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Understanding why employers use flexible contracts

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The figures covering employers' use of flexible contracts are derived from a survey conducted by Savanta (although the figures presented in this report have been analysed independently by the Resolution Foundation, and the views expressed here are not the views of Savanta). It had a sample size of 891 senior decision makers across the public and private sectors with input into their company's hiring and recruitment practices, of whom 771 regularly employed workers on fixed-term contracts lasting less than six months, casual workers, seasonal workers, zero-hours contracts, contracts with between one and eight guaranteed hours a week, and/or contracts for hourly-paid workers with variable weekly hours. The full sample (including respondents who did not use any of these working arrangements) has been reweighted to be representative of UK employers by size and sector.

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Summary

At the end of 2023, more than one-in-eight (13 per cent) employees in UK were working on some form of flexible contract that can be viewed as 'precarious', accounting for 3.8 million workers nationwide. From variable-hours and zero-hours contracts to temporary work such as casual, seasonal or short-term employment, flexible contracts often entail considerable uncertainty for workers over hours or the length of employment, and a fluctuating income too. And while some workers undoubtedly enjoy the flexibility these contract types offer, for many, they come with real costs, impacting living standards, work-life balance and even health.

Although there is a growing body of research on the impact of flexible contracts on workers, there is far less understanding about what drives employers to hire staff on such terms. In this briefing note – the first in a two-year research programme on precarious work, supported by Unbound Philanthropy – we seek to redress this by drawing on a survey of more than 750 employers fielded in April 2024 exploring why they use flexible contracts, and what might reduce their reliance on such contracts in the years to come.

We find that the majority of employers – 75 per cent, equivalent to 1.7 million firms – used some form of flexible contract at some point in 2023. Whether we look at variable- or zero-hours contracts or various forms of short-term temporary employment, the median employer used that contract type for less than 10 per cent of their workforce. However, there is a substantial share of employers (one-half, 53 per cent) for whom any form of flexible contract accounts for at least one-quarter of their workforce, suggesting flexible contracts are a foundational part of their business model. These 'high-use' firms are most commonly found in the transport, logistics and communications, retail and wholesale, and hospitality sectors.

Across the board, firms have a wide range of motivations for using flexible contracts. At the most benign end of the spectrum, one-third (32 per cent) of employers who use flexible contracts say that their staff prefer these types of working arrangements; this share is higher among 'high-use' firms, at 36 per cent, compared to 27 per cent among 'low-use' firms. Likewise, it is commonplace for firms to use workers on flexible contracts as a 'stop-gap', to cover for staff absences (which 20 per cent of employers using these contracts report doing) or to bring in specialists for short periods of time (18 per cent of such firms).

Overall, though, the most common factor driving use of these contracts was demand variability. This takes various forms: fluctuating demand for firms' product or services were cited by half (51 per cent) of firms using flexible arrangements, and one-quarter (24 per cent) reported this was the most important reason (that rose to one-third (32 per cent) for

'low-use' firms). More specifically, just over one-fifth of firms say demand for their product or services is seasonal (23 per cent) or uncertain (22 per cent). And flexibility as a response to uncertainty extends to the broader economy, too, with uncertain economic conditions cited by 13 per cent of firms as a reason they use flexible contracts.

But firms also have more worrying reasons for using these contracts. One-quarter (25 per cent) of employers using flexible arrangements report that doing so allows them to reduce their wage bill directly, for example; 13 per cent say it enables them to lower their responsibilities with respect to auto-enrolment and employer NICs; and a similar share report they use such contracts to offset a higher minimum wage. (These figures rise to 26 per cent, 17 per cent and 16 per cent respectively for 'high-use' firms). And flexible contracts can boost the bottom line in other ways, too: one-in-seven (14 per cent) of firms we surveyed said that workers on flexible contracts are more productive than other workers – rising to 20 per cent among 'high use' firms – while the same share said that having these workers around makes other workers more productive. Given this, it was unsurprising that 15 per cent of firms said they would not be competitive if they did not use flexible contracts, rising to almost one-in-five (19 per cent) for 'high-use' firms.

Although some (but not all) forms of flexible contracts wax and wane with the economic cycle, there is little to suggest their prevalence will fall in future years. Among employers currently using some type of these working arrangements, close to one-half (48 per cent) say that they plan to increase the share of their workforce on variable-hours contracts over the next five years, compared to just 14 per cent who say they plan to decrease their use. But this is not a foregone conclusion. Close to two-thirds (63 per cent) of firms would change their behaviour if legislation gave workers a right to a fixed-hours contract or two weeks' notice of their shifts; almost half (48 per cent) said they would consider reducing their use of flexible contracts if the economic outlook became less uncertain; and more than one-third (37 per cent) would do so if their staff no longer wanted to be employed on them.

Flexible contracts, and labour market reform more widely, are set to be a hot topic for debate ahead of the upcoming election – and rightly so, given that an over-reliance on flexible contracts can harm workers and the economy alike. But while these contract types are often characterised as either universally good or bad, the evidence in this note makes clear that the reality is far more nuanced: firms have a wide range of motivations for using them, and as our previous work has shown, flexible contracts can have benefits and downsides for different groups of workers. The challenge facing policy makers, then, is to ensure that the rules governing our labour market strike a balance between reducing the precarity that flexible contracts can bring with them, without unduly restricting the choices that workers who benefit from them currently enjoy.

Almost 4 million people are employed on flexible contracts in the UK today

In many respects, today's labour market is a force for good for low-paid workers. At the start of 2024, the unemployment rate stood at 4.2 per cent, close to a record low,[1] and although average wages have been stagnant over the last 15 years,[2] a rising minimum wage means full-time workers on the wage floor are £5,000 better off today than they were in 2008.[3] But a decent income is determined by more than wage rates alone; for most (and certainly for all those for whom the labour market is their only or main source of income), a steady and predictable wage is also key.

In this briefing note – the first in our new two-year research programme on precarious work, funded by Unbound Philanthropy – we explore the use of flexible employment contracts that can potentially undermine living standards in the UK today. We define a flexible employment contract as one that entails significant uncertainty for the worker, either because they do not know how much they will be paid week to week, or because they have a guaranteed income only for a limited period of time. Further details of our definition are set out in Box 1.[4]

BOX 1: **Defining flexible contracts**

Precarity in the workplace can manifest in many different ways: the risk of involuntary job loss, for example; of getting ill with limited sick pay; or having low levels of control over one's job.[5] But for the purposes of this paper, we focus on potentially precarious flexible contracts which span two broad groups.

First, we include employees who are paid by the hour and are on contracts with variable hours in this definition, given their earnings can fluctuate from week to week. Here, we distinguish

1 Office for National Statistics, Unemployment rate (aged 16 and over, seasonally adjusted): %, April 2024.
2 T Bell et al., Ending stagnation: A New Economic Strategy for Britain, Resolution Foundation, December 2023.
3 Compares employees working 35 hours a week on the adult minimum wage in 2008 and 2024, adjusted for CPI inflation. See also: N Cominetti & H Slaughter, Labour Market Outlook Q2 2024: Happy 25th birthday to the minimum wage, Resolution Foundation, March 2024.
4 Our focus on those with a contract of employment means that this paper does not consider the experience of the self-employed. Although self-employed workers tend to have more control over their contracts than employees, there is evidence that some sub-groups face heightened precarity such as the 'dependent' or 'bogus' self-employed, or those working in the 'gig' economy. We will come back to this group in a future output in this programme. See, for example, Citizens Advice, Neither one thing nor the other: How reducing bogus self-employment could benefit workers, business and the Exchequer, August 2015; I Horodnic & C Williams, Evaluating the working conditions of the dependent self-employed, International Journal of Entrepreneurial Behavior and Research 26(2), October 2019; E Paesani, The gig is up: Participatory research with couriers in the UK app-based delivery sector, Focus on Labour Exploitation, November 2021.
5 For a discussion of the different aspects of precarity, see, for example: J Berg et al., Non-standard employment around the world: Understanding challenges, shaping prospects, International Labour Organization, November 2016; K Pósch et al., Scale and nature of precarious work in the UK, Home Office & Department for Business, Energy & Industrial Strategy, April 2020.

between two separate (albeit often overlapping) categories:

- Workers whose number of hours worked varies from week-to-week, and who are paid a fixed hourly rate, meaning that changes in their hours affect their take-home pay;
- Workers on zero-hours contracts (ZHCs), who are not guaranteed a minimum number of hours. Even if this group experiences stable hours in practice, they face the unique risk of 'zeroing down': that is, their employer could choose to stop giving them work at any time. Where possible, we also consider workers on short-hours contracts – which guarantee between one and eight hours of work a week – but these contracts are not consistently measured.

Second, many workers on temporary contracts face precarity in the sense that they will not have a guaranteed income once their employment comes to an end. We exclude workers on longer-term temporary contracts, and focus on:

- Workers on fixed-term contracts lasting less than six months;
- Temporary workers on casual contracts;
- Temporary seasonal workers.

So, how widespread are flexible contracts in the UK labour market? Figure 1 shows that at the end of last year, more than one-in-eight (13 per cent) employees – 3.8 million people – were working on some type of flexible contract.[6] The most common form of a flexible contract type is one with fluctuating weekly hours that affects pay: in October-December 2023, more than one-in-ten employees (11.4 per cent) had variable hours and were paid by the hour, amounting to 3.6 million workers. In the same period 3.5 per cent of employees were on a zero-hours contract (ZHC).[7]

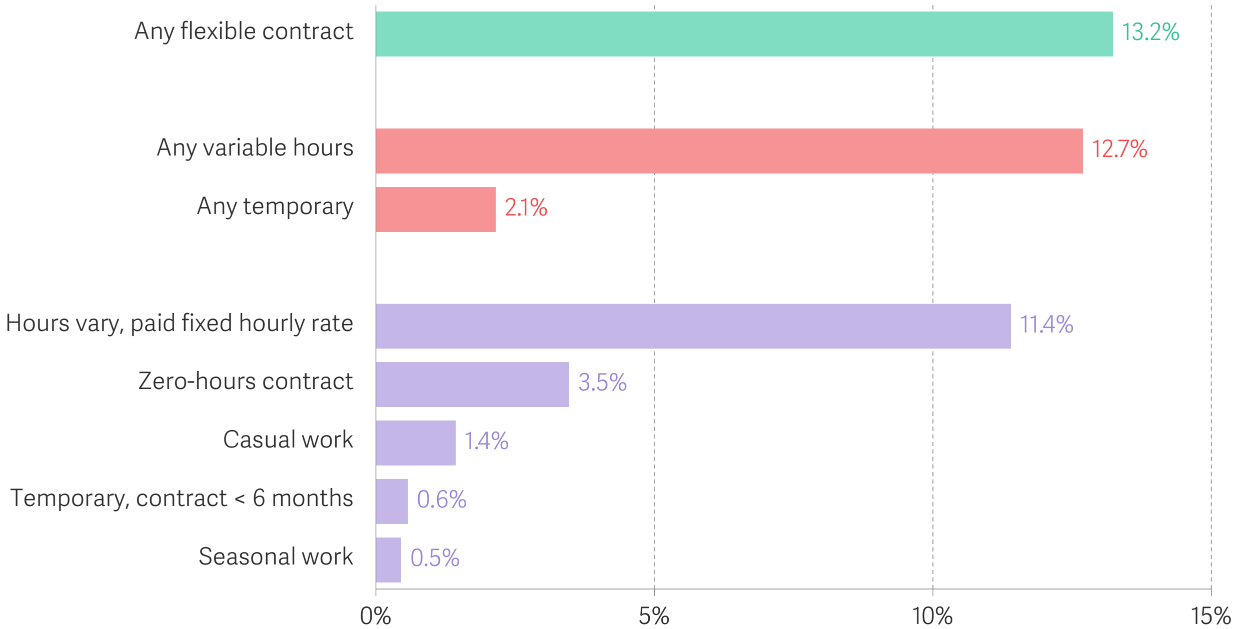
In addition, 2.1 per cent of employees were on a precarious temporary contract: 0.6 per cent were employed on a fixed-term contract of under six months, while 1.4 per cent and 0.5 per cent respectively were on a casual or seasonal temporary contract. While this group accounts for a smaller share of the workforce than those on variable-hours contracts, it still includes some 616,000 people.

6 We focus on Q4, i.e. October-December, in Figure 1 and Figure 2, because Q4 2023 is the only Labour Force Survey dataset that the ONS has fully reweighted to account for the Census 2021 population figures. (Earlier datasets, back to Q2 2022, have been partially reweighted, but we make use of income weights in our analysis – because the 'hours vary, paid fixed hourly rate' category relies on pay questions being asked – which have not been updated in earlier periods.) However, it is worth being aware that some of the measures we present here display some seasonality – this is mainly the case for seasonal contracts and short-term temporary contracts, which are consistently higher in Q3 and Q4 each year than in Q1 and Q2.

7 This data does not identify workers on short-hours contracts, but estimates from 2015 suggested that around one-third as many workers were on contracts with between one and eight guaranteed hours a week as were on a ZHC. See: CIPD, Zero-hours and short-hour contracts in the UK: Employer and employee perspectives, December 2015.

FIGURE 1: **More than one-in-eight UK employees are on some type of flexible contract today**

Proportion of employees on different types of flexible contracts: UK, Q4 2023



NOTES: 'Any variable hours' includes 'hours vary, paid fixed hourly rate' and 'zero-hours contract', and 'any temporary' includes 'casual work', 'temporary, contract < 6 months' and 'seasonal'. Sub-categories do not add up to aggregated totals because employees' jobs can fall under more than one contract type. Data has been reweighted for Census 2021.
SOURCE: RF analysis of ONS, Labour Force Survey.

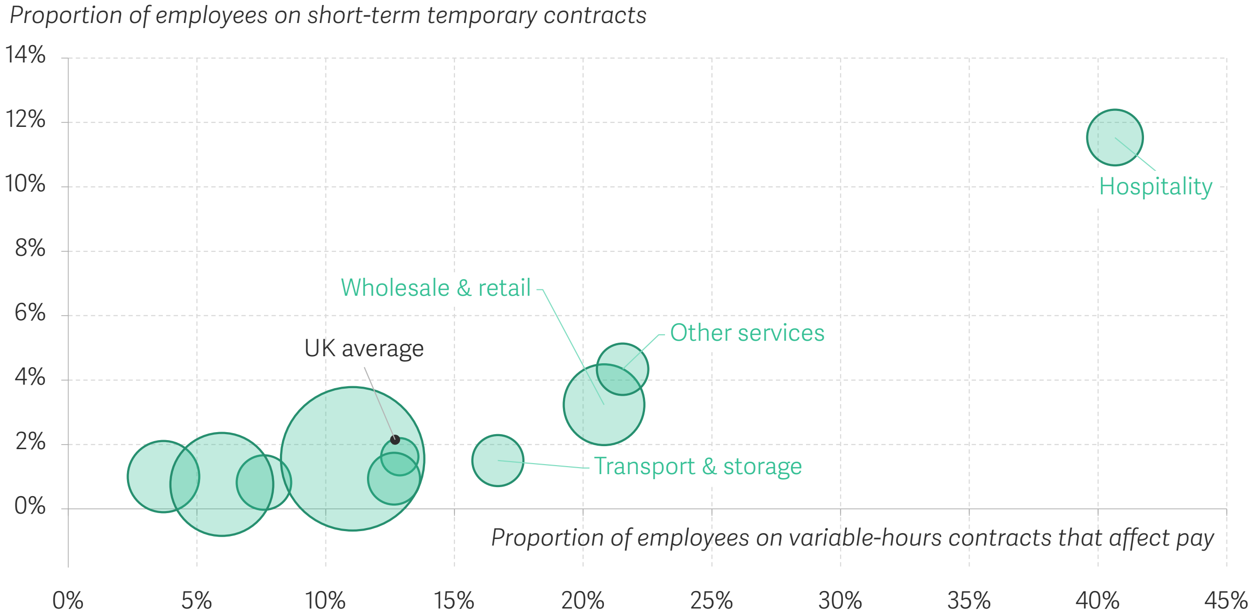
But flexible contracts are not evenly spread across the economy. As Figure 2 shows, the hospitality sector stands out as being far more likely to use both variable-hours and temporary contracts than the economy-wide average. In hospitality, workers are three times as likely to be on a variable-hours contract as the average worker (41 per cent and 13 per cent respectively) and five-and-a-half times as likely to be on a short-term temporary contract (12 per cent versus 2 per cent).[8] In total, there were 640,000 hospitality workers on a flexible contract at the end of 2023. But flexible contracts are by no means confined to the hospitality sector.

Rates of both types of flexible contracts are also above-average in the wholesale and retail sector, where 21 per cent of workers are on a variable-hours contract and 3 per cent on a temporary contract, totalling 701,000 workers. And in the 'other services' sector (which includes personal services, repairs and membership organisations), these figures were 22 per cent and 4 per cent respectively, adding up to 289,000 workers.

8 We use Q4 2023 data here as this is the only quarter where we have fully up-to-date data, but the pattern in Figure 3 does not appear to be driven by seasonal trends: older, less-robust data suggests that the share of hospitality workers on precarious temporary and variable-hours contracts averaged 40 and 10 per cent respectively over the first two quarters of 2023, compared to 14 and 2 per cent of all employees.

FIGURE 2: **The hospitality sector makes by far the most use of flexible contracts**

Proportion of employees on a variable-hours contract that affects pay (horizontal axis) or on a short-term temporary contract (vertical axis), by industry: UK, Q4 2023



NOTES: Bubble size reflects the number of employees in the industry.
SOURCE: RF analysis of ONS, Labour Force Survey.

Although some forms of flexible contracts appear to be falling, we should still be concerned about their widespread use

So, how has the share of workers employed on flexible contracts changed in recent years? Data breaks make trends over time tricky to determine, but Figure 3 enables us to draw some tentative conclusions. To begin, temporary contracts (the top two panels of Figure 3) show a broadly cyclical trend: the share of workers on both short-term temporary contracts and in seasonal or casual employment rose after the financial crisis and fell back again until 2019 as the economy recovered.[9] Short fixed-term contracts appear to have receded since early 2022, following a rise as the economy reopened after the Covid-19 pandemic, while casual and seasonal forms of work have risen if anything over the same period.[10] Contracts with variable hours, on the other hand, do not show a clear link with the economic cycle.

The sharp rise in ZHCs in 2013 (the bottom left panel of Figure 3) may reflect historical data issues,[11] but the share of the workforce on ZHCs has shown no sign of falling back

9 This is consistent with previous research showing that broader 'atypical' contracts rose after the financial crisis, suggesting that employers used them to manage uncertainty. See: S Clarke & N Cominetti, Setting the record straight: How record employment has changed the UK, Resolution Foundation, January 2019.

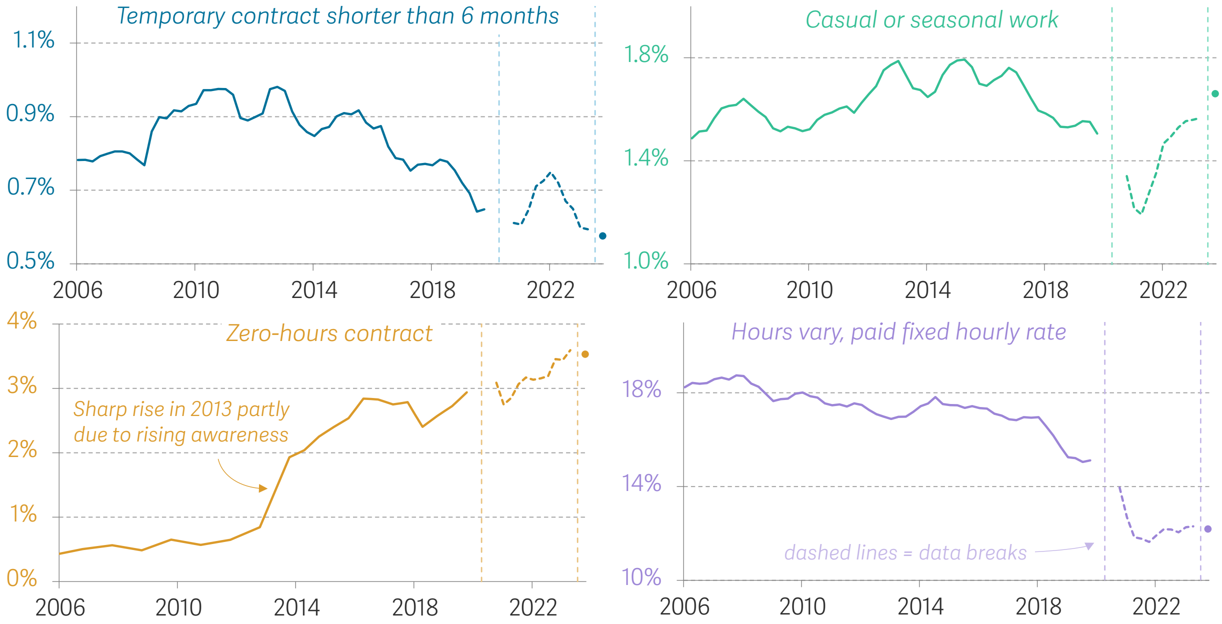
10 This recent pattern in seasonal and casual contracts contrasts with the cyclical trend seen up to 2019, although lower data quality means recent trends are less reliable.

11 Because survey respondents self-classify as being on a zero-hours contract, an increasing awareness of the concept likely translated into more positive responses without any underlying change in people's contracts. For a detailed discussion, see, for example: E Farina, C Green & D McVicar, Zero Hours Contracts and Their Growth, British Journal of Industrial Relations 58(3), November 2019.

since, even during periods when unemployment fell to record lows.[12] And the proportion of employees who are paid by the hour and have variable hours has fallen since the mid-2000s (the bottom right panel of Figure 3) – the decline briefly halted during the 2010s, but has now restarted.

FIGURE 3: **Short-term temporary contracts are counter-cyclical, but variable-hours contracts are less affected by the economic cycle**

Proportion of employees on different forms of flexible contracts: UK



NOTES: Length of temporary contract was not asked prior to 2010, so this series has been extrapolated backwards using changes in overall temporary contracts. Increased media coverage of zero-hours contracts in the latter half of 2013 may have affected awareness of the concept and therefore driven the increase in positive responses to this question. Data points have been smoothed using four-quarter backward-looking rolling averages, except for the final data point. Data breaks at the start of 2020 due to mass shift in the Labour Force Survey of people reclassifying from self-employment to employee jobs (affecting the base of our measures here) and in late 2023 due to ongoing Census 2021 reweighting of LFS data.
SOURCE: RF analysis of ONS, Labour Force Survey.

Overall, however, the use of flexible contracts that bring with them a degree of income insecurity has fallen in recent years, largely driven by the declining share of employees on a variable-hours contract that affects their pay. (This in itself reflects falls in both the share of workers paid a fixed hourly rate and the share of all workers who have variable hours: the former fell by 10 percentage points, from 52 per cent to 42 per cent, between 2006 and 2019.) So, does this mean that policy makers' longstanding concerns about

12 N Cominetti, A record-breaking labour market, Resolution Foundation, February 2020; H Slaughter & N Cominetti, Good news in the latest labour market data for the Bank and the Chancellor, but bad news for the general public, Resolution Foundation, February 2023.

flexible contract use is misplaced?[13] There are three reasons why, in our view, the use of flexible contracts remains concerning.

First, many workers on these contracts are in lower-income households, and so lack a financial buffer to cope with unstable earnings. Temporary and zero-hours contracts are marginally more prevalent in higher-income households – 56 per cent are in the top half of the (non-pensioner) income distribution – but this is explained by the fact that people in these households are more likely to be in work to begin with.[14] And in 2018-2019, there were almost a million workers (excluding students) on these two contract types alone in the bottom half of the household income distribution, of whom 350,000 were in the bottom fifth.[15]

Second, while proponents of zero-hours and temporary contracts laud the flexibility of them, too often this flexibility is one-sided. As one illustration of this, Figure 4 shows that among the one-fifth (20 per cent) of employees without fixed weekly hours, only half (48 per cent) get to choose their own working pattern. Workers who are paid by the hour, 30 per cent of whom do not have fixed weekly hours, are even less likely to have agency over their working patterns. Less than three-in-ten (28 per cent) of this group get to choose their own hours – and one-quarter (26 per cent) not only do not choose their hours, but also have no minimum guaranteed hours.

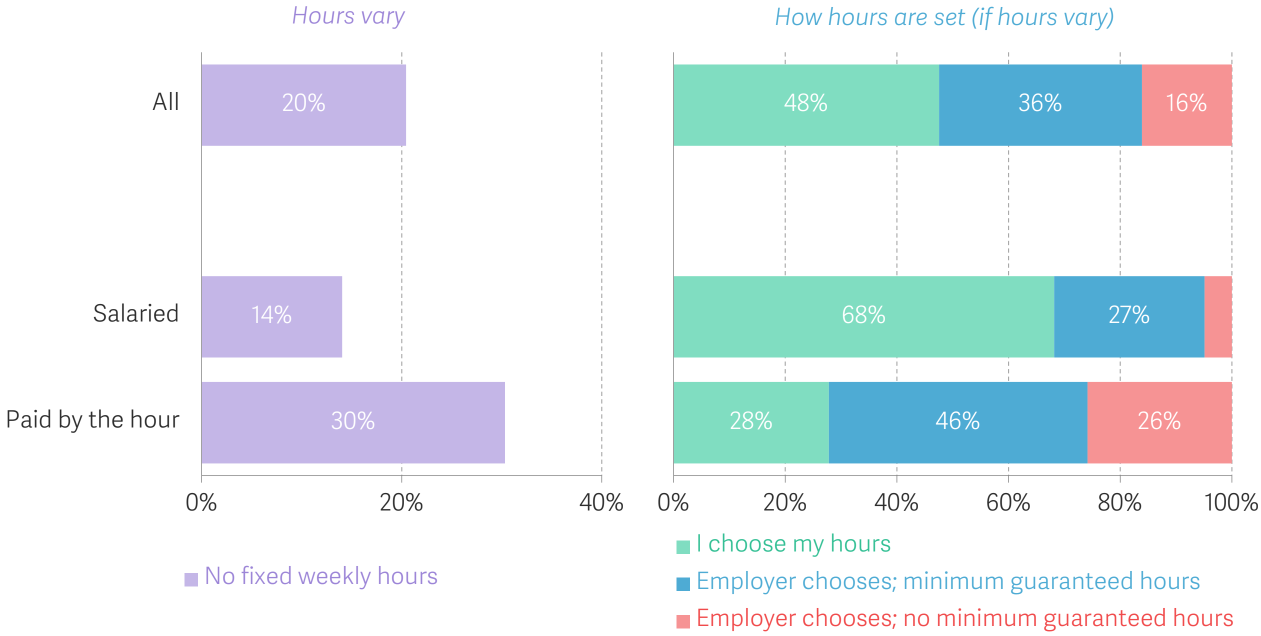
13 Labour market economists have been concerned about precarity in the labour market for decades. See, for example: G Rodgers & J Rodgers (eds.), Precarious jobs in labour market regulation: The growth of atypical employment in Western Europe, International Labour Organization, July 1989. For a global history, see: A Kalleberg, Precarious work, insecure workers: Employment relations in transition, American Sociological Review 74(1), February 2009. Precarious work has also risen up the policy agenda in recent years, from debates around zero-hours contracts in the early 2010s, to the Taylor review and the Government's Good Work Plan, to discussions over the future of work ahead of the next general election. See: Department for Business, Innovation & Skills, Zero hours employment contracts: consultation, December 2013; M Taylor, Good work: the Taylor review of modern working practices, Department for Business, Energy & Industrial Strategy, July 2017; Department for Business, Energy & Industrial Strategy, Good work: a response to the Taylor Review of modern working practices, February 2018; Labour Party, A New Deal for Working People, January 2024.

14 This definition of flexible contracts differs slightly from how we capture them elsewhere in this note due to data availability. Excludes students. Conditional on being in employment, people in the bottom half of the income distribution are *more likely* than those in the top half to be on a temporary or zero-hours contract (10.7 per cent vs 9.2 per cent). Source: RF analysis of ISER, Understanding Society.

15 An estimated 944,000 non-students in the bottom half of the non-pensioner income distribution were on a temporary or zero-hours contract. Source: RF analysis of ISER, Understanding Society.

FIGURE 4: **One-in-four employees who are paid by the hour do not choose their own hours**

Proportion of employees with no fixed weekly hours (left panel) and how hours are set among employees without fixed weekly hours (right panel), by how pay is calculated: UK, 2021-2022



NOTES: Survey wave covers two calendar years.
SOURCE: RF analysis of ISER, Understanding Society.

And third, the consequences of being on a flexible contract are wide-ranging. Workers on zero-hours contracts, for example, often find it difficult to get a mortgage, rent a home or access credit because their earnings are viewed as unreliable.[16] Fluctuating hours can make it difficult to balance work with other commitments, presenting a particular challenge for those with caring responsibilities.[17] People on flexible contracts are less likely to be eligible for certain employment rights: those that are contingent on having a certain employment status,[18] for instance, or having been in the same job for a minimum period of time.[19] And an unpredictable wage can contribute to poor mental health, an increasingly important problem in society today.[20]

16 See, for example: N Blackmore, New blow to first-time buyers: zero-hour contracts, The Telegraph, March 2014; H Osborne & S Butler, Zero-hours contract workers turned away by some of UK's biggest landlords, The Guardian, October 2014; A Atay, G Williams & R Florisson, Managing Insecurity: The role of good management, Work Foundation, November 2023.
17 M Pennycook, G Cory & V Alakeson, A Matter of Time: The rise of zero-hours contracts, Resolution Foundation, June 2013.
18 Workers on fixed-term, zero-hours or casual contracts may be classed as 'workers' rather than 'employees', meaning they miss out on some rights such as maternity/paternity leave and statutory redundancy pay. See: Acas, Employment status, accessed 12 April 2024.
19 For example, employees are only eligible for protection against unfair dismissal once they have been with an employer for two years: Acas, Unfair dismissal, accessed 12 April 2024.
20 A Irvine & N Rose, How Does Precarious Employment Affect Mental Health? A Scoping Review and Thematic Synthesis of Qualitative Evidence from Western Economies, Work, Employment and Society 38(2), December 2022.

The majority of firms use some form of flexible contract, although often for a small share of their workforce only

Flexible contracts, then, are relatively widespread among employees. But it is equally important to understand their use from the other side of the employment relationship – that is, employers. The existing evidence on firms' use of flexible working arrangements is relatively scarce, however.[21] So, to provide more information on the extent to which employer use these potentially precarious contracts, and their reasons for doing so, we commissioned a survey of over 750 employers fielded in April 2024.

Overall, our survey results suggest that three-quarters (75 per cent) of employers – equivalent to 1.7 million firms – used some form of flexible contract over the course of 2023. Box 2 sets out more information about the survey and our approach to analysing it.

BOX 2: **Ensuring our survey data is representative**

While several national surveys ask workers about their contract types, there has been considerably less research asking firms about the types of employment contracts they use. To address this gap, we commissioned an online survey of employers that was in the field between 4-10 April 2024, focusing on firms' use of flexible working arrangements and the underlying reasons.[22]

We have reweighted our survey data so that the full sample, including firms who do not use flexible contracts, is representative of UK employers according to size, industry, and public/private sector.[23] However, an important challenge with reweighting according to the number of firms is that the UK business landscape is overwhelmingly made up of small and micro businesses. In fact, those with fewer than 50 employees account for 97 per cent of all employers, while businesses with 250 or more employees account for just 0.6 per cent.[24]

21 Examples of research that does exist, among other studies cited throughout this report, include: CIPD, Zero-hours and short-hour contracts in the UK: Employer and employee perspectives, December 2015; L Judge, Choices, choices… Why do firms use agency workers?, Resolution Foundation, February 2018; A Adams & J Prassl, Zero-Hours Work in the United Kingdom, ILO Conditions of Work and Employment Series No. 101, April 2018; Incomes Data Research, Minimum and zero hours contracts and low-paid staff, Low Pay Commission, January 2019; CIPD, Zero-hours contracts: evolution and current status, August 2022.

22 The survey was conducted by Savanta (although the figures presented in this report have been analysed independently by the Resolution Foundation, and the views expressed here are not the views of Savanta). It had a sample size of 771 employers across both the public and private sector who regularly employ workers on fixed-term contracts lasting less than six months, casual workers, seasonal workers, zero-hours contracts, contracts with between one and eight guaranteed hours a week, and/or contracts for hourly-paid workers with variable weekly hours. Respondents were senior business decision makers with input into their company's hiring and recruitment practices. We also gathered basic information (such as size and sector) from respondents who were screened out because they did not use any of these working arrangements. Our combined sample (including screen-outs) was 891 employers.

23 We use the 'reweight2' package in Stata: J Browne, REWEIGHT2, Institute for Fiscal Studies, July 2012.

24 Department for Business and Trade, Business population estimates 2023, October 2023.

This means that, if we were to reweight according to the number of firms alone, small firms would dominate our results. In the left-hand panel of Figure 5, we show that while three-quarters (75 per cent) of all employers use some form of flexible working arrangement, this is almost identical to the share of smaller businesses doing so (74 per cent). More than nine-in-ten medium and large employers also use flexible contracts (93 and 94 per cent respectively), but because they are so few in number, they have little impact on the overall figure.

FIGURE 5: **Three-quarters of firms use flexible contracts, but this figure is dominated by small firms**

Proportion of employers using some form of flexible contract, by size: UK, 2023

NOTES: Base = all employers. Weighted by number of firms (left panel) and employment (right panel) according to business size and sector. Survey conducted in April 2024, but the question asked respondents to reflect on the 2023 calendar year.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

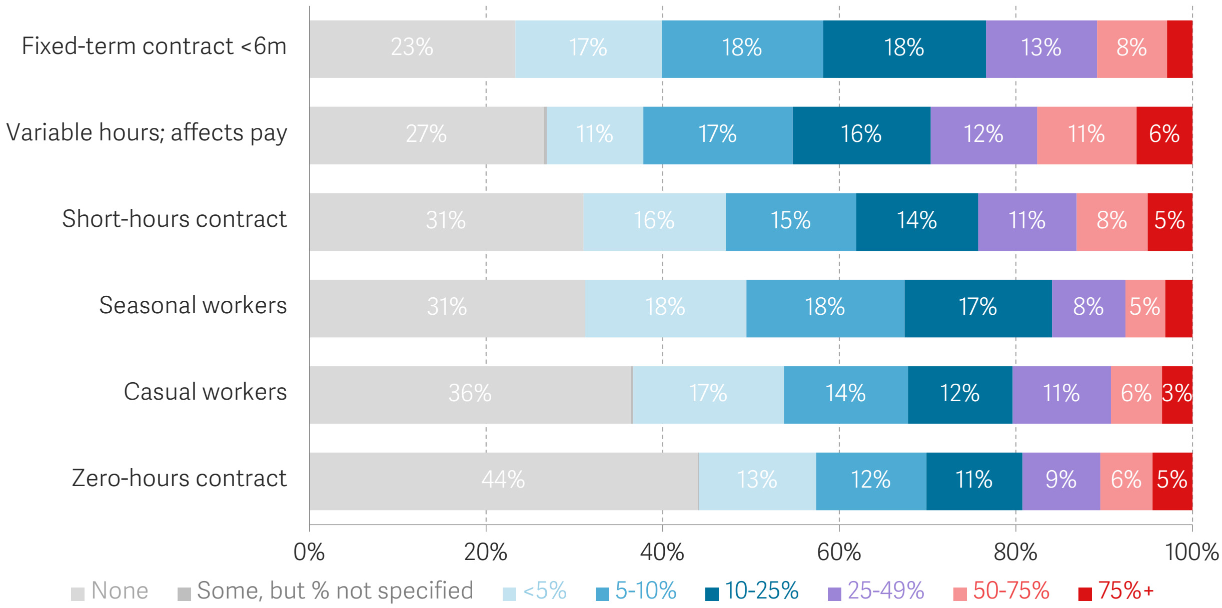
The right side of Figure 5, by contrast, is weighted according to the share of employment that different types of businesses represent.[25] Calculated in this way, the share of firms using flexible contracts is higher, at 87 per cent, because it is more representative of those medium and large businesses that are more likely to hire workers on flexible contracts. To ensure our analysis represents businesses of all sizes, we follow this latter approach from this point on throughout this note and weight our results by employment.

25 We follow the broad approach set out in: CIPD, Zero-hours and short-hour contracts in the UK: Employer and employee perspectives, December 2015.

How can such a large share of firms using flexible contracts be consistent with only 13 per cent of the workforce employed on such arrangements? As Figure 6 shows, each type of flexible contract tends to be used for a relatively small proportion of each firm's workforce. For example, while three-quarters (75 per cent) of employers used fixed-term contracts lasting less than six months – the most frequently-reported form of flexible arrangement – only one-tenth (11 per cent) used them for more than half of their workforce. For each contract type we consider in this note, the median employer used that contract type for less than 10 per cent of their workforce (and in the case of ZHCs and casual workers, less than 5 per cent).[26]

FIGURE 6: **Where flexible contracts are used, they usually make up a relatively small share of the workforce**

Proportion of employers using different forms of flexible contract, by share of their workforce on these contracts: UK, 2023



NOTES: Base = all employers. Weighted by employment according to business size and sector. Survey conducted in April 2024, but the question asked respondents to reflect on the 2023 calendar year.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

That said, there is a substantial share of firms – around half of all employers (54 per cent) – who use one or more flexible contract types for at least one-quarter of their staff, strongly suggesting that flexible contracts are an intrinsic part of their business model.[27]

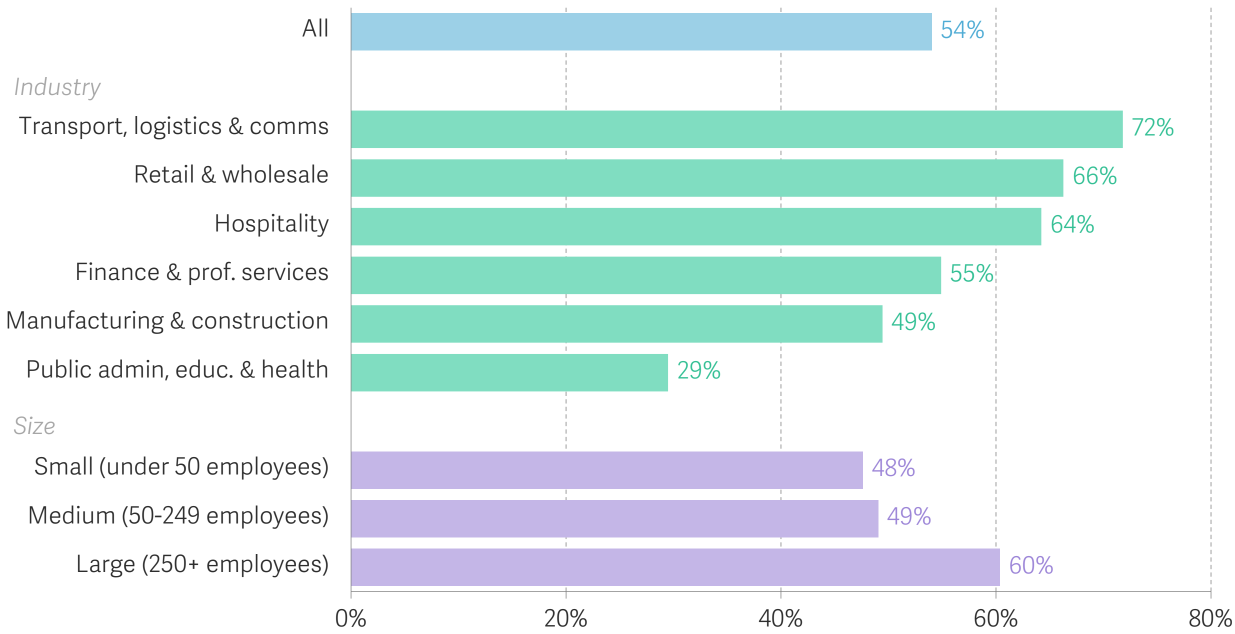
26 It is worth noting that our estimate of the number of firms using zero-hours contracts is somewhat higher than another recent survey, which found around one-fifth of firms (weighted by employment) used these contracts when surveyed in spring 2021: CIPD, Zero-hours contracts: evolution and current status, August 2022. The surveys differ, however, in that we ask employers to consider the calendar year as a whole, rather than at a single point in time, so we would expect our results to be higher.

27 Our 'high use' group consists of employers who use any single form of flexible contract for at least one-quarter of their workforce. This could miss some firms who have more than one-quarter of their workforce across different types of flexible contract. But since our survey asked separately about the share of firms' workforce on each of the contract types shown in Figure 6, and because these working arrangements can overlap, we cannot say for sure what share of each firm's staff is on *any flexible contract*.

Figure 7 shows that employers in the transport, retail and hospitality sectors were the most likely to make 'high use' of flexible contracts, alongside those in the largest businesses.[28] (These patterns are in part driven by the fact that these employers are more likely than others to make use of these forms of working arrangements in the first place.)

FIGURE 7: **Half of firms use flexible contracts for at least one-quarter of their workforce**

Proportion of employers using at least one form of flexible contract for more than one-quarter of their workforce, by industry and business size: UK, 2023



NOTES: Base = all employers. Weighted by employment according to business size and sector. Survey conducted in April 2024, but the question asked respondents to reflect on the 2023 calendar year.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Some firms use flexible contracts because their workforce prefers them, but more say it is to manage fluctuating demand

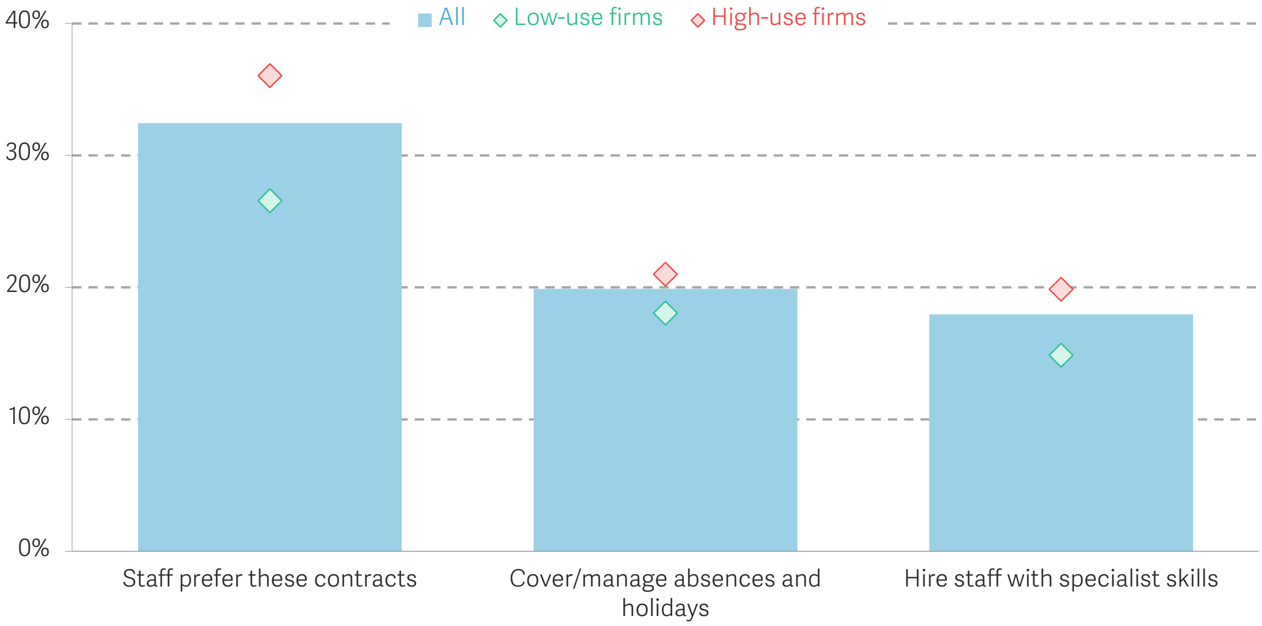
Why, then, do so many firms use flexible contracts? It is first important to note that a significant share of employers report they are a way of supporting their workforce: Figure 8 shows that one-third (32 per cent) of firms who use flexible contracts say that one of the reasons they do so is because their staff prefer these kinds of contracts; this is true of a slightly higher share (36 per cent) of 'high-use' firms. One-quarter of firms (24 per cent) report that their staff preferred these types of contracts specifically to help them manage other demands on their time such as childcare or managing health conditions, consistent with qualitative research that shows when managed well, such contracts can

28 Sensitivity analysis confirms that our 'high-use' group is not dominated by very small businesses for whom 'more than a quarter' of their staff would be equivalent to just one staff member – indeed, as Figure 7 shows, it is larger businesses that are more likely to be in this category.

be beneficial for some workers.[29] In addition, around one-in-five firms say they use flexible contracts as 'stop-gaps', either to fill gaps in staffing (20 per cent), or to hire staff with specialist skills who they do not need in their workforce on a permanent basis (18 per cent).[30]

FIGURE 8: **One-third of employers using flexible contract types say they do so because of staff preferences**

Proportion of employers using flexible contracts who cite different reasons for doing so, by scale of use: UK, April 2024



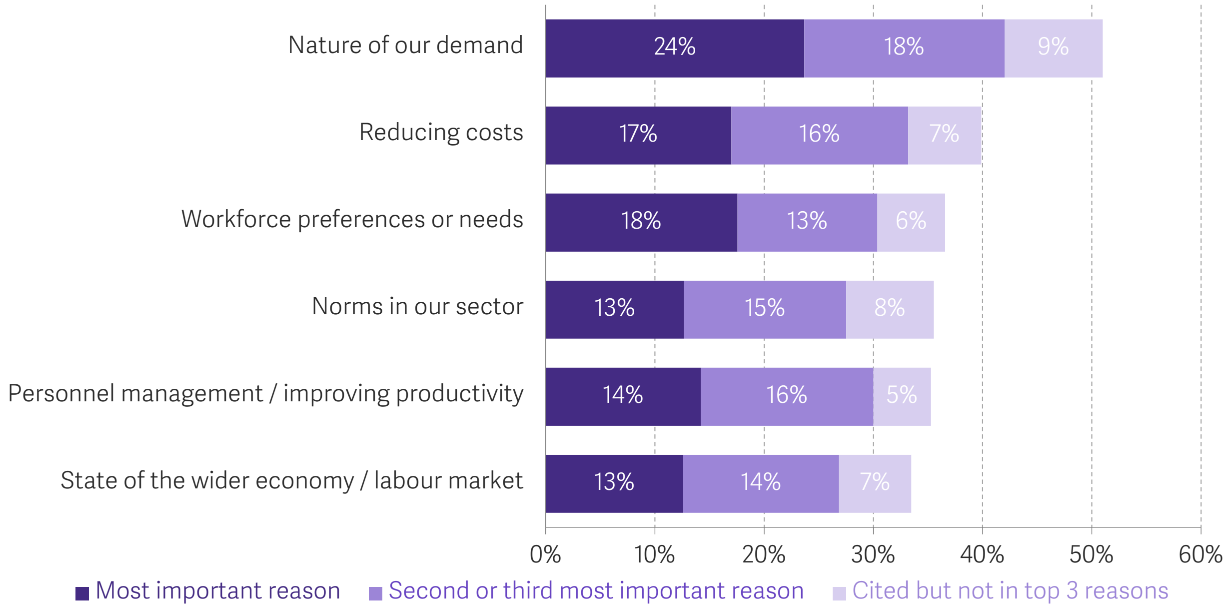
NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Beyond worker preferences and other human resource considerations, the motivations behind using flexible contracts are broad-based. Figure 9 shows that between one-third and one-half of respondents mentioned each of the broad factors we considered, and each was identified as the main reason by at least one-in-ten respondents. But the nature of demand for their products or services was the most important factor identified by employers using flexible contracts, with one-half (51 per cent) of firms saying the nature of their demand had influenced their decision and one-quarter (24 per cent) considering it to be the most important factor.[31]

29 L Murphy, Constrained choices: Understanding the prevalence of part-time work among low-paid workers in the UK, Resolution Foundation, November 2022; C McCurdy & L Murphy, We've only just begun: Action to improve young people's mental health, education and employment, Resolution Foundation, February 2024.
30 For further exploration of the 'stop-gap' approach in the context of agency workers, see: L Judge, Choices, choices... Why do firms use agency workers?, Resolution Foundation, February 2018.
31 This is consistent with previous research focusing on zero-hours contracts: CIPD, Zero-hours contracts: evolution and current status, August 2022.

FIGURE 9: **Managing fluctuating demand was the number one reason why firms use flexible contracts**

Proportion of employers citing reasons for using flexible contracts, by importance of each factor: UK, April 2024

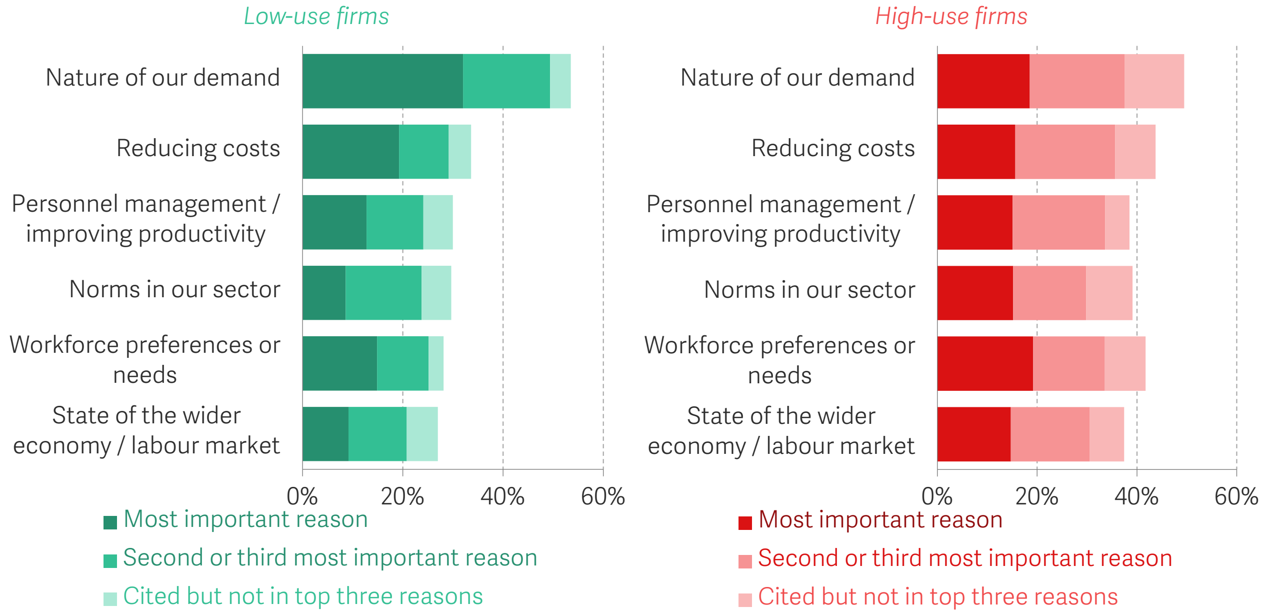


NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

The nature of demand is the most commonly-reported motivation for using flexible contracts among both 'high-use' and 'low-use' firms (Figure 10), cited by 49 and 54 per cent of firms in each group respectively. But this is far more dominant, relative to other drivers, among 'low-use' firms. Within the 'low-use' group, one-third (32 per cent) of employers said that the nature of demand was their main reason for using these contract types, compared to one-fifth (19 per cent) in the 'high-use' group. And for 'low-use' firms, the nature of demand was far ahead of other motivations (20 percentage points above the next most frequently-cited driver, cutting costs); for 'high-use' firms, there was only a 12-percentage-point gap between the least- and most-popular options.

FIGURE 10: **For firms making less use of flexible contracts, the role of demand was particularly marked**

Proportion of employers citing reasons for using flexible contracts in low-use (left panel) and high-use (right panel) firms: UK, April 2024



NOTES: Base = all employers using flexible contracts in low-use (left panel) and high-use (right panel) firms. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

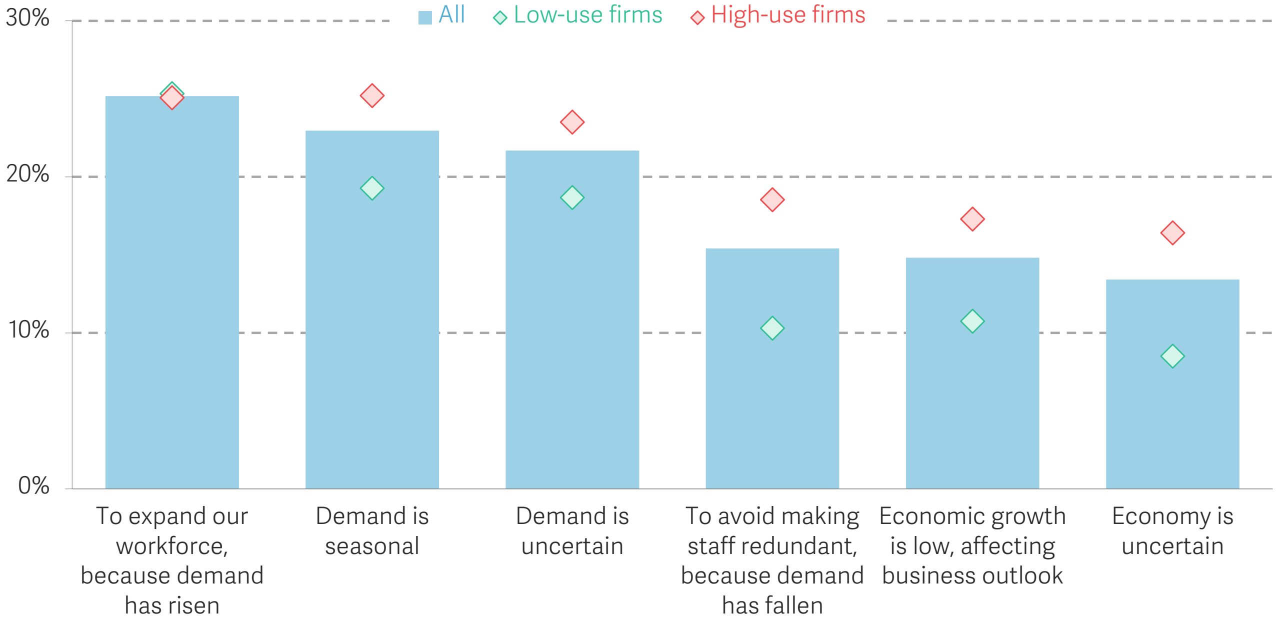
Figure 11 digs deeper into the role flexible contracts play in managing fluctuations in demand. One-quarter (23 per cent) of employers using these arrangements say that their demand is seasonal, and a similar share (22 per cent) say it is uncertain. For some, longer-term changes in demand dictate their use: a quarter (25 per cent) say that their demand has risen and they have expanded their workforce using flexible contracts, while a lower share, 15 per cent, report moving their staff onto flexible contracts as an alternative to making them redundant when demand fell.[32] And around one-in-seven firms are using flexibility to respond to wider economic uncertainty (13 per cent) or low growth (15 per cent), fearing the knock-on impacts to their business.[33]

32 See, for example: J J Dolado, E Lalé & H Turon, Zero-Hours Contracts in a Frictional Labor Market, University of Bristol School of Economics Working Paper 22/763, March 2022, which argues that contracts with flexible hours benefit the labour market by enabling job creation in sectors with highly variable demand.

33 It is worth noting that other evidence has found that firms expand their use of temporary workers during periods of economic expansion – the counterpart to the one-in-four firms in Figure 11 report using flexible employment to grow their workforce. See, for example: S Houseman, A Kalleberg & G Erickcek, The Role of Temporary Agency Employment in Tight Labor Markets, ILR Review 57(1), October 2003.

FIGURE 11: **Employers use flexible contracts to deal with ups and downs in demand**

Proportion of employers using flexible contracts who cited different reasons for doing so, by scale of use: UK, April 2024



NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Some employers use flexible contracts in response to labour market conditions. One-sixth (18 per cent) of respondents said that they find it easier to hire workers on flexible contracts than those on other contract types; in addition, one-in-ten (9 per cent) said that they can only find workers on flexible contracts because they face tough labour market conditions. By contrast, a tenth of firms (10 per cent) say that they are finding it easy to hire at the moment, meaning that they can hire workers on flexible contract types when they may not have been able to otherwise.

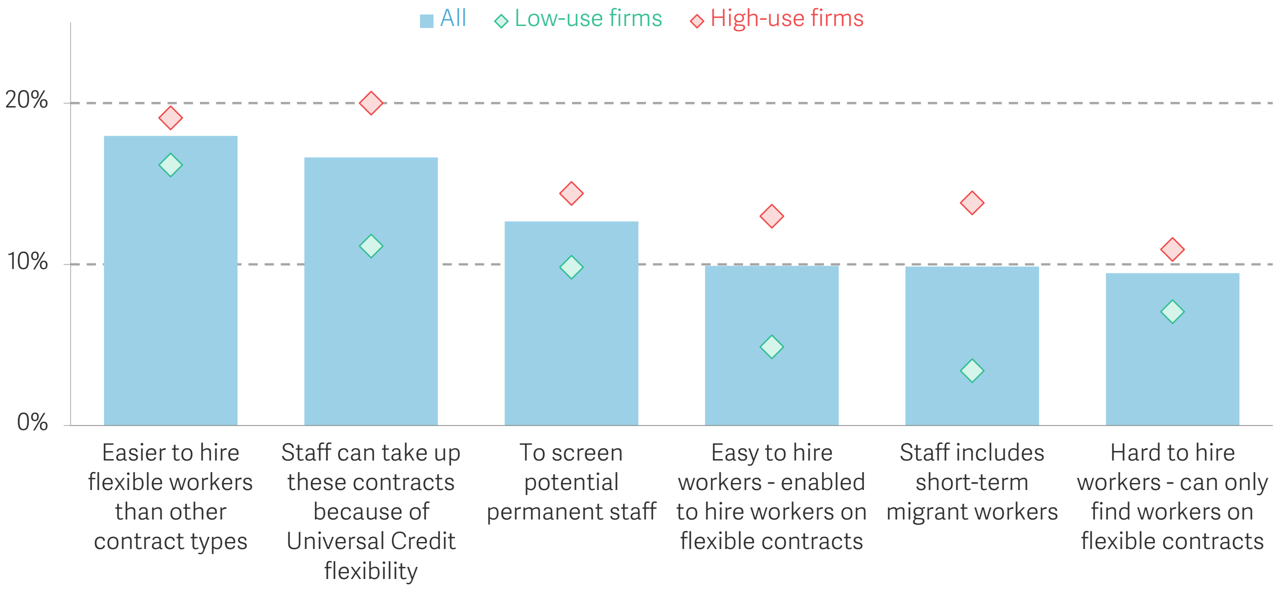
Firms also cited two specific factors affecting the availability of workers on flexible contracts. First, one-in-six employers (17 per cent) said that their staff were able to take up these contract types because of the flexibility of Universal Credit: under the previous benefit system, Working Tax Credit recipients were subject to a minimum-hours-worked threshold that meant those working short hours would not have been eligible for support.[34] And second, just under a tenth (10 per cent) of employers said that they used flexible contracts for migrant workers, who are only in the UK for a short period of time.[35]

34 A Clegg, In credit? Assessing where Universal Credit's long roll-out has left the benefit system and the country, Resolution Foundation, April 2024.
35 For a discussion of the prevalence of flexible contracts among migrant workers – and how this can impact the wider labour market – see: D McCollum & A Findlay, 'Flexible' workers for 'flexible' jobs? The labour market function of A8 migrant labour in the UK, Work, Employment and Society 29(3), April 2015.

Finally, one-in-eight (13 per cent) employers say that they use flexible contracts as a recruitment tool, to screen potential permanent staff before committing to a hire.[36]

FIGURE 12: **Almost one-fifth of firms find it easier to hire workers on flexible contract types than other workers**

Proportion of employers using flexible contracts who cited different reasons for doing so, by scale of use: UK, April 2024



NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

For many firms, flexible contracts are also a way of improving the bottom line

But flexible contracts are not just used to manage the ups and downs of the economic cycle; they are also often a hard economic choice that reduces costs, increases revenue, or both.[37] In Figure 13, we first consider cost reduction. Most straightforwardly, one-quarter (25 per cent) of firms said that flexible contracts allow them to reduce their overall wage bill. (This could be because workers on these contracts can be hired on lower hourly wages – but it could also be because firms can be highly responsive to changes in demand and bring in workers only when they are needed, as considered

36 S Houseman, Why Employers Use Flexible Staffing Arrangements: Evidence from an Establishment Survey, ILR Review 55(1), October 2001.

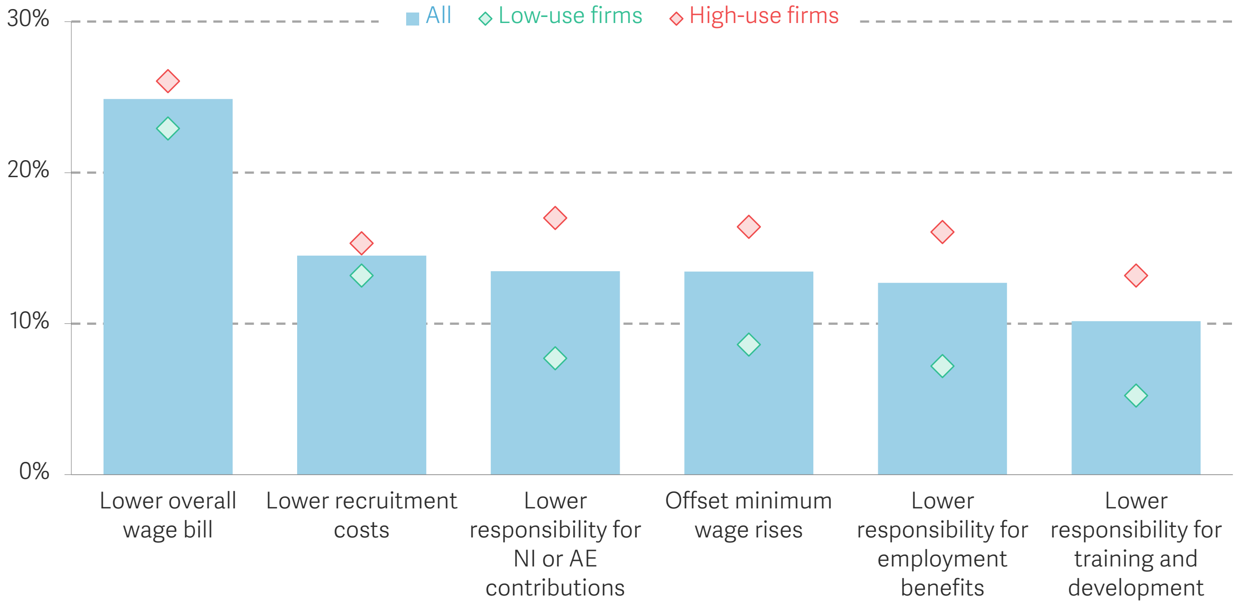
37 Firms also need to have some power in the labour market to be able to choose the types of contract they use. For an overview of the evidence that this is indeed the case, see: U Altunbuken et al., Power plays: The shifting balance of employer and worker power in the UK labour market, Resolution Foundation, July 2022.

above in Figure 11).[38] The shares of 'low-use' and 'high-use' firms reporting this as a motivation were similar, at 23 and 26 per cent respectively.

But a direct reduction in the wage bill is not the only way in which flexible contracts can help firms cut costs. In our survey, firms reported that flexible working arrangements lowered their responsibility for non-wage benefits such as sick pay or maternity and paternity pay (13 per cent), National Insurance or automatic enrolment contributions (also 13 per cent),[39] or training and development costs (10 per cent).[40] 'High-use' firms were between 8-9 percentage points more likely to report each of these cost-cutting motivations than 'low-use' firms. And one-in-seven respondents (15 per cent) said that flexible working arrangements allow them to lower their recruitment costs – this could be, for example, because they can keep a pool of contingent labour on hand to meet peaks in demand rather than having to hire new staff.[41]

FIGURE 13: **One-quarter of firms using flexible contracts do so to reduce their wage bill**

Proportion of employers using flexible contracts who cited different reasons for doing so, by scale of use: UK, April 2024



NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

38 In 2011-2018, zero-hours contracts were associated with a 45p hourly pay penalty, and temporary contracts with a 66p penalty, that remained after accounting for person and job characteristics. See Figure 35 of: S Clarke & N Cominetti, Setting the record straight: How record employment has changed the UK, Resolution Foundation, January 2019.
39 Possible explanations for this include workers on flexible arrangements being hired as self-employed contractors or firms hiring workers on short-hours contracts so as not to meet the earnings thresholds for National Insurance and auto-enrolment.
40 In general, firms have less incentive to offer training (other than that which is necessary to do the job) to temporary workers compared to permanent workers, given that the firm will have less time to benefit from the training – although the extent to which this is the case depends on the cost of the training and the benefits of the training. See, for example: D Poulissen, Employers' willingness to invest in the training of temporary versus permanent workers: A discrete choice experiment, Labour Economics 84, October 2023.
41 A Adams & J Prassl, Zero-Hours Work in the United Kingdom, ILO Conditions of Work and Employment Series No. 101, April 2018.

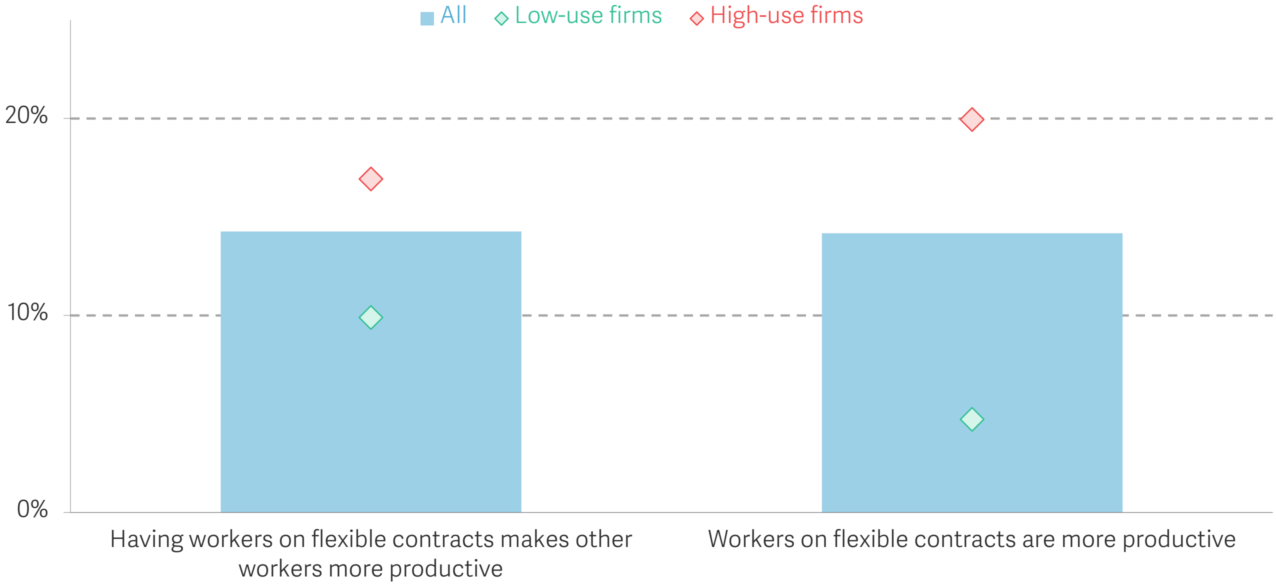
Even more concerningly, Figure 13 also reveals that 14 per cent of businesses report using flexible working arrangements to offset the costs of a rising minimum wage. It is worth bearing in mind that our survey was fielded in early April 2024, just days after the latest (large) minimum wage rise came into effect, meaning the minimum wage may have been more top-of-mind for respondents than at other times of the year.[42] But it is consistent with other studies that find employers have responded to minimum wage rises by moving staff onto zero-hours contracts in an attempt to cut costs in other areas.[43]

Flexible contracts can help boost firms' bottom lines in other ways too. Figure 14 shows that one-in-seven (14 per cent) of respondents reported that workers on flexible contracts are more productive than other staff; existing literature suggests that this could be the case if temporary workers work harder in the hope of getting a permanent job,[44] for example, or if workers on zero- or short-hours contracts fear being 'zeroed down'.[45] Strikingly, high-use firms were four times as likely as low-use ones to report that this was the case (20 per cent versus 5 per cent). The same share, also 14 per cent, said that the presence of workers on flexible contracts makes other staff more productive – which could be, for instance, because having flexible workers around relieves pressure on permanent staff, or because permanent workers work harder for fear of being moved onto a flexible contract[46] – but the gap between 'high-use' and 'low-use' firms was smaller (17 per cent and 10 per cent respectively).[47]

42 N Cominetti & H Slaughter, Labour Market Outlook Q2 2024: Happy 25th birthday to the minimum wage, Resolution Foundation, March 2024.
43 N Datta, G Giupponi & S Machin, Zero-hours contracts and labour market policy, Economic Policy 34(99), February 2020; E Aleynikova et al., Pay-Setting among Employers in the Agriculture, Cleaning, Hospitality and Retail Sectors, National Institute of Economic and Social Research, March 2024. Forthcoming research commissioned by the Low Pay Commission finds, however, that minimum wage rises are associated with reductions in wider 'alternative work arrangements' (including, for example, part-time work). See: P Albagli, R Costa & S Machin, Minimum wage effects: adjustment through labour market dynamics and alternative work arrangements, London School of Economics, forthcoming, summarised in: Low Pay Commission, Low Pay Commission Report 2023, March 2024.
44 M Ferreira Sequeda, A de Grip & R van der Velden, Does Informal Learning at Work Differ between Temporary and Permanent Workers?, IZA DP No. 9322, September 2015; A Booth, M Francesconi & J Frank, Temporary Jobs: Stepping Stones or Dead Ends?, The Economic Journal 112(480), June 2002.
45 Acas, Give and take? Unravelling the true nature of zero-hours contracts, May 2014.
46 R Bonet, M Elvira & S Visintin, Hiring Temps but Losing Perms? Temporary Worker Inflows and Voluntary Turnover of Permanent Employees, Work, Employment and Society 38(1), February 2024.
47 It is worth noting that these effects can also work in the other direction, although we did not ask about this in our survey. Contingent workers might be less productive than other workers due to lack of training or familiarity with the workplace, for example: previous Resolution Foundation research has found that firms are more likely to think that temporary agency workers specifically are less effective than directly employed staff. See: L Judge, Choices, choices… Why do firms use agency workers?, Resolution Foundation, February 2018. On the other hand, training these workers or wider workplace disruption could reduce the productivity of permanent staff: R Bonet, M Elvira & S Visintin, Hiring Temps but Losing Perms? Temporary Worker Inflows and Voluntary Turnover of Permanent Employees, Work, Employment and Society 38(1), February 2024.

FIGURE 14: **One-fifth of 'high-use' employers say that workers on flexible contracts are more productive than other staff**

Proportion of employers using flexible contracts who cited different reasons for doing so, by scale of use: UK, April 2024



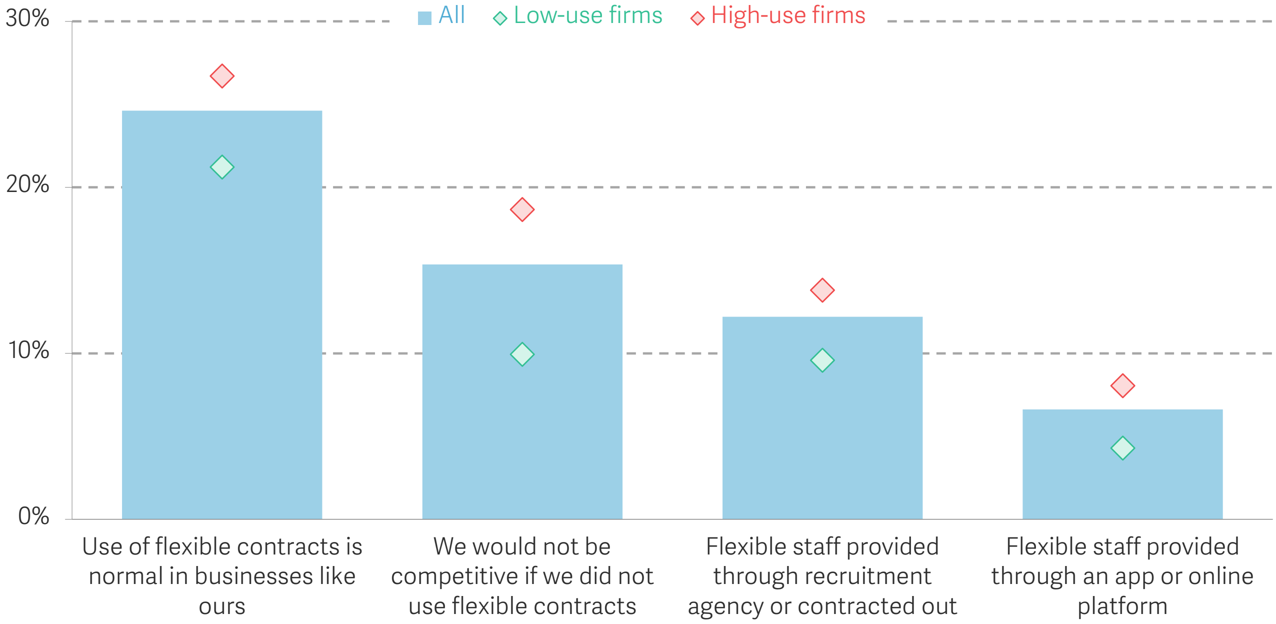
NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Lastly, some firms use flexible contracts simply because it is the norm in their sector.[48] As Figure 15 shows, one-quarter (25 per cent) of firms say that use of flexible working arrangements is normal for businesses like theirs, while 15 per cent of businesses believe that they would not be competitive without using flexible working arrangements. And for some firms, their working arrangements are dictated by the company or service through which they hire workers: one-eighth of respondents (12 per cent) said that they hire their staff through a recruitment agency or other third party, and are provided with temporary or variable-hours staff; for 7 per cent of firms, the same is true of an app or online platform.

48 J Rubery et al., Challenges and Contradictions in the "Normalising" of Precarious Work, Work, Employment and Society 32(3), June 2018.

FIGURE 15: **One-quarter of firms say that they use flexible contracts because it is normal in businesses like theirs**

Proportion of employers using flexible contracts who cited different reasons for doing so, by scale of use: UK, April 2024



NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Reasons for using flexible contracts vary across sector and employer size

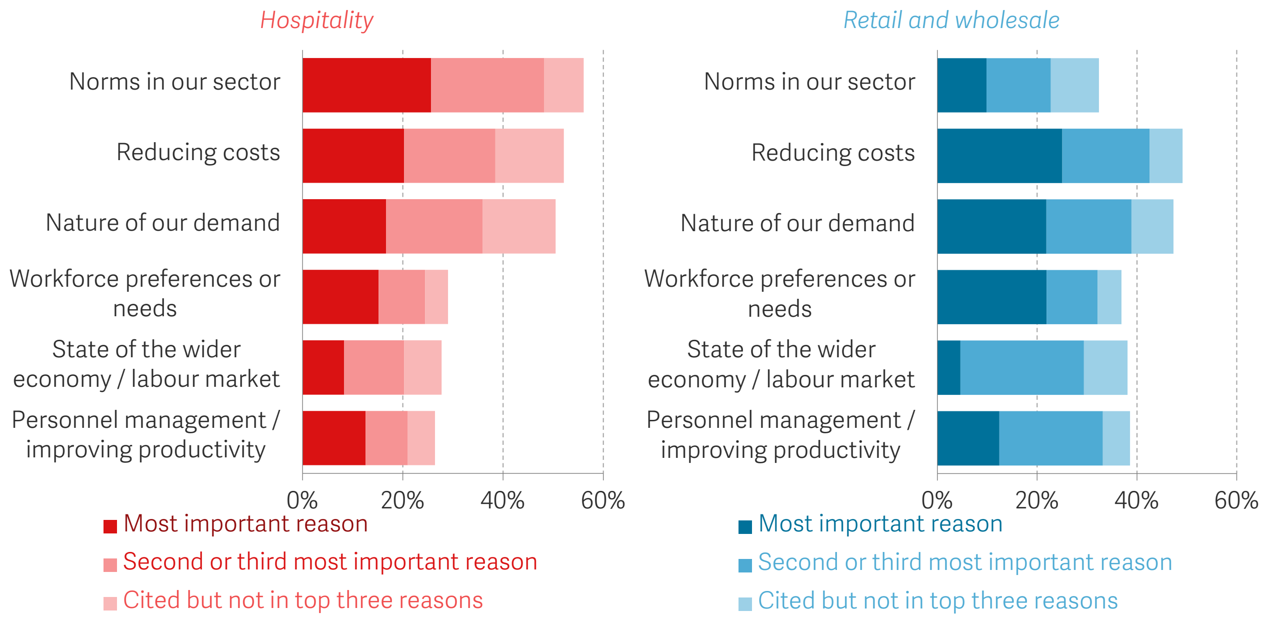
In addition to the differences between 'high-use' and 'low-use' firms highlighted so far, reasons for using flexible contracts also varied substantially across sectors and by firm size. In Figure 16 we first focus on hospitality and retail – two of the sectors where these working arrangements are particularly prevalent, as Figure 2 and Figure 7 showed. In hospitality (the left panel), more than half (56 per cent) of firms said they used flexible working arrangements due to sector norms, with one-quarter (24 per cent) considering this the most important reason. Rising costs came a close second (cited by 52 per cent of respondents) – indeed, one-fifth (21 per cent) of hospitality employers using flexible contracts said that they were offsetting costs of the minimum wage.[49] In the retail and wholesale sector, cost reduction topped the list, with nearly half (49 per cent) of firms citing it as a driver and one-fifth (22 per cent) reporting that it was the main driver.

49 Hospitality is one of the sectors that is most exposed to the minimum wage: N Cominetti et al., Low Pay Britain 2023: Improving low-paid work through higher minimum standards, Resolution Foundation, April 2023. The hospitality sector has been vocal about the pressure the minimum wage is putting on businesses, for example: UK Hospitality, National Living Wage to rise 10% in April: Our response, November 2023; D Strauss, Ending low pay: how UK business has met demands to boost wages, Financial Times, April 2024.

And one-in-five (21 per cent) retail employers using flexible contracts identified staff preferences as the most central factor in their decision, just 1 percentage point behind cost reduction.

FIGURE 16: **Firms in the hospitality and retail sectors are more likely than average to use flexible contracts to cut costs**

Proportion of employers citing reasons for using flexible contracts in hospitality (left panel) and retail and wholesale (right panel): UK, April 2024

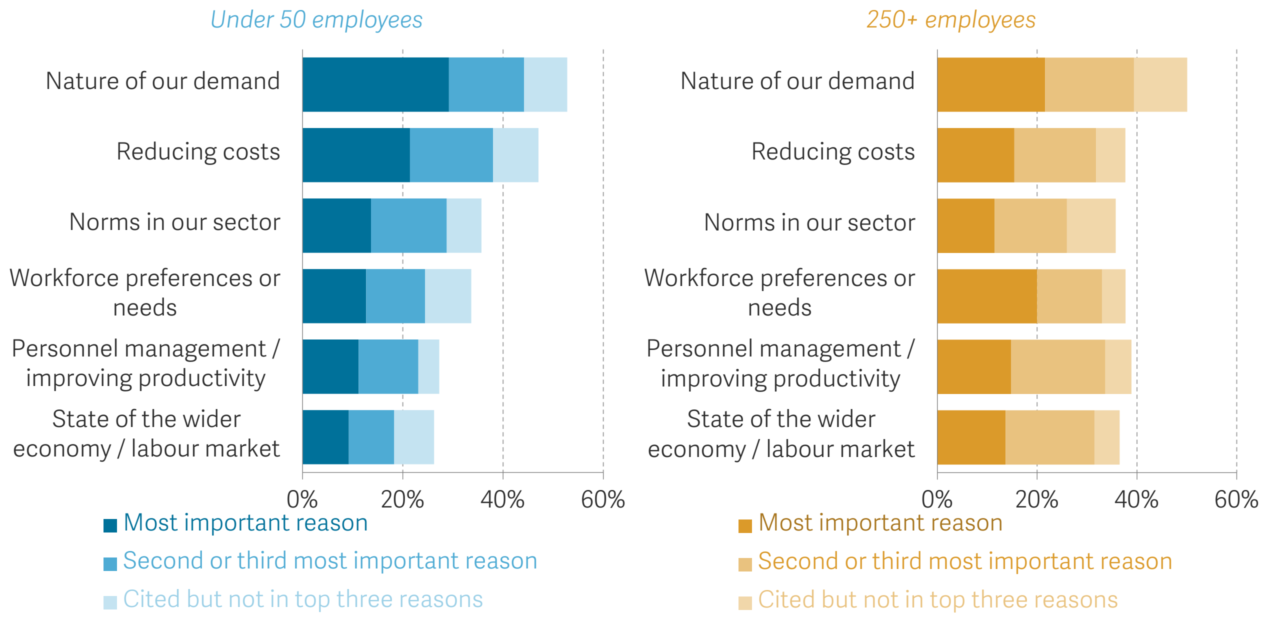


NOTES: Base = all employers using flexible contracts in the hospitality (left panel) or retail and wholesale (right panel) sector. Weighted by employment according to business size and sector.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Furthermore, reasons for using flexible contracts varied by business size. Small businesses (the left panel of Figure 17), for instance, were more likely than larger ones (the right panel) to say that they used flexible contracts to cut costs – almost half (47 per cent), compared to 38 per cent. And larger firms (with 250+ employees) were twice as likely as small businesses (under 50 employees) to say that workforce preferences were the most important reason for using flexible contracts, at 20 per cent and 13 per cent respectively.

FIGURE 17: **Small businesses were more likely to use flexible contracts to reduce their costs, while large ones were more likely to cite workforce preferences**

Proportion of employers citing reasons for using flexible contracts in small businesses (left panel) and large businesses (right panel): UK, April 2024



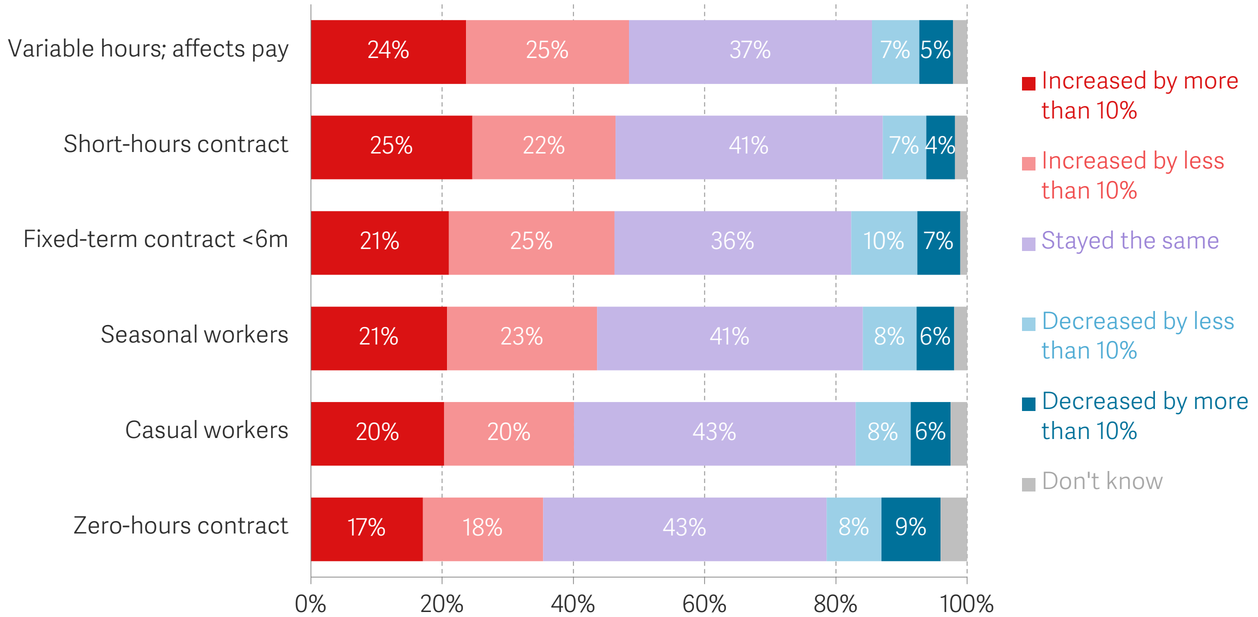
NOTES: Base = all employers using flexible contracts in small businesses (left panel) and large businesses (right panel). Weighted by employment according to business size and sector.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Firms are far more likely to plan to increase rather than decrease their use of flexible contracts in the future

How are firms changing their use of these contracts over time? First, we look backwards, with Figure 18 showing what has happened over the past five years. For each type of flexible contract, a substantial share of employers (among those using any flexible contract type) report increasing their use. This ranges from one-third (35 per cent) saying they increased zero-hours contract workers, to almost half (48 per cent) saying they increased variable-hours contracts; half of this latter group increased their use by more than 10 per cent of their workforce. (The share of firms who have decreased their use of flexible work averages 14 per cent across the contract types – but our sample here does not include firms which have stopped using any of these contracts entirely.)

FIGURE 18: **Half of employers using some form of flexible arrangement report increasing their variable-hours contracts over the past five years**

Proportion of employers reporting changes in the share of their workforce on flexible contracts over the last five years, by contract type: UK, April 2024



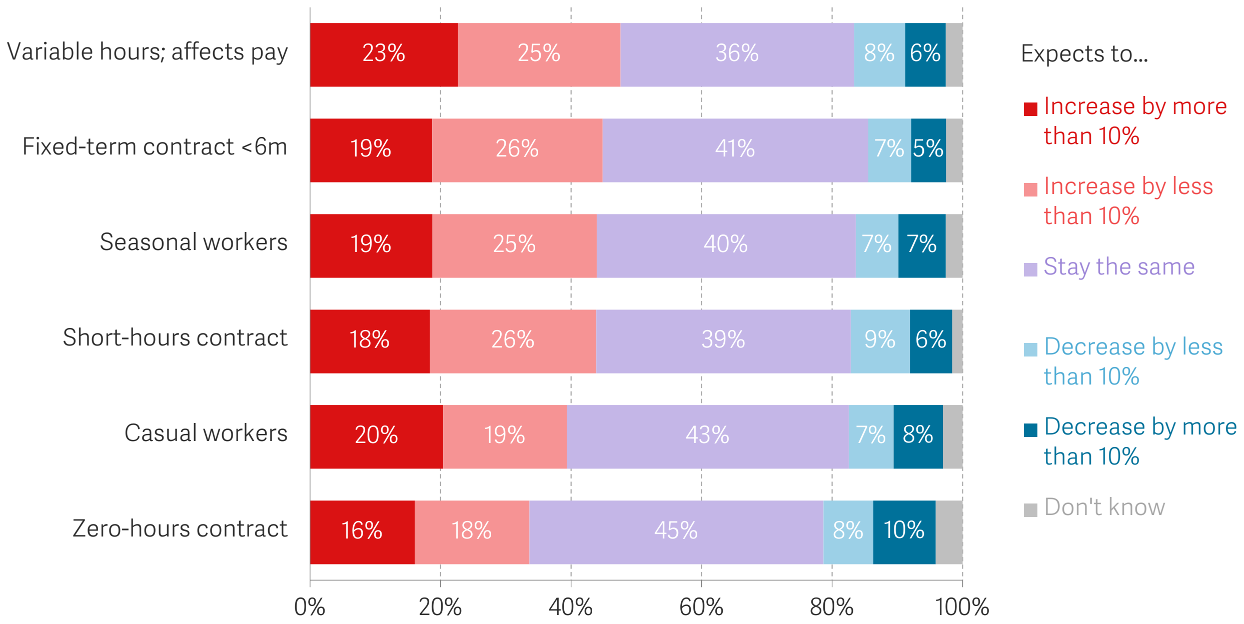
NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Looking ahead, far more firms using flexible contracts say that they plan to increase rather than decrease their use in the future (see Figure 19). Just under half (48 per cent) of employers currently using workers on flexible arrangements say that they plan to increase the share of their workforce on variable-hours contracts over the next five years, for instance, and one-quarter (23 per cent) say they plan to increase their use by more than 10 per cent; on the other hand, just 14 per cent say they plan to decrease their use. Across all the flexible contracts we asked firms about, firms are substantially more likely to say that they plan to use them more in the future than less.[50]

50 Plans to increase use of flexible working arrangements are particularly high among firms that have already been increasing their use: for each contract type, around two-thirds of firms (between 63 per cent and 67 per cent) who have already increased their use plan to do so further over the next five years. Source: RF analysis of Savanta, Flexible working arrangements.

FIGURE 19: **More firms plan to increase their use of flexible contracts in the future than plan to decrease them**

Proportion of employers reporting expected changes in the share of their workforce on flexible contracts over the next five years, by contract type: UK, April 2024



NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

But firms' reported plans to increase their use of flexible contracts are not a foregone conclusion: Figure 20 shows that employers are likely to alter their practices if external factors were to change.[51] First, almost two-thirds (64 per cent) of firms said that policy changes would cause them to reduce the share of their workforce on flexible contracts. One-third (33 per cent) said that they would reduce their use if workers had a right to a fixed number of hours; the same share said they would do so if workers had to be classified as employees; and 30 per cent said they would reduce flexible working arrangements if workers had a two-week notice period for shifts.[52]

Second, half (48 per cent) said they would consider reducing their use of flexible contract types if the economy improved in some way: three-in-ten (30 per cent) said that they would reduce their use if economic uncertainty were to reduce, with the same share saying they would do so if growth were to resume. And finally, just under two-fifths (38 per cent) of firms said that they would consider reducing their use of flexible contract types

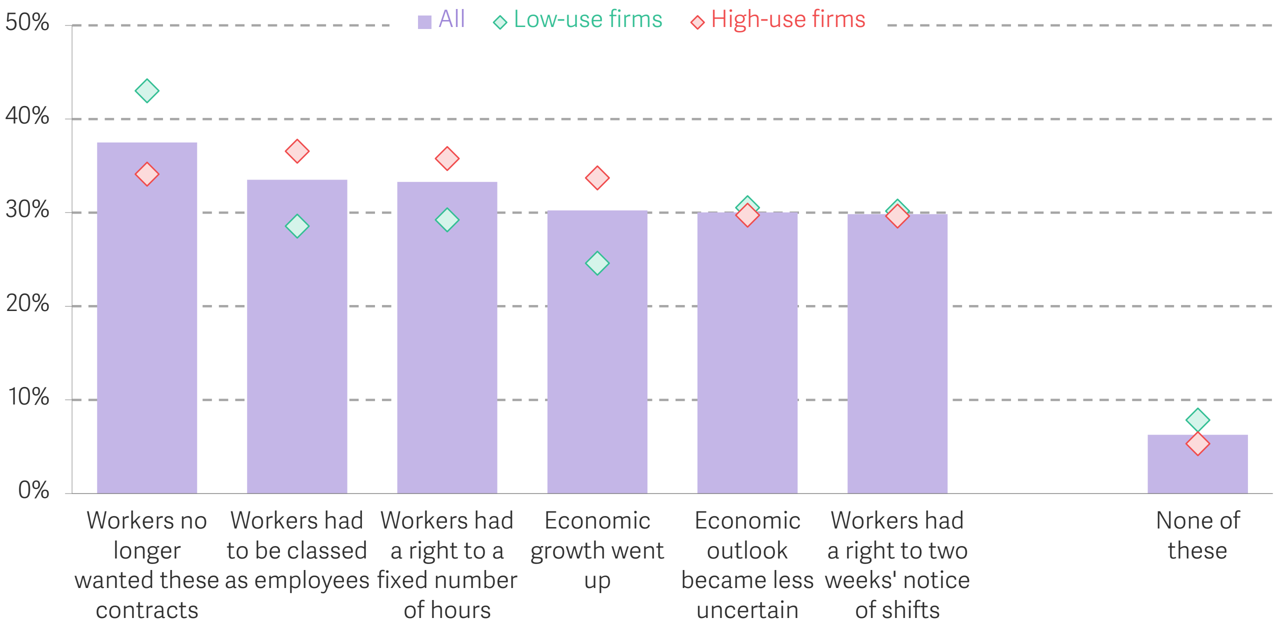
51 Filtering Figure 20 only on firms that report planning to increase their use of flexible contracts changes the numbers in each category very little (within 2 percentage points in each response option).

52 We have put forward proposals to provide two weeks' notice for shifts and a right to a fixed number of hours in: N Cominetti et al., Low Pay Britain 2023: Improving low-paid work through higher minimum standards, Resolution Foundation, April 2023. Proposals around simplifying worker status (albeit not eliminating it entirely) were outlined in: M Taylor, Good work: the Taylor review of modern working practices, Department for Business, Energy & Industrial Strategy, July 2017.

if workers no longer wanted to be employed on them – rising to 43 per cent among low-use firms. Taken together, the vast majority of firms using flexible working arrangements could be persuaded by one or more of these factors: only 6 per cent said that none of these changes would influence their use.

FIGURE 20: **Regulation, an improved economic outlook or changing worker preferences could all persuade firms to reduce their use of flexible contacts**

Proportion of employers reporting each factor which would cause them to reduce their use of flexible contracts as a share of their workforce: UK, April 2024



NOTES: Base = all employers using flexible contracts. Weighted by employment according to business size and sector. 'High-use firms' defined as employers using at least one form of flexible contract for more than one-quarter of their workforce; 'low-use firms' includes all other firms.
SOURCE: RF analysis of Savanta, Flexible working arrangements.

Conclusion

Flexible contracts, and labour market reform more widely, are set to be a hot topic for debate ahead of the upcoming election – and rightly so, given that an over-reliance on flexible contracts can harm workers and the economy alike.[53]

But while these contract types are often characterised as either universally good or bad, the evidence in this note makes clear that the reality is far more nuanced: firms have a wide range of motivations for using them, and as our previous work has shown,

53 In addition to the evidence presented earlier in this note, see: T Bell et al., Ending stagnation: A New Economic Strategy for Britain, Resolution Foundation, December 2023, which shows that low-quality work can lead workers to reduce their labour supply and that raising labour standards can help reallocate workers from less-productive firms to more-productive ones.

flexible contracts can have benefits and downsides for different groups of workers.[54] The challenge facing policy makers, then, is to ensure that the rules governing our labour market strike a balance between reducing the precarity that flexible contracts can bring with them, without unduly restricting the choices that workers who benefit from them currently enjoy.

54 See, for example: L Murphy, Constrained choices: Understanding the prevalence of part-time work among low-paid workers in the UK, Resolution Foundation, November 2022.

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