Joe Dayton’s Job Market Odyssey

Joe Dayton graduated in May from the University of Dayton with a degree in finance. He had an active social life and enjoyed his five years at UD. Unfortunately, his grades suffered and he had a difficult job search. His best offer was with a mortgage company in Kansas City for $38,000 that had a job opening on August 1. His next best offer was from a local collection agency, My Money, in Dayton for $34,000 at which he could begin work immediately upon graduation. Given the higher salary and the opportunities for advancement, Joe decided to accept the offer with Ace Mortgage in Kansas City. All offers were for at-will employment.

After graduation in May, Joe moved to Kansas City and rented an apartment for $900 a month that was only a few miles from where he expected to begin his employment with Ace Mortgage on August 1st. His moving costs from Dayton to Kansas City totaled $2,000, which were prepaid by Ace Mortgage.

On July 1st Joe received a letter from Ace Mortgage notifying him that the previous offer of employment was rescinded. Given the recent changes in the Kansas City mortgage market, there was no longer a need to fill current vacancies. Ace claims that it made Joe an honest job offer. However, it did not foresee the subsequent credit crisis and the consequent decline in home loans.

Upon learning that he no longer had the job with Ace Mortgage, Joe immediately called My Money to see if their job offer was still open. Given recent changes regulations governing debt collection practices, the collection industry was suffering. My Money was no longer interested in hiring Joe. With no current job prospects, Joe plans on returning to Dayton where he can be close to the UD job placement office and his friends in the UD Ghetto. While searching for a finance position, he will support himself by working part-time as a bartender.

Your Essay

The links to the two cases in this section point to court decisions that arrive at conflicting views as to whether a promise of employment is an enforceable promise when all that was offered was at-will employment. Given at-will employment, an employer can terminate an employee for any non-statutorily proscribed reason. Moreover, the employer is under no obligation to provide a reason for the termination. It would seem that an at-will employee could be hired one day and fired the next. Suppose, however, as in the cases of Grouse and Leonardi that an offer of employment, the one in this case, is made but withdrawn before ever reporting to work.
You might consider any of the following questions in your essay.

1. Given a breach of contract, we assume that perfect expectation damages are optimal. Given promissory estoppel, courts have typically limited damages to reliance damages. What are the economic reasons for limiting damages given a breach of promise?

2. Should damages be awarded for promissory estoppel in this case? Is there an economic justification for awarding damages? Will the job market function more or less efficiently if the promise is enforceable? (You might consider how damages or the absence of damages might affect labor market behaviors.)

3. If the promise is enforceable, what is the optimal amount of reliance damages in the case of Joe Dayton? What role should “employment at will” play in limiting reliance damages?

   The potential damage elements in the case of Joe Dayton might include some of the following:
   - Moving expenses from Kansas City
   - Apartment expenses
   - The loss of salary at Ace Mortgage
   - The loss of salary at My Money
   - The salary differential between Ace Mortgage and My Money
   - The salary differential between Ace Mortgage and part-time employment
   - The cost of a job market search

4. You may also examine whether these decisions have any real impact on labor market behaviors? For example, if firms can take independent actions that either enhance or reduce the reliance of potential hires, then the particular damage rule might be irrelevant.

5. You might want to discuss how damages would differ if these offers consisted of one-year labor contracts. How would this affect damages? It might be assumed that with a typical contract employment may only be terminated for some employment related cause. If the employment contract is breached, the employer would only be responsible for expectation damages. If the employee could immediately find alternative employment at the same wage, expectation damages may be limited to the cost of the job search.