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Checking job-hop: IT cos insist on service agreements

Freshers asked to pay deposit or sign a bond



Shamik Paul

Advertisement

Bangalore, June 27
For freshers, a new job is no

longer a hop, skip and jump away.

The IT biggies, in a bid to reduce attrition, now insist on service agreement and say it has helped to retain talent. The freshers who have to pay a deposit or sign a bond, and are less prone to switch jobs, said the companies which *Business Line* spoke to.

Infosys Technologies Ltd asks freshers to sign a bond to stay for a minimum period of one year after completion of training. It is done to ensure that the enterprise is able to justify the investment in training, said Mr Mohandas Pai, Member of the Board, Infosys. The big challenge is that freshers are not readily employable and need extensive training. The residential training alone costs the company Rs 2.5 lakh a person, he added.

Freshers tend to change jobs because they are vulnerable. They are easily influenced by what their friends do and peer comparison often prompts them to leave. Also, they have the ability to take risks and adapt to different jobs, said Mr Joseph John, Vice-President, Human Resources, India & Middle East IT Businesses, Wipro Ltd.

Wipro asks for a deposit of Rs 75,000 from a fresher. Mr John said since they have paid the money, it curbs their temptation to move. And once freshers have a long-term experience with the company, they develop a bond. The money is returned after 15 months, he said.

Wipro has structured the deposit process through a bank. The employee has to deposit the money at the bank. The company also helps them get a loan from the bank if needed. If the employee quits, the company gets the money from the bank.

[Attrition at Satyam](#)

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For Satyam Computer Services Ltd, the deposit is much higher. The company asks for a deposit of Rs 2 lakh and it is kept for two years. This has helped reduce attrition, said Mr Rajan Kanagasabai, Head-HR, Sourcing, Satyam.

Satyam's attrition has gone down to 13.09 per cent in the quarter ended March 2008 from 15.70 per cent in the year-ago period.

Mr Kanagasabai said if an employee takes a loan, he has to pay an interest. However, the principal amount is deposited in a bank by the company, and at the end of the second year the principal and the interest is returned to the employee.

Asking for a deposit has been very effective to retain talent. "This trend would pick up very fast and it is very likely that the other major IT companies would adopt it," said Mr Rishi Das, Director, CareerNet Consulting, a recruitment agency.

Mr Pai said the process of asking for deposits would work in some cases. "We need to remember that all the freshers who are hired need extensive training. The investment into training is very high and therefore there should be an obligation for the fresher to stay for a particular period," he added.

The legal aspect

Mr Vikram Shroff, head of Employment Law at Nishith Desai Associates, said, "Service agreements are enforceable as long as they do not 'bond' an employee or restrict his ability to work in other organisations post termination of employment."

"Agreements that require the employee to only reimburse training expenses if he resigns within a stipulated period, should be enforceable, subject to the provisions of the Indian Contract Act, 1872," he said.

"Having said that, the employer may be required to justify to the court inter alia the period and the amount being claimed from the employees, which amount should be based on the actual expenses incurred by the employer in training the employees," Mr Shroff added.

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