

ETHICS AND EFFICIENCY OF ZERO HOUR CONTRACTS IN LABOR MARKET

Urvi Kumar (nee Bhagi)*

ABSTRACT

In the wake of globalization and internationalization of labor markets, there are increasing pressures on organizations and businesses to make their labor hiring and firing processes more flexible. Many large international firms have resorted to contractualization of jobs and a new category of zero hour contracts are on a rise in labor markets. While zero hour contracts afford flexibility for employers and employees and reduce overhead burdens of production, there is growing worry over the rising job insecurity, unethical work conditions as well as falling real wages of workers under such contracts. This research paper highlights the trade-off of efficiency and ethics of zero hour contracts in labor markets.

KEYWORDS: Labor Markets, Zero Hour Contracts, CIPD, Globalization, Economic Growth Agent.

Introduction

Labor market is an important economic market as it provides human resources which form an essential economic growth agent in the market. Labor market contracts form the backbone of production process and remain central to boosting economic growth and effectiveness in market operations. Human resources are an extremely important element in present day industries. They contribute talent and knowledge along with their efforts which helps the organization form competencies and obtain competitive advantage. These elements help a firm become market leaders (Mathur, 2015). Human resource strategies should be carefully formulated in such a manner that it is possible to formulate a suitable work environment along with retention of talent. Employment contracts play an important role in establishing long term competencies for organizations and enabling them run their operations without any obstacles (Pennycook, Cory, & Alakeson, 2013). Employment contracts are to comply with the employment law of the land where they are being formed and executed. Labor contracts are formed based on job requirements, legal guidelines provided by the law as well as keeping in mind human capital development. It is important that a balance is built among these elements to establish appropriate levels of ethical compliance and efficiency in operations of organizations. This makes it essential for employers to establish appropriate employment contracts' terms and conditions. Employment contracts vary according to the nature of job and employers are to choose the most appropriate ones for each job requirement. One such type of employment contract that is globally gaining popularity in recent times is a Zero-hour contract. This is especially true in present scenario of massive shifts towards knowledge economies as well as a sharp rise in job-losses ever since the developed economies have slowed down (Pyper & Daniel, 2013). This research paper documents the increasing popularity of zero-hour contracts, evaluates their role in ensuring efficient and flexible labor markets and discusses implications for equity.

The Concept of Zero Hour Contracts

Zero-hour contract is an employment contract whereby the employer is not obliged to pay a guaranteed minimum wage to the worker nor offer any minimum guaranteed number of work hours (International Labour Organisation, 1997). However, zero-hour contracts are now being used as catch-all phrase for an umbrella of no-guaranteed working hour formats. While in a zero hour contract, the employer is directed to pay the employees a

* Assistant Professor, Department of Economics, Dyal Singh Evening College, University of Delhi, Lodhi Road, New Delhi.