

ZERO HOUR CONTRACTS



? What is a Zero Hour Contract?

An agreement where no minimum number of working hours is guaranteed by the employer.

BENEFITS

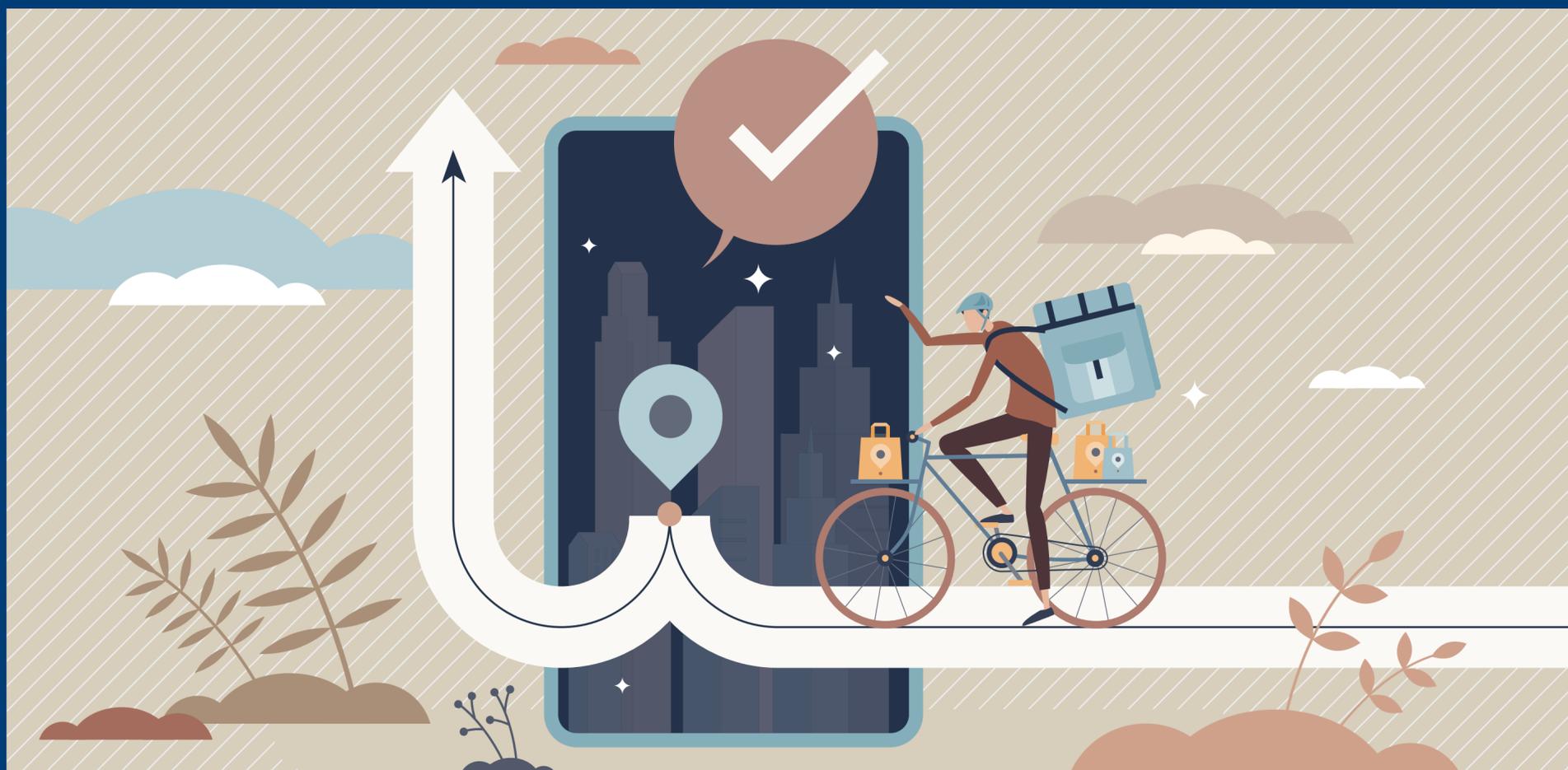
- **Flexibility for Firms:** Allows businesses to adjust staffing levels quickly for unpredictable workloads or emergencies.
- **Flexibility for Workers:** Workers can refuse shifts and leave when needed, though employers may penalise them for doing so.
- **Impact on Unemployment:** Reduces hiring and firing costs, which are usually associated with lower levels of natural unemployment.
- **Additional Employment for Workers:** Employees are free to work other jobs simultaneously.

DISADVANTAGES

- **Income Instability:** Unpredictable earnings can impact financial planning and access to credit.
- **Workload Instability:** Irregular hours complicate personal planning, especially for those with domestic responsibility.
- **Lack of Benefits:** Lots of employees end up working full-time hours, for example many of those working in supermarkets, but miss out on the benefits of set-hour contracts such as maternity leave.
- **Reduced Bargaining Power:** Easy hiring and firing can diminish workers' negotiating leverage.

Some, such as many trade unions, claim that zero hour contracts are exploitative and should be banned, while others argue that they provide workers and businesses with a flexible agreement that works for both of them. What do you think?

THE GIG ECONOMY



What is the Gig Economy?

The gig economy is a growing sector of the economy where short-term, flexible jobs are arranged through digital platforms, with workers typically treated as independent contractors. It offers flexibility and diverse job opportunities but presents challenges related to income stability, benefits, and job security. Examples include ride share drivers (Uber), food delivery (Deliveroo), or handypersons (Task Rabbit).

IMPACT ON WORKERS

- **Income Variability:** Earnings can be unpredictable, affecting financial stability and planning.
- **Lack of Benefits:** Gig workers often miss out on traditional employee benefits like health insurance, paid leave, and retirement plans.
- **Job Security:** The nature of gig work generally offers less job security and fewer protections compared to permanent roles.
- **Worker Flexibility:** Workers can pick up work when it suits them, for example to supplement income as a secondary job.

IMPACT ON EMPLOYERS

- **Cost Efficiency:** Employers benefit from reduced costs related to hiring, training, and employee benefits.
- **Adaptability:** Flexibility to scale workforce according to demand without long-term commitments.

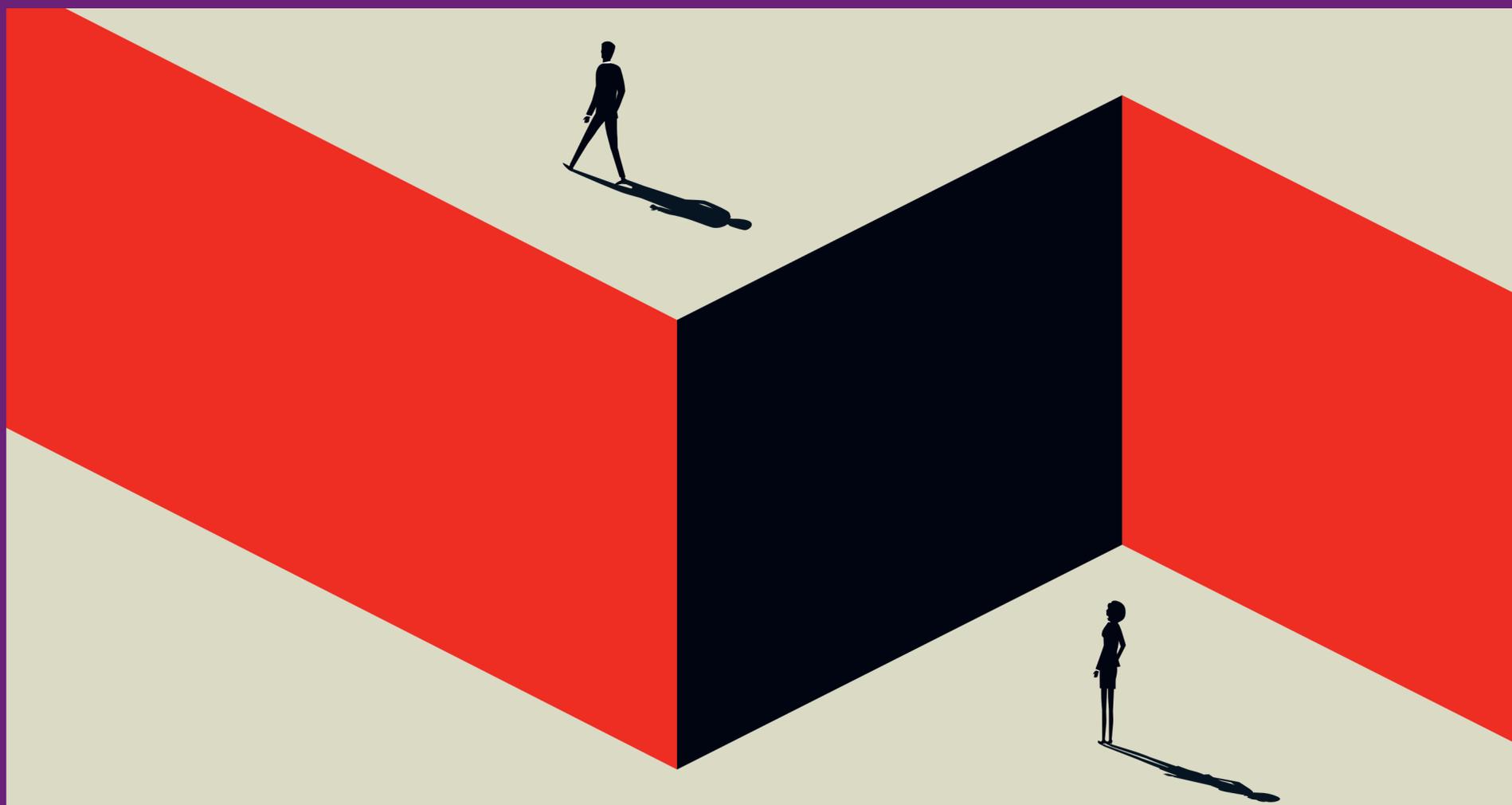
IMPACT ON CONSUMERS

- **Convenience:** Access to on-demand services, improving convenience and efficiency.
- **Price:** Potentially lower prices for services due to reduced overhead and operational expenses.

Summary

The gig economy represents a shift towards more flexible work arrangements facilitated by technology, offering both opportunities and challenges. While it provides workers with flexibility and diverse job options, it also presents issues related to income stability, benefits, and job security.

GENDER PAY GAP



What is the Gender Pay Gap?

Legally, men and women must be paid the same wage for doing 'equal work'. However, this does not mean there is no gender pay gap. As of April 2023, it stood at at 7.7% in April 2023 for full-time employment, with larger gaps for those over 40 and higher earners. When accounting for the entire population, not just those in full-time employment, on average women earn 14.3% less than men. The wage gap for full-time employees has more than halved since 2006, but clearly more work needs to be done.

WHY DOES IT EXIST?

- **Occupational segregation:** Women more frequently work in lower paying industries such as care, retail or education.
- **Work hours:** More women work part-time (38% of those employed v 14% for men) due to caregiving responsibilities.
- **Career breaks:** Maternity leave can hinder long-term earnings and career progression.
- **Discrimination:** Gender biases in hiring, promotion, and pay decisions can have significant, lasting effects.

WHAT POTENTIAL SOLUTIONS?

- **Pay transparency:** Forcing businesses to document and release differences in pay based on gender.
- **Increased childcare support:** Permitting mothers to return to workforce earlier.
- **Addressing biases:** Outreach programmes for women for higher paying sectors as well as implementing subconscious bias training and fair recruitment practices.

DISABILITY DISCRIMINATION



What is Disability Discrimination?

Disability discrimination involves unfair treatment of individuals with disabilities in the labour market, affecting their employment opportunities and income. A disability is defined under the Equality Act 2010 as a physical or mental impairment that has a 'substantial' and 'long-term' negative effect on your ability to do normal daily activities.

EQUALITY ACT 2010: KEY POINTS ON DISABILITIES

- **Reasonable Adjustments:** Employers and service providers must make reasonable adjustments to remove barriers for disabled people.
- **Protection from Discrimination:** Outlaws direct and indirect discrimination, harassment, and victimisation of individuals with disabilities.
- **Public Sector Equality Duty:** Public bodies must consider the impact of their decisions on people with disabilities to eliminate discrimination and promote equality.

ECONOMIC IMPACT

On Individuals:

- **Income Disparity:** Employees with disabilities often face lower wages and fewer job opportunities. This income inequality results from barriers such as inaccessible workplaces or biased recruitment practices.
- **Employment Rate:** Disability discrimination contributes to lower employment rates among individuals with disabilities, reducing their economic independence and contributing to poverty.

On Businesses:

- **Talent Pool:** Discriminatory practices limit access to a diverse talent pool, potentially causing businesses to miss out on skilled employees.
- **Costs:** Legal challenges and the need for retro active adjustments can lead to increased costs for businesses.
- **Workplace Culture:** A non-inclusive work environment can negatively impact general employee morale and productivity.

ADDRESSING THE ISSUE

- **Policy Interventions:** Governments can implement policies to ensure equal opportunities and provide incentives for businesses to hire and accommodate employees with disabilities.
- **Support Programmes:** Training and support programmes can help remove barriers and promote a more inclusive work environment.

PUBLIC SECTOR PAY



What is Public Sector Pay?

Jobs such as doctors, teachers or social workers are clearly amongst the most important to society and often require the most skill, yet many working in these sectors could earn more in the private sector.

WHY ARE PUBLIC SECTOR WAGES LOW?

Budget Constraints

Funding Through Taxes: Public sector pay is funded by taxpayers, and the limited tax revenue as well as competing budget priorities can constrain available funds for wages. Unlike private companies, public sector institutions do not generate profit as their primary goal is to provide public services efficiently, but this means they can't offer as high wages as private sector firms which generate profit. In the UK, several years of austerity have meant that those working in the public sector have had pay cuts in real terms because of inflation.

Monopsonistic Demand for Labour

Government as Sole Employer: In many regions, the government is the dominant or sole employer for certain professions (e.g. firefighters, regulators or the police). This monopsony power means employees have fewer alternatives competing for their labour, thus causing wages to be lower than they would in a more competitive environment.

IMPACT ON SOCIETY

- Lower wages in the public sector can deter highly skilled individuals from pursuing careers in essential public services. They may opt for higher-paying private sector roles, leading to talent shortages in critical areas like healthcare and education. This can in turn reduce the quality of essential public services, affecting societal utility.
- Low pay can also lead to strikes and industrial actions. For example, in 2022, NHS staff strikes in the UK highlighted dissatisfaction with pay, disrupting services and affecting patient care. Over 100,000 NHS workers participated in strikes, leading to thousands of cancelled appointments and procedures. Strikes in public services impact the public directly, causing delays in essential services and increasing pressure on other sectors to fill the gaps.

ECONOMIC INACTIVITY



What is Economic Activity?

Economic inactivity refers to individuals of working age who are neither employed nor actively seeking employment. This group can include students, retirees, caregivers, or those with long-term illnesses, and since they are not actively seeking work they are not classed as unemployed.

CAUSES OF ECONOMIC INACTIVITY

- **Education and Training:** Many individuals are pursuing education or training, delaying their entry into the workforce.
- **Health Issues:** Long-term illnesses or disabilities can prevent individuals from working. From December 2023 to February 2024, economic inactivity in the UK reached its highest level since 2012, with 20.6 million people (22.2% of the working-age population) inactive, including a record 2.8 million due to long-term sickness, driven by the lasting effects of COVID-19.
- **Care Responsibilities:** Caring for children or elderly relatives can lead to economic inactivity.
- **Early Retirement:** Some individuals choose or are forced to retire before the official retirement age.

IMPACTS ON THE ECONOMY

- **Reduced Workforce:** A high level of economic inactivity can lead to a smaller labour force, affecting economic growth and productivity.
- **Increased Public Spending:** Higher dependency ratios increase the demand for social welfare programs and healthcare services.
- **Skill Shortages:** Fewer people in the workforce can lead to shortages in critical skills and professions, particularly in healthcare and education.

WHAT CAN GOVERNMENTS DO TO HELP?

- **Incentives to Work:** Retraining programs and child care support to encourage workforce re-entry.
- **Health and Wellbeing Initiatives:** Support for those with long-term health issues, such as the UK's "Plan for Jobs."
- **Flexible Working:** Promoting flexible conditions to help caregivers and those with health issues stay employed. The pandemic accelerated remote working.

IN-WORK POVERTY



Important Terms

In-Work Poverty: When employed individuals or families earn wages but still live below the poverty line. **Living Wage:** A wage that is high enough to maintain a normal standard of living. **Zero-Hours Contracts:** Employment contracts with no guaranteed hours, leading to unpredictable income. **Minimum Wage:** The lowest wage permitted by law or by a special agreement. **Part-Time/Temporary Employment:** Jobs that do not offer full-time hours or long-term job security. **Underemployment:** When workers are employed less than they wish or in jobs that don't utilise their skills.

CAUSES OF IN-WORK POVERTY

- **Low Wages:** Many jobs pay wages that do not cover basic living expenses.
- **High Living Costs:** Rising costs of housing, healthcare, and other essentials.
- **Unstable Employment:** Part-time, temporary, or zero-hours contracts.
- **Lack of Benefits:** Insufficient access to health insurance, paid leave, and other benefits.

ECONOMIC AND SOCIAL IMPACT

- **Financial Stress:** Struggle to afford necessities, leading to debt and hardship.
- **Health Issues:** Increased stress and poor living conditions can lead to health problems.
- **Limited Opportunities:** Lack of resources for education and skill development.

WHAT CAN THE GOVERNMENT DO TO HELP?

- **Minimum Wage Laws:** Setting legal wage floors to ensure employees receive a living wage.
- **Social Safety Nets:** Providing benefits and support like healthcare and housing assistance.
- **Employment Rights:** Enhancing worker protections and benefits.

Despite economic growth, in-work poverty remains a persistent issue. The growth of zero-hours contracts and the rise in automation and the gig economy has contributed to job instability and low income. While technology can drive efficiency, it also contributes to job insecurity and wage stagnation for low-skill positions.

CHILDCARE



Key Terms

Childcare Costs: Expenses related to the care and supervision of children, including daycare, preschool, and babysitting services. **Childcare Subsidies:** Government financial assistance to reduce the cost of childcare for families. **Opportunity Cost:** The cost of forgoing an alternative, such as income lost by a parent staying home to care for children. **Labour Force Participation Rate:** The percentage of the working-age population that is either employed or actively seeking employment. **Gender Pay Gap:** The average difference in earnings between men and women, often influenced by childcare responsibilities.

KEY ISSUES

- **High Costs & Impact on Employment:** Rising childcare expenses can consume a significant portion of family income, leading some parents, especially mothers, to reduce their working hours or leave the workforce entirely. This affects female labour force participation and economic productivity.
- **Inequality:** Disparities in access to affordable childcare exacerbates social and economic inequalities, as lower-income families face greater financial strain and limited opportunities compared to higher-income families.
- **Quality vs. Affordability:** Finding a balance between high-quality care and affordable pricing remains challenging. High-quality childcare often comes at a premium, which can be prohibitive for many families.
- **Economic and Social Impact:** Expensive or insufficient childcare limits parents' ability to work, affecting overall labour market participation. Increased childcare costs reduce disposable income and consumer spending, while high costs and limited options contribute to financial strain and reduced quality of life for families.

POTENTIAL GOVERNMENT & POLICY RESPONSES

- **Childcare Subsidies:** Financial aid to lower the cost of childcare for eligible families.
- **Tax Credits:** Reductions in income tax for families with childcare expenses
- **Expansion of Services:** Increasing availability of affordable, high-quality childcare options.
- **Workplace Policies:** Encouraging flexible work arrangements to support working parents.

UK CHILDCARE COSTS ARE AMONGST SOME OF THE HIGHEST IN THE WORLD (3RD) (2023)

- Average Weekly Cost for a Nursery Place: £250
- Average Weekly Cost for After-School Care: £80

LABOUR FORCE PARTICIPATION RATE

- Women with Children: 70%
- Women without Children: 85%

UNEMPLOYMENT TRAP



What is the Unemployment Trap?

A situation where individuals are discouraged from finding work due to the financial disadvantages of employment compared to receiving benefits.

KEY TERMS

- **Welfare Benefits:** Financial assistance provided by the government to support individuals who are unemployed or low-income.
- **Effective Marginal Tax Rate (EMTR):** The rate at which an individual's additional income is taxed, including the withdrawal of benefits.
- **In-Work Benefits:** Government support for those in employment, often designed to supplement low wages
- **Work Incentives:** Economic and policy factors that encourage individuals to seek and maintain employment.

KEY ISSUES & IMPACTS

- **Financial Disincentive:** High withdrawal rates of benefits or high EMTRs can make employment financially less attractive compared to receiving benefits, leading to lower job-seeking efforts.
- **Skill Erosion:** Prolonged unemployment can lead to skill degradation, making it harder for individuals to find jobs and contribute to a cycle of persistent unemployment.
- **Dependency:** Long-term reliance on benefits can foster dependency and reduce motivation to seek work, trapping individuals in a cycle of unemployment
- **Economic Impact:** The unemployment trap can reduce overall labour market participation, hinder economic growth, and strain public finances due to increased benefit payouts.

GOVERNMENT & POLICY RESPONSES

- **Welfare Reform:** Adjusting benefit withdrawal rates and introducing work incentives to reduce the unemployment trap.
- **Training Programs:** Providing job training and skill development to help individuals transition into employment.
- **In-Work Benefits:** Enhancing support for low-wage workers to make employment more attractive compared to benefits
- **Minimum Wage Policies:** Ensuring that wages are sufficient to make employment financially viable compared to welfare benefits.
- **Adjusting the Effective Marginal Tax Rate:** Higher EMTR reduces net gain from additional income due to high withdrawal rates of benefits, while lower EMTR encourages employment by increasing net income from work.

UK UNEMPLOYMENT STATISTICS (2023)

- Long-Term Unemployment Rate: 2.8%.
- Percentage of Unemployed Receiving Benefits: 45%

NATIONAL LIVING WAGE



What is the National Living Wage?

The minimum hourly wage set by the UK government for workers aged 21 and over. As of April 2024, the NLW was £11.44. It is designed to ensure workers earn enough to cover the basic cost of living.

ESSENTIAL TERMS

- **Minimum Wage:** The lowest hourly wage employers are legally required to pay, which varies based on age and experience. For example, the minimum wage for those aged 18-20 was £8.60 in 2024.
- **Living Wage Foundation:** An independent body that campaigns for a Living Wage higher than the NLW, based on actual living costs, which varies by location. For instance, in London, the Living Wage is £13.15 per hour.
- **Wage Inflation:** The rate at which average wages increase over time. This can impact overall employment costs and inflation levels in the economy.
- **Income Inequality:** The uneven distribution of income across different segments of the population, which can be influenced by wage levels and employment practices.

KEY ISSUES & IMPACTS

- **Increased Earnings and Living Standards:** The NLW has increased wages for low-paid workers, helping to lift many out of poverty.
- **Cost of Living Pressure:** While the NLW increases earnings, it may not fully match the rising cost of living.
- **Business Costs and Price Increases:** Higher wages can increase operational costs for businesses. Firms may pass these costs onto consumers, leading to higher prices.
- **Employment Effects:** The impact of the NLW on employment is debated. Some argue that higher wages could lead to job losses through automation or reduced hours while the Low Pay Commission (an independent body that advises the government about the National Living Wage and the National Minimum Wage) claims there is little evidence that recent increases in the NLW have harmed employment.
- **Regional Disparities:** The uniform NLW does not account for regional differences in living costs. For example, a worker earning the NLW in London may still struggle to cover basic expenses compared to someone earning the same amount in the North East.

ECONOMIC & SOCIAL IMPACT

- **Poverty Reduction:** The NLW has contributed to a reduction in in-work poverty. For instance, before the NLW, 15% of low-paid workers were in poverty; this has now decreased to around 10%, indicating some success in alleviating financial hardship.
- **Economic Stimulus:** By increasing the disposable income of low-paid workers, the NLW boosts consumer spending, supporting economic growth. This increased spending can benefit local businesses and stimulate economic activity.
- **Business Adaptation:** Companies might adjust their pricing, operational efficiency, or workforce structure in response to higher wage costs.
- **Living Standards:** While the NLW improves earnings, it may not completely address the disparity between wages and the cost of living in high-expense areas like London. This can lead to ongoing financial pressures for those living in such regions.

UNIVERSAL CREDIT



What is Universal Credit (UC)?

Universal Credit is a UK welfare benefit designed to streamline the benefits system by merging six previous benefits into one payment. It supports individuals who are unemployed, on a low income, or unable to work due to health conditions.

KEY TERMS:

- **Work Allowance:** The amount a claimant can earn before their UC starts to reduce. There are different thresholds for those with children or disabilities.
- **Conditionality:** Requirements for claimants to seek work or increase earnings to receive full benefits. Non-compliance can lead to sanctions.
- **Sanctions:** Financial penalties for failing to meet conditionality requirements, which can reduce or stop benefit payments.
- **Child Element:** An additional payment within Universal Credit designed to help cover the costs of raising children.

KEY ISSUES

- **Financial Support:** UC provides essential support, with a single claimant receiving £337.50 per month.
- **Incentives to Work:** The system aims to encourage employment by tapering benefits as earnings rise, allowing claimants to keep a portion of their benefits.
- **Administrative Challenges:** Delays and complexities in processing claims can lead to payment issues and financial stress.
- **Sanctions and Penalties:** Strict requirements and sanctions can cause financial hardship and affect well-being.
- **Regional Disparities:** The impact of UC varies by region, influenced by local living costs and employment opportunities.

IMPACT

- **Poverty Reduction:** UC aims to reduce poverty by providing a safety net and incentivising work. Despite this, in-work poverty remains a concern.
- **Employment Support:** UC is designed to help people find and maintain employment by offering a gradual benefit reduction as income increases.
- **Administrative Burden:** Frequent updates and interactions with the system can be burdensome for claimants.
- **Regional Variations:** The effectiveness of UC differs across regions due to varying economic conditions while lower EMTR encourages employment.

STATISTICS AND FIGURES

Monthly Payments (2024)

Single claimant under 25: £311.68 a month

Single claimant 25 or over: £393.45 a month

Joint claimants both under 25: £489.23 a month

Joint claimants either aged 25 or over: £617.60 a month

First Child: £333.33, **Second Child:** £287.92

Claimants (2023): Total: 6.4 million; In Work: 2.5 million

Sanctions (2023): 7% of claimants

Poverty Impact: Before UC: 18% of working age adults were in poverty; After UC Implementation: 16%

The two-child benefit cap has been widely debated in politics recently. Do you think we should keep it?