SPC Guiding Case No. 183: Fang Yue v. Sino-US United MetLife Life Insurance Co., Ltd. (Labor Contract Dispute)

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

Discussed and adopted by the Judicial Committee of the Supreme People's Court; issued on July 4, 2022.

Keywords

Civil / labor contract / resignation / year-end bonus

Holding

Where a worker who resigns before the year-end bonus is paid claims that the employer should pay the year-end bonus, the people's court shall take into comprehensive consideration factors such as the reason for the worker's resignation, the time of resignation, work performance, and the degree of contribution to the employer. Where the employer's rules and regulations provide that a worker who resigns before the year-end bonus is paid shall not be entitled to the year-end bonus, but the termination of the labor contract was not caused by the worker's unilateral fault or voluntary resignation, the worker has completed the annual work tasks, and the employer cannot prove that the worker's work performance and conduct fail to meet the standards for the year-end bonus, the people's court shall support the claim of a worker who resigns before the year-end bonus is paid that the employer pay the year-end bonus.

Basic Facts

Fang Yue began working at Sino-US United MetLife Life Insurance Co., Ltd. ("MetLife Company") in January 2011, and the parties' final labor contract ran from July 1, 2015 to June 30, 2017, under which Fang Yue served as senior manager of the Strategy Department. In October 2017, MetLife Company adjusted its organizational structure and decided to abolish the Strategy Department, as a result of which the position held by Fang Yue was eliminated. The parties conducted negotiations for nearly two months over matters such as changes to the labor contract, without reaching agreement. On December 29, MetLife Company issued Fang Yue a "Notice of Termination of Labor Contract" on the grounds that objective circumstances had undergone a major change and the parties had failed to reach agreement on changes to the labor contract through negotiation. Fang Yue refused to accept the termination decision and, after labor arbitration proceedings, brought a lawsuit requesting restoration of the labor relationship with MetLife Company and claiming the difference in double wages for failing to sign a labor contract during the period from August to December 2017, the 2017 annual bonus, and other items. MetLife Company's Employee Handbook provided that year-end bonuses would be calculated and paid according to company policy based on company performance and employee performance, on the premise that the employee had joined the company before October 1 of the current year, and that an employee who resigned in or before the month in which the bonus was paid would not be entitled to it. According to the investigation, MetLife Company paid the year-end bonus for each year around March of the following year.

Judgment

On October 29, 2018, the Huangpu District People's Court of Shanghai rendered Civil Judgment (2018) Hu 0101 Min Chu No. 10726: (1) MetLife Company shall, within seven days from the effective date of the judgment, pay Plaintiff Fang Yue the difference in double wages for failing to sign a labor contract during the period from August to December 2017, totaling RMB 192,500; (2) the remaining litigation claims of Fang Yue were not supported. Fang Yue refused to accept the judgment and appealed to the Shanghai Second Intermediate People's Court. On March 4, 2019, the Shanghai Second Intermediate People's Court rendered Civil Judgment (2018) Hu 02 Min Zhong No. 11292: (1) the first item of Civil Judgment (2018) Hu 0101 Min

Chu No. 10726 of the Huangpu District People's Court of Shanghai was affirmed; (2) the second item of that judgment was revoked; (3) MetLife Company shall, within seven days from the effective date of the judgment, pay Appellant Fang Yue the 2017 year-end bonus of RMB 138,600 before tax; (4) the remaining claims of Fang Yue were not supported.

Reasoning

The effective judgment of the court held: The focus of the dispute in this case was whether the worker could obtain the corresponding year-end bonus when the employer terminated the labor contract on the basis of a major change in objective circumstances, causing the worker to fail to meet the conditions for the year-end bonus prescribed in the Employee Handbook. In this regard, the first-instance court held that MetLife Company's Employee Handbook expressly prescribed the circumstances for bonus payment, and that because Fang Yue had already resigned before MetLife Company paid the 2017 annual bonus, she did not meet the circumstances for bonus payment, and therefore her claim for the 2017 annual bonus was not supported. After trial, the second-instance court held that current laws and regulations do not mandatorily prescribe how the year-end bonus should be paid; an employer has the right, based on its own operating conditions and employees' performance, to autonomously determine whether, under what conditions, and according to what standards a bonus is paid. However, the payment rules formulated by the employer must still follow the principle of fairness and reasonableness. As to whether a worker who has resigned before the year-end bonus is paid may obtain the year-end bonus, comprehensive consideration should be given to factors such as the reason for the worker's resignation, the time of resignation, work performance, and the degree of contribution to the employer. In this case, MetLife Company adjusted its organizational structure, and the parties failed to reach agreement on changes to the labor contract, resulting in termination of the labor contract. Fang Yue worked at MetLife Company until December 29, 2017, and the following two days were weekends, indicating that Fang Yue had worked at MetLife Company for a full year in 2017. In the absence of evidence adduced by MetLife Company that Fang Yue's 2017 work performance and conduct failed to meet the requirements, it can be found that Fang Yue performed a full year's work for MetLife Company in that year and performed her duties normally, making due contributions to MetLife Company. Based on the above reasons, MetLife Company's claim that Fang Yue had resigned before the month in which the year-end bonus was paid and therefore could not enjoy the bonus lacked reasonableness. Accordingly, Fang Yue's claim that MetLife Company pay the 2017 year-end bonus should be supported.

Relevant Legal Provisions

Article 40 of the Labor Contract Law of the People's Republic of China.

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