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NEW PRC EMPLOYMENT CONTRACT LAW

On June 29, 2007, after more than two years of drafting/deliberation and an unprecedented amount of public comment, the Standing Committee of the National People's Congress (the national legislative of PRC) issued the PRC Employment Contract Law (the ECL).

The ECL has been a source of considerable controversy and attention because of its effect on all employment relationships in the PRC and the increased protection it aims to provide employees.

Goals of the PRC Employment Contract Law

The ECL incorporates many new legal provisions, reiterates many of the basic requirements of the old PRC Labor Law and adopts many provisions from various local employment regulations.

The ECL generally promotes the following three main goals, as set forth below, which provide the rationale for many of its new provisions:

- Favor long-term employment relationships by building in biases against shorter-term employment contracts.
- Increase the presence and involvement of trade unions in the workplace by requiring employers to consult with the trade union regarding a broader spectrum of issues.

- Increase the power of the individual employee vis-à-vis the employer by granting employees greater rights.

Effective Date of the Employment Contract Law

The ECL becomes effective on January 1, 2008. Employers in the PRC should examine their existing employment contracts, handbooks, policies and practices to ensure compliance with the ECL.

Key Changes of the Employment Contract Law

The employer in China must formulate rules and regulations that govern the workplace and adhere to certain requirements. Some changes in the new PRC Employment Contract Law are in the following areas:

- Trade Union presence
- Disclosure of information during recruitment
- Hiring guidelines for new employees
- Obligation of open-term contracts
- Probationary period
- Training expenses
- Liquidated damages
- Basis for termination without prior notice
- Justification of a mass layoff
- Protected categories of employees
- Severance pay obligations and termination clauses
- Part-time and seconded employee obligations

To learn more about the important changes contained in the Law and the implementation of the regulations relating to the Law, please contact:

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