be alleviated, if not totally avoided, in the first place by offering a minimum number of hours per week to those seeking greater financial security.

*Welfare Rights Advisor, Coventry*

*"When income comes in at different intervals and different amounts, but bills are a fixed price, it almost certainly leads to priority creditor arrears. I encourage clients to make a minimum expenditure of priority costs. Food can be a variable, so regrettably I have to ask how little clients can get away with spending on food. They then know at least how much they need coming in, but this means they cannot make any plans for emergencies, like appliance breakdown, higher bills in colder weather or higher bills if they are home more because shifts are few and far between.*

*Clients also cannot manage Direct Debits, as there may or may not be enough money in their account to cover debits, which could result in overdraft charges and a pile of unpaid bills."*

The experience of ZHCs for many is one of fluctuating hours and volatile earnings. In some cases, our networks have reported that individuals are working 60 hours one week and then only a couple of hours, if any, for the next month. Not only does this make financial forecasting next to impossible it also adds mental stress to the lives of many who already have worrying circumstances. While a defence of ZHC's is that they benefit those who desire a more flexible schedule, it is clear from our network and the host of organisations who work with people suffering at the hands of a ZHC, that if employees were offered greater stability, they would take it with both hands. For many a ZHC isn't something which suits their 'flexible lifestyles' but a contract imposed on them by employers who hold all the aces.

*Arnold, 60, West Cheshire*

*I have been employed on a ZHC for over 12 months. I am frequently using foodbanks as I am unsure of the working hours I will get each week and am unable to forecast financially. I am depressed and feel low all of the time. I feel like my boss holds all of the power and uses me to suit his own schedule. He is not consistent and does not give shifts out every week. My boss is also my landlord which has a further negative impact.*

### **The "insecurity premium"**

Having already received a pummeling from an income which rises and falls drastically from week to week, and been left with a perpetual fear of the unforeseen financial emergency around the corner, it is now clear that evidence of an 'insecurity premium' for those on ZHCs also exists.

According to the Living Wage Foundation an 'insecurity premium' hits those on unpredictable hours and low income the hardest. These are last minute changes which make planning and efficiency savings around other costs, such as childcare and travel, more troublesome.

For instance, if an employee has guaranteed shifts for a week, or month, they can work out the most affordable travel arrangements, be that a weekly or monthly pass with its obvious savings. They can plan their childcare on the days they anticipate they will be working and ensure a cheaper, advanced rate. On the contrary, if an employee is only notified last minute or on a day to day basis, they will suffer the premiums of a day travel ticket or last minute childcare costs.

#### *Development Worker, Leeds*

*A young Latvian man worked in a furniture factory and was regularly called into work, only to be told that he wasn't needed and sent home with no pay for the day. He was spending money to travel from Leeds to the factory in Dewsbury on the bus, when it was a completely wasted journey.*

We have also heard about cases whereby an employee is called into work at short notice, only to subsequently be asked to work for a couple of hours before being sent home. In these cases, the cost of travel has been greater than the pay received and so the worker is effectively paying to work. Likewise, lack of contracted hours and a steady income wreaks havoc with credit applications with many individuals on ZHCs reporting that it has been impossible to take out loans or mortgages, despite having not a single blemish on their credit scores.

#### *Housing Management Advisor, Birkenhead*

*"I have spoken to many young people who are on a zero-hours contract and they reported it being awful. One young male paid £4.20 to travel to work for a 6 hour shift and was told to go home after three hours as the restaurant was not busy. He had to literally wait by the phone for shifts and had no reliable income. He felt used and couldn't get out of the situation as he required what little money he could get."*

### **A climate of fear**

Another often reported consequence of ZHCs has been the fear of turning down a shift even when it is totally impractical or, as mentioned above, not cost effective to take it. There exists a culture in some workplaces whereby those who say no to a shift, on totally reasonable grounds are not considered again for work, are overlooked and whose commitment is called into question.

#### *Development Worker, Leeds*

*"We have seen a number of individuals who work for agencies. They were often sent to do a shift that didn't materialise, they then lost the opportunity to do work elsewhere. They would also sometimes be asked into work with no more than an hours' notice, sometimes at night, and sometimes after they had already done a full day shift. They didn't feel they could refuse for fear of losing an opportunity the next day.*

*I have come across very few people who would be willing to challenge the way they are treated. They have told me that if they speak out they will be let go and that someone else will easily be able to fill their place.*

*One man told me that he thought he was given a job because his English was not good and that meant he wouldn't know what his rights were."*

In other cases, individuals have travelled abroad, to visit family or attend bereavements, or have simply been out of the house and have stopped being offered shifts as they didn't reply to their manager's messages promptly enough. In many lines of work, often poorly paid, only ZHCs are available and employees feel trapped in the knowledge that they must be willing to drop everything, take last minute work and appease their employers to guarantee a future income stream.

*Paul, 61, West Cheshire*

*"I worked 24 hours; two 12 hour shifts per week. I would have to wait for a text on the Wednesday night to tell me if I would be working on the Thursday. I needed to be up at 4am to get into work for a 6am start, I rode there on my push bike. I would then find out on the Thursday if I was working on the Friday. I would get home by 7pm exhausted, ready to do it again the next day.*

*I was always anxious waiting on the Wednesday for that text. I could not plan anything as I was waiting around. I arrived for my shift on a couple of occasions to be told I was not on the list even though I had been text the night before. I am 61 years old and I was taking shifts even though my health at times was not good, but I could not turn work down as I was worried I wouldn't be offered anymore shifts. This did eventually happen. I do not work for the company anymore."*

## **Conclusion**

It is clear that, far from being a two-way street, where workers and employers benefit from the ZHC arrangement, many people are crying out for greater predictability, security, and continuity in their working life and an opportunity to look to the future rather than looking out for the infrequent calls of their employer. ZHCs are an arrangement which, in many cases, are stacked in favour of the employer and are leading workers into insecurity and often hardship.

A number of individuals have particular lifestyles suited to the flexibility of interchangeable working patterns, and where this works for an individual it should be within their gift to keep it this way.

On the contrary, many others are burdened by the inflexibility of contracts designed to provide flexibility – they put plans on hold, they miss out on important occasions, their ability to budget or forecast is removed or diminished, and they are paying more for the same services than others with a consistent employment routine. Many live in fear that their commitment will be called into question or that they will be usurped by a fellow worker without the same commitments in life, who can take any shift, at any time, and in any place, without a second thought.

The bill being presented by Heidi Allen MP and Frank Field MP will offer hope to many workers who are struggling with a ZHC but are in no position to speak out or seek other means of employment. Offering the choice of a consistent income from work, and greater individual and family security, is an important start to reversing some of the misery that is witnessed on a daily basis across the Feeding Britain network.