

## INDIA: EMPLOYEE LOCK-IN RESTRICTIONS

### **Are Employee Lock-in restrictions enforceable in India?**

#### What are they?

Lock-in restrictions are restrictions in an employment contract that prevent the employee from leaving that employment for a stated length of time.

#### When are they used?

They are most often used when the employer wants to protect a significant investment they are making in that employee, for instance through training or supporting their business development activities or relocation costs.

#### Questions over enforceability

In a recent case before the Delhi High Court, 3 employees who had breached their 3-year lock in terms, claimed that the lock in restrictions were unenforceable as they violated their fundamental rights under the Indian Constitution.

The Court disagreed because:

- Lock in restrictions do not operate after the employment so they do not restrict the employee's fundamental right to employment or to carry on a trade post-employment;
- Provided they are reasonable, they amount to a valid protection of the employer's employment interests;
- The employees had voluntarily agreed to them in the employment contracts.

The court accepted that there might be lock in restrictions that were unenforceable on grounds of unreasonableness, but it did not give any guidance on what might be unreasonable. In this case, the 3-year lock in from the start of the employment, did not come close to being unreasonable.

#### In summary

Lock in restrictions are enforceable provided they are reasonable in the specific circumstances of that employment. Care should be taken when imposing them, not to seek unreasonable and unnecessary protection.