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# Coercive moral hazard

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**Abstract**

Trauma induced in the workplace may arise from bullying, racism, job insecurity or poor personal boundaries. Workers often conflate workplace trauma with the development of PTSD. Workers have reported long-term impacts on their careers, such as for example altering the form of their career decisions, how they observe and perceive workplace safety, and how they interact with managers. The objective of this chapter is to investigate critically how workplace trauma through the pressures of moral hazard might affect the employment tenure of a fit and proper person. The term "moral hazard" originally carried negative connotations, suggesting fraud or some immoral behavior, but when studied by economists during the 1960s, they ignored the research inputs of fraud and immoral behavior. Economists now use the term "moral hazard" to describe inefficiencies occurring when risks are either displaced or not fully evaluated. The expression 'fit and proper' person, on its own, has no precise meaning. 'Fit and proper' persons follow from an assessment of a person's personal qualities and conduct while discharging professional responsibilities, with the central characteristics being knowledge, honesty and ability: "honesty to execute truly without malice, affection or partiality; knowledge to know what one ought duly to do; and the ability to execute one's office diligently." The research question arises as to how a fit and proper person's capacity to execute truly without malice, affection or partiality, and maintain the ability to execute his or her office diligently, might be adversely affected in an employment environment of moral hazard. Argument seeks to sustain the view that moral hazard in the workplace is the deliberate and capricious exploitation by an employer, exercising a perceived disciplinary power abusively, ultra vires the contract of employment,

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placing the fit and proper person in a non-impartial position to execute his or her professional tasks faithfully and diligently. The research methodology is qualitative research, with the critical literature review allowing the identification of research gaps, research questions, and finally, interview questions, whose responses are duly analyzed through a narrative analysis. The research outcomes are that when principals misrepresent the terms of the employment contract, they will likely exploit their agents towards the end of the agent's employment, as employers typically had feared agent resignation in the early stages of the agreement. A fit and proper employee could be forced to remain in a state of moral hazard until the unfair employer released him or her from the contract of employment, this force based in duties arising from judicial policies of employee subordination. These are exemplified in coercive duties to endure employer disciplinary powers. An employed fit and proper person can, in theory, be in an ever-increasing state of moral hazard . © 2023 by Nova Science Publishers, Inc. All rights reserved.

### Author keywords

Disciplinary power; Fraud; Immoral behavior; Inefficiencies; Moral hazard ; Ultra vires coercion; Workplace trauma

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