**18th Annual Conference (2022) of the Italian Society of Law and Economics**

**LUMSA University, Palermo**

**December 14-16, 2022**

**Research Paper Proposal / Extended Abstract**

**“Economic Efficiency of the legal position of**

**Employment Bonds in India”**

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**Economic Efficiency of the legal position of Employment Bonds in India**

**Extended Abstract**

*A simple reading of the relevant provisions of the Indian Contract Act, 1872* *would suggest that employment bonds are prohibited. However, the job market with respect to highly skilled as well as moderately and relatively less skilled employees has evolved a great deal and as a result of that the connotation regarding employment bonds has changed, especially with respect to the law and economics discipline. Pertinent arguments have been raised with respect to the economic benefits of employments bonds, from the perspective of both – the employer and the employee, but the legal economic rationale behind employment bonds is far from settled. In this context in addition to analysing the legal aspect of employment bonds, it also becomes extremely crucial to understand the economic utility of the legal enforcement of employment bonds, since employment contracts are largely standard form of contracts, wherein the employers usually enjoy a high bargaining power. This paper seeks to answer such questions regarding employment bonds. Firstly, outlines the benefits and costs of employment bonds from the perspective of both the employer and employee, followed by a legal analysis of the same. Further, and most importantly the paper utilises the game theory analysis to dissect the inherent unequal bargaining power and information asymmetry with respect to employment contracts and explains the futility of approaching the court in case of a dispute arising out of an employment bond. Lastly, the paper seeks to analyse employment bonds from a practical law and economics perspective, dissecting the economic considerations for employers & employees, surrounding employment. The paper concludes with recommendations at the policy level.*

*Keywords: Employment bond, Law and Economics, Game theory.*

This research aims at doing a law and economic analysis of the various types of employment bonds used by employers, and the nature of restrictive and unreasonable clauses included within the terms and conditions of employment. In the current context of increasing unemployment rates and desperation of employees to secure jobs, we analyse whether their consent to such agreements is ‘free’ as per the requirement of Indian Contracts Act, 1872, and whether their relinquishing their rights through such an agreement can be legally binding or not. This paper also analyses what the position of Indian courts pertaining to such matters is, and if in reality employees or employers approach courts in case of non-conformance of the contract with Indian laws. Such analysis can be extremely relevant for suggesting appropriate policy interventions to deal with such problems.

Employment bonds for fresher employees will be an interesting study for future researchers. Also, going through various offer letters of both fresher employees and experienced employees will be interesting. As well as measuring the ex-ante and ex-post cost and benefit. There is a possibility for reasonable rules of games of employment bonds. So that symmetric information prevails for employers and employees.

## Research Question

From a law and economics perspective what is the law pertaining to enforceability of employment bonds in India? Is this legal position economically efficient for all the stakeholders, balancing the commercial interests of employers with rights of employees?

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## Objective

* This paper aims to determine the current legal position on the enforceability of employment bonds
* This paper aims to examine the various types of clauses in employment bonds and their impact on rights of the employee
* The paper intends to make policy recommendations to improve the economic efficiency of the legal framework to balance the interests and rights of both stakeholders