

PANORAMIC

LABOUR & EMPLOYMENT

China

 LEXOLOGY

Contents

Labour & Employment

LEGISLATION AND AGENCIES

- Primary and secondary legislation
- Protected employee categories
- Enforcement agencies

WORKER REPRESENTATION

- Legal basis
- Powers of representatives

BACKGROUND INFORMATION ON APPLICANTS

- Background checks
- Medical examinations
- Drug and alcohol testing

HIRING OF EMPLOYEES

- Preference and discrimination
- Written contracts
- Fixed-term contracts
- Probationary period
- Classification as contractor or employee
- Temporary agency staffing

FOREIGN WORKERS

- Visas
- Spouses
- General rules
- Resident labour market test

TERMS OF EMPLOYMENT

- Working hours
- Overtime pay – entitlement and calculation
- Overtime pay – contractual waiver
- Vacation and holidays
- Sick leave and sick pay
- Leave of absence
- Mandatory employee benefits
- Part-time and fixed-term employees
- Public disclosures

POST-EMPLOYMENT RESTRICTIVE COVENANTS

Validity and enforceability
Post-employment payments

LIABILITY FOR ACTS OF EMPLOYEES

Extent of liability

TAXATION OF EMPLOYEES

Applicable taxes

EMPLOYEE-CREATED IP AND CONFIDENTIAL BUSINESS INFORMATION

Ownership rights
Trade secrets and confidential information

DATA PROTECTION

Rules and employer obligations
Privacy notices
Employee data privacy rights

BUSINESS TRANSFERS

Employee protections

TERMINATION OF EMPLOYMENT

Grounds for termination
Notice requirements
Dismissal without notice
Severance pay
Procedure
Employee protections
Mass terminations and collective dismissals
Class and collective actions
Mandatory retirement age

DISPUTE RESOLUTION

Arbitration
Employee waiver of rights
Limitation period

UPDATE AND TRENDS

Key developments and emerging trends

Contributors

China

Morgan Lewis & Bockius LLP

Morgan Lewis

K Lesli Ligorner

lesli.ligorner@morganlewis.com

Yuting Zhu

yuting.zhu@morganlewis.com

LEGISLATION AND AGENCIES

Primary and secondary legislation

What are the main statutes and regulations relating to employment?

The main statutes and regulations relating to labour and employment at the national level are:

- the [Company Law](#) (1 July 1994, as amended on 29 December 2023 and with effect from 1 July 2024);
- [Amendment \(XII\) to the Criminal Law](#) (1 March 2024);
- the [Measures for the Standard Contract for the Outbound Transfer of Personal Information](#) (1 June 2023);
- the [Law on the Protection of Women's Rights and Interests](#) (3 April 1992, as amended on 28 August 2005, 26 October 2018 and 30 October 2022) (the Women's Protection Law);
- the [Measures for Security Assessment for Cross-Border Data Transfers](#) (1 September 2022);
- the [Personal Information Protection Law](#) (1 November 2021);
- the [Data Security Law](#) (1 September 2021);
- the Interpretation (I) of the Supreme People's Court on Issues on the Application of Law in the Trial of Labour Dispute Cases (1 January 2021);
- the [Civil Code](#) (1 January 2021);
- the [Notice on Further Regulating Recruitment and Promoting Women's Employment](#) (18 February 2019);
- the [Cybersecurity Law](#) (1 June 2017);
- the [Joint Implementation Pilot Scheme of Maternity Insurance and Medical Insurance](#) (19 January 2017);
- the [Measures Announcing Significant Violations of Labour and Social Security Laws](#) (1 January 2017);
- the [Interim Provisions on Labour Dispatch](#) (1 March 2014);
- the [Regulations on Exit-Entry Administration for Foreign Nationals](#) (1 September 2013);
- the Interpretation of the Supreme People's Court on Several Issues on the Criminal Cases of Refusing to Pay Labour Remunerations (23 January 2013);
- the [Special Rules for Labour Protection of Female Employees](#) (28 April 2012);
- the [Social Insurance Law](#) (1 July 2011);
- the [Implementing Regulations for the Labour Contract Law](#) (18 September 2008);
- the [Labour Disputes Mediation and Arbitration Law](#) (1 May 2008);
- the [Regulations on Paid Annual Leave of Employees](#) (1 January 2008);
- the [Labour Contract Law](#) (1 January 2008, as amended on 1 July 2013);

- the [Employment Promotion Law](#) (1 January 2008, as amended on 24 April 2015);
- the [Labour and Social Security Supervision Regulations](#) (1 December 2004);
- the [Collective Contract Regulations](#) (1 May 2004);
- the [Regulations on Minimum Wages](#) (1 March 2004);
- the [Regulations on Work-Related Injury Insurances](#) (1 January 2004, as amended on 1 January 2011);
- the [Occupational Disease Prevention Law](#) (1 May 2002, as last amended on 29 December 2018);
- the [Interim Regulations on Collection and Payment of Social Insurance](#) (22 January 1999, as amended on 24 March 2019);
- the [Administrative Provisions on Employment of Foreigners in China](#) (1 May 1996, as amended on 13 March 2017);
- the [Regulations on Labour Working Hours](#) (1 May 1995);
- the [Regulations on Medical Care Period for Enterprises' Employees for Illness or Non-Work-Related Injury](#) (1 January 1995);
- the [Labour Law](#) (1 January 1995, as amended on 27 August 2009);
- the [Interim Rules on Salary Payment](#) (1 January 1995);
- the [Trade Union Law](#) (3 April 1992, as amended on 27 October 2001 and 27 August 2009);
- the [Individual Income Tax Law](#) (10 September 1980, as amended on 1 January 2019); and
- the Measures of the State Council on Gradually Raising the Statutory Retirement Age (1 January 2025).

The Labour Law is the fundamental statute governing labour and employment matters. There has been no substantial amendment since it was first enacted in 1995. The other significant piece of legislation governing employment relationships is the Labour Contract Law, which came into effect on 1 January 2008.

The implementing regulations for the Labour Law were introduced in 2008. Many of the provisions in the Labour Law are restated or supplemented in the Labour Contract Law and its implementing regulations to make them easy to implement and reduce ambiguities. These two laws set out the basic principles for employment relationships in China, but their implementation and enforcement rely on various regulations or rulings by the governmental agencies in charge of labour matters at the national, provincial and local levels. Given that these regulations are not always clearly expressed or consistent with one another, the relevant governmental agencies in charge of labour administration usually have broad discretion to interpret the regulations in practice. In addition to national legislation, governments at provincial and municipal levels are authorised to make rules to regulate labour and employment matters according to the local situation. This local legislation constitutes an integral part of Chinese labour and employment law. Finally, judicial interpretations of national laws by the Supreme People's Court provide practical guidelines to local courts in trying labour or employment cases.

Law stated - 11 February 2025

Protected employee categories

Is there any law prohibiting discrimination or harassment in employment?

If so, what categories are regulated under the law?

Discrimination and sexual harassment are generally prohibited by law, and an affected employee may file a lawsuit to ask for damages if an employer violates these principles in the relevant legislation. The non-discrimination laws – which include the Women's Protection Law, the Law on Protection of Disabled Persons, the Employment Promotion Law and the Employment Service and Employment Management Regulations – require employers to offer equal employment opportunities, terms and conditions to applicants and employees regardless of their gender, ethnicity, race, physical condition (eg, disability, infectious disease carrier), residency status or religious belief. The Trade Union Law also provides that blue- and white-collar workers whose main source of livelihood is their wages are entitled to take part in and organise a trade union regardless of ethnicity, race, gender, occupation, religious belief or level of education. Also, the Employment Service and Employment Management Regulations prohibit employers from incorporating any discriminatory content in their recruitment materials.

On 1 January 2023, the most recent amendments to the Women's Protection Law took effect, the most significant areas of which address equality for female employees, the prevention of sexual harassment and the handling of sexual harassment complaints in the workplace. These new provisions have the force of law, as opposed to prior notices and regulations, which had less value.

The Women's Protection Law prohibits sexual harassment against women. Victims are entitled to file complaints with competent governmental agencies and to bring civil suits against the harassers. The amendments clarify as a matter of national law that sexual harassment can take multiple forms, whether spoken, in writing or through physical acts. The amendments place affirmative obligations on employers to prevent sexual harassment in the workplace and to investigate complaints of sexual harassment. These provisions complement article 1010 of the Civil Code, which also stipulates that employers are obliged to prevent and stop sexual harassment in the workplace and defines sexual harassment in a similar manner. Local, older regulations provide further guidelines on the definition of 'sexual harassment' as well as the duties of employers to address sexual harassment complaints and prohibit retaliation against the complainant. In the event of a violation of the prohibition on sexual harassment in the workplace, the employer or the relevant authorities are directed to impose disciplinary action on the entity's responsible person, as well as the other directly liable individuals.

The Women's Protection Law further prohibits employers from discriminating against female applicants in recruitment and against female employees or contractors with respect to pay and benefits, emphasising that 'equal pay for equal work shall be applied to men and women alike'. With respect to recruitment, the Women's Protection Law confirms that employers are prohibited from:

- advertising that job opportunities are not available to women;
- refusing to employ a woman based on her gender;
- enquiring about a woman's marital or parental status or plans; and
- including a pregnancy test in a health check.

Further, the amendments include specific financial penalties for violating the prohibition on discrimination in recruitment and equal pay provisions.

Moreover, the Women's Protection Law repeats and emphasises other rights for female employees, such as protections against termination (including contract expiry) while they are pregnant, on maternity leave or in the nursing period (which is the one-year period from childbirth to the child's first birthday), and against reductions in wages and benefits as a result of, for example, marriage, childbirth or nursing leave. The Women's Protection Law also requires that employers routinely arrange specific medical examinations for their female employees, including for gynaecological and breast diseases, and other sex-related or sex-specific conditions.

Finally, the Measures of the State Council on Gradually Raising the Statutory Retirement Age stress the protection of benefits for workers who have exceeded the statutory retirement age and the Chinese government's efforts to reduce the instances of discrimination based on age and to encourage the employment of older workers.

Law stated - 11 February 2025

Enforcement agencies

What are the primary government agencies or other entities responsible for the enforcement of employment statutes and regulations?

The primary government agency in charge of labour law enforcement is the Ministry of Human Resources and Social Security, including its counterparts at the provincial, municipal and district levels. These government agencies are authorised to order non-compliant employers to take corrective measures or impose administrative penalties on employers under certain circumstances. However, in practice, enforcement often relies on the local labour arbitration commission or courts when a party files a lawsuit.

Law stated - 11 February 2025

WORKER REPRESENTATION

Legal basis

Is there any legislation mandating or allowing the establishment of employees' representatives in the workplace?

According to the Trade Union Law, employees may establish trade unions voluntarily and employers are prohibited from restricting this right. Provincial and municipal governments have also promulgated local regulations to implement the principles set out in the Trade Union Law. China has only one overall trade union, the All-China Federation of Trade Unions, under which many provincial, municipal and local branches and divisions are established.

An employer that is unionised is required to contribute a minimum percentage of gross salaries to the trade union on a monthly basis. A portion of the dues is provided to the trade union set up within the employing entity and the remainder is paid to the external, higher-level unions. The Trade Union Law is not clear as to whether or when an employer is required to

establish a trade union, but if there are at least 25 trade union members in the company, the company is mandated to set up a trade union committee within the company.

Law stated - 11 February 2025

Powers of representatives

What are their powers?

According to the Trade Union Law, the basic goal of a trade union is to safeguard the legitimate rights and interests of employees. The Trade Union Law and the Labour Contract Law give a trade union the following powers:

- to request that an employer rectifies its violations of regulations relating to the employees' representative congress system and other democratic management systems;
- to assist and provide guidance to employees when executing employment contracts with the employer;
- to represent employees as they conclude a collective bargaining agreement with their employer;
- to require that an employer bear liability under the law when an employer violates a collective bargaining agreement (a trade union also has the right to file for arbitration if the labour dispute cannot be resolved through friendly negotiations, and a trade union may presumably file a lawsuit if filing for arbitration is rejected or if the trade union is not satisfied with the arbitral award);
- to raise objections to improper disciplinary actions imposed by an employer;
- to be consulted before an employer unilaterally terminates an employee (if the trade union's opinion favours the employee, the employer must take the trade union's opinion and report into consideration in its final decision);
- to investigate an employer's violation of an employee's legitimate rights (the employer must assist in the investigation);
- to provide support and assistance according to the law when an employee applies for arbitration or files a lawsuit;
- to negotiate with an employer as it drafts company policies relating to employee benefits, such as salary, working hours, annual leave, work safety, social insurance, benefits and training (a trade union also has the right to request that an employer revise improper company policies); and
- to express its opinion in the event of economic lay-offs (the employer must give 30 days of prior notice to the trade union and consider the opinions of the trade union in its formal lay-off plan).

Law stated - 11 February 2025

BACKGROUND INFORMATION ON APPLICANTS

Background checks

Are there any restrictions or prohibitions against background checks on applicants? Does it make a difference if an employer conducts its own checks or hires a third party?

In practice, employers may engage professional firms to conduct reasonable background checks on applicants, but these third parties should hold the proper qualifications and act within the boundaries of the applicable laws and regulations.

However, the disclosure of certain types of personal or sensitive information during a background check requires consent by the applicant, particularly concerning information relating to health status or other sensitive personal matters. The Cybersecurity Law (CSL) and the Personal Information Protection Law (PIPL) require any potential employer or background check service provider to provide explicit notice to the data subject on the types of information to be collected, and the method, purpose and scope of data collection and use. Further, the potential employer or background check service provider must obtain the consent of the data subject before collecting, using or sharing any personal information. The CSL and the PIPL also mandate that the potential employer or the background check service provider take technological or other actions to ensure the confidentiality and protection of the personal information collected from the applicant.

In addition, the Data Security Law and the PIPL require that a security assessment be conducted with respect to the export of important data by the operators of critical information infrastructure. Special administrative measures have been issued with respect to the security of the export of important data collected and generated within China by other data processors.

Law stated - 11 February 2025

Medical examinations

Are there any restrictions or prohibitions against requiring a medical examination as a condition of employment?

Generally, employers may require applicants to undergo a medical examination to determine whether their health conditions meet the requirements of the positions. In practice, employers may determine the particulars of an examination based on specific job duties and require applicants to submit their examination reports. Blanket requirements for medical examinations were common until 2008 when the government restricted the use of medical examinations to learn whether an applicant was a hepatitis B or other infectious disease carrier. Once the Employment Promotion Law came into effect on 1 January 2008, it became unlawful for an employer to require an applicant or employee to undergo a hepatitis B test, request a report of this test or enquire as to whether the applicant is a hepatitis B carrier. Except for special occupations approved and announced by the Ministry of Health, a medical examination may not include a hepatitis B test, unless requested by the applicant.

Current laws and regulations in China do not state whether an employer may refuse to hire an applicant who does not submit to a medical examination. In practice, this is analysed on a case-by-case basis.

Law stated - 11 February 2025

Drug and alcohol testing

Are there any restrictions or prohibitions against drug and alcohol testing of applicants?

There are no restrictions or prohibitions under the current laws and regulations in China regarding drug and alcohol testing from a job recruitment perspective. In practice, however, some employers may request applicants to undergo drug or alcohol abuse testing in consideration of specific job duties and requirements. This testing is not common among multinational employers.

Similarly, because the current laws and regulations in China do not indicate whether an employer may refuse to hire an applicant who does not submit to this type of test, this is analysed on a case-by-case basis.

Law stated - 11 February 2025

HIRING OF EMPLOYEES

Preference and discrimination

Are there any legal requirements to give preference in hiring to, or not to discriminate against, particular people or groups of people?

According to the Labour Law, the Employment Promotion Law and other labour rules and regulations, employers may not, during the recruitment process, discriminate against women, disabled persons, ethnic minorities, applicants who are carriers of infectious diseases, applicants who come from rural locations and hold rural household residency or secondees if dispatched to employers by a staffing firm.

Under Chinese labour and employment laws, if an employee is laid off for reasons such as a bankruptcy reorganisation, difficulties in production or business operations, adjustment of the enterprise's business methods or material changes in the economic conditions, the employee will have priority if the employer intends to recruit new staff within six months.

Law stated - 11 February 2025

Written contracts

Must there be a written employment contract? If yes, what essential terms are required to be evidenced in writing?

According to the Labour Contract Law, an employer should execute a written employment contract with an employee within one month of the employee commencing work, and both the employer and the employee should retain an original contract. If an employer fails to sign an employment contract within one month, for the period commencing from the first day of the second month and ending on the last day of the 12th month, it must pay twice the monthly salary of the employee for each month for which services were provided without a written employment agreement. The employment will be deemed open-ended if an employer fails to enter into a written employment agreement with an employee within one year of

the employee commencing work. Open-ended employment cannot be terminated unless otherwise explicitly authorised by law.

The essential terms of an employment contract are:

- the employer's name and address, and the name of its legal representative or chief person;
- the employee's name, address and identification number;
- the term of the employment contract, including the probationary period;
- the nature of the employee's job duties, work requirements and workplace;
- the employee's working hours, leave and holiday entitlements;
- the employee's remuneration;
- social insurance;
- labour protection, working conditions, and professional hazard prevention and protection; and
- other information as may be necessary for specific employment contracts.

As a result of the covid-19 pandemic and in recognition of the practical difficulty in having employees and employers execute hard-copy employment contracts, on 4 March 2020, the Ministry of Human Resources and Social Security issued the Letter of the General Office of the Ministry of Human Resources and Social Security on Issues Related to the Conclusion of Electronic Employment Contracts in response to the Request for Instructions on Electronic Employment Contract Management During the Covid-19 Period from the Beijing Labour Bureau. The letter stipulates that employers and employees may agree to sign employment contracts electronically. In addition to the employment-related laws and regulations, the execution of an electronic employment contract should follow the requirements under the Electronic Signature Law, including that:

- the electronic employment contract is executed using a reliable electronic signature and data message that can be identified as the written form by law; and
- the employer should ensure that the formation, transmission and preservation of the electronic employment contract are complete, accurate and not falsified.

Nonetheless, once conditions permitted hard-copy contracts to be executed, the best practice was for employers to re-execute the employment contracts in hard-copy form so that the parties could each retain an original, as required by the Labour Contract Law.

Law stated - 11 February 2025

Fixed-term contracts

To what extent are fixed-term employment contracts permissible?

There are three types of employment contracts under Chinese law, namely:

- fixed-term employment contracts;
- open-ended employment contracts; and

- employment contracts with a specified period to complete the prescribed work.

In practice, most initial employment contracts are fixed-term contracts. There is no maximum duration for these contracts. When concluding or renewing an employment contract with an employee under any of the following circumstances, an employer is generally obliged to enter into an open-ended employment contract unless the employee requests to conclude a fixed-term employment contract:

- the employee has worked under two consecutive fixed-term contracts and the employment relationship is to continue;
- the employee has worked for the employer for more than 10 consecutive years; or
- the employer has not signed any written employment contract with the employee for more than a year.

However, in practice, foreign employees (not including employees from Hong Kong, Macau or Taiwan) should not receive open-ended contracts because the maximum term of a work permit is five years and many local authorities will issue a work permit to a foreign employee only when the term of the employment contract is consistent with the term of the work permit.

Law stated - 11 February 2025

Probationary period

What is the maximum probationary period permitted by law?

The probationary period varies depending on the nature and term of the relevant employment agreement as stated in the table below.

Term of labour contract	Maximum term of probation
Less than 3 months or a contract with a term to expire upon completion of certain work	No probation allowed
3 months or more but less than 1 year	Up to 1 month
1 year or more but less than 3 years	Up to 2 months
3 years or more, or open - ended employment	Up to 6 months

Employers may impose only one probationary period throughout the term of employment. An extension of the probationary period beyond the maximum period stipulated by the Labour Contract Law is generally not allowed.

Law stated - 11 February 2025

Classification as contractor or employee

What are the primary factors that distinguish an independent contractor from an employee?

Generally, Chinese law does not recognise the concept of an independent contractor. In practice, labour arbitration tribunals or courts tend to recognise the establishment of an employment relationship if the following main conditions are satisfied:

- the employer and the individual are both legally qualified to enter into an employment relationship under the applicable laws and regulations;
- employment-related rules and policies of the employer apply to the individual and the individual works for remuneration under the management and supervision of the employer; and
- the work carried out by the individual is an integral part of the employer's business.

An individual is legally qualified to enter into an employment relationship if they are at least 16 years of age, are not older than the relevant retirement age and are not a matriculating student.

Law stated - 11 February 2025

Temporary agency staffing

Is there any legislation governing temporary staffing through recruitment agencies?

According to the Labour Contract Law and the Interim Provisions on Labour Dispatch, recruitment agencies shall apply for and obtain labour dispatch operation permits from competent human resources authorities to engage in staffing businesses. Employers should engage staffing firms with valid permits. Temporary staff will enter into fixed-term labour contracts for at least two years with qualified recruitment agencies and be dispatched to the employer. However, the roles of dispatched employees are limited to those of a temporary, auxiliary or substitutive nature.

There are some additional restrictions or requirements for an employer's use of staffing services. For instance, if a dispatched employee works for more than six consecutive months, this role will not qualify as temporary and, as a result, the arrangement arguably breaches the regulatory restrictions. Also, if an employer plans to engage dispatched employees to work in auxiliary positions, it should consult the trade union or employees and make an announcement to all employees before it may fill these positions with dispatched workers.

Further, the regulations require that the number of dispatched employees shall not, in any event, exceed 10 per cent of the total number of employees. This rule is designed to prevent any abuse by using dispatched employees to bypass legal obligations otherwise owed to non-dispatched employees. Dispatched employees, as a matter of law, are entitled to equal pay treatment as other employees in the same positions and discrimination is not permitted. Significantly, the Interim Provisions of Labour Dispatch have a general anti-abuse provision that prohibits employers from using staffing services in the name of outsourcing when the substance of the arrangement is labour dispatch. While there are no regulations

differentiating good-faith outsourcing from labour dispatch, the courts will examine the specific facts on a case-by-case basis.

Law stated - 11 February 2025

FOREIGN WORKERS

Visas

Are there any numerical limitations on short-term visas? Are visas available for employees transferring from one corporate entity in one jurisdiction to a related entity in another jurisdiction?

There is no numerical limitation on short-term visas. Visas are available for employees transferring from a corporate entity in a foreign jurisdiction to a related entity in China. A foreign applicant (not including applicants from Hong Kong, Macau or Taiwan) may apply for a work visa on the condition that the applicant meets all requirements and submits all documents to the governmental entities as required by the applicable regulations. Before a foreign applicant applies for a work visa, the prospective employer must first obtain an employment authorisation certificate from the governmental entities for the foreign applicant as part of the application process.

Law stated - 11 February 2025

Spouses

Are spouses of authorised workers entitled to work?

Spouses of authorised foreign workers are not allowed to work in China. Spouses of authorised foreign workers may only work in China if they obtain independent employment. After their prospective employer obtains an employment authorisation certificate from the relevant governmental authorities and subsequently obtains a work permit from the relevant governmental entities, spouses of authorised foreign workers are allowed to work.

Law stated - 11 February 2025

General rules

What are the rules for employing foreign workers and what are the sanctions for employing a foreign worker who does not have a right to work in the jurisdiction?

If a foreign national does not obtain the right of permanent residence but engages in work in China, the local entity in China that intends to employ the foreign national is required to sponsor and apply for a work permit for the foreign national. An employer may only employ a foreign national with valid work and residence permits issued by the relevant governmental entities.

An employer that hires a foreign national without a proper visa and work permit may be fined 10,000 yuan for each foreign national who is illegally employed, capped at 100,000 yuan, and

any income (if any) generated by illegally employed foreign nationals shall be confiscated. Further, a foreign national who works in China without a proper visa and work permit may be subject to a fine of between 5,000 and 20,000 yuan, and may additionally be detained for a period ranging from five to 15 days or deported from China, or both, depending on the seriousness of the violation. Foreign nationals who are deported from China will not be allowed to re-enter China for up to five years from the date of deportation.

The current rules, effective since 28 July 2018, no longer require residents of Hong Kong, Macau or Taiwan to obtain work permits. This category of non-mainland-Chinese passport holders may enter, work and reside in China without a work permit.

Law stated - 11 February 2025

Resident labour market test

Is a labour market test required as a precursor to a short or long-term visa?

No labour market test is required as a precursor to a short-term or long-term visa. It is a basic principle under Chinese law and regulations that an employer may recruit foreign nationals for positions with special requirements when no domestic applicants are available for those positions. However, a labour market test need not be conducted before the recruitment of foreign nationals.

Law stated - 11 February 2025

TERMS OF EMPLOYMENT

Working hours

Are there any restrictions or limitations on working hours and may an employee opt out of such restrictions or limitations?

The general principle is that the daily working hours should not exceed eight hours and the weekly working hours should not exceed 40 hours. If an employer cannot guarantee the foregoing working hours system for any particular reason, the employer may apply an alternative working hours system with the approval of the local government authorities in charge of labour administration. If the employer needs an employee to work overtime, the employer may consult the trade union and the employee, and the overtime working hours generally should not exceed one hour per day. If longer overtime working hours are needed, they may not exceed three hours per day and the monthly overtime working hours may not exceed 36 hours, given that the employee's health must be guaranteed. However, there are exceptions to the aforementioned limitations on overtime working hours, namely:

- natural disaster, accident or other events that endanger health, life and property, and require emergency handling;
- malfunctions of manufacturing equipment, traffic line or public facilities that influence operations and public interest, and require urgent repair; and
- other circumstances prescribed by laws and regulations.

Also, employees are entitled to at least one rest day every week. Generally, an employee may not opt out of the above restrictions or limitations unless they consent to work under a government-approved alternative working hours system.

Law stated - 11 February 2025

Overtime pay – entitlement and calculation

What categories of workers are entitled to overtime pay and how is it calculated?

An employee is entitled to overtime pay or benefits when working more than eight hours on a workday or 40 hours in a working week, or when working on a statutory holiday. Overtime pay is calculated as follows:

- overtime on a regular working day: one and a half times the regular salary;
- overtime on an off-work or rest day: twice the regular salary (if compensatory time off is not provided); and
- overtime on a statutory holiday: three times the regular salary.

An employee may receive compensatory time off for overtime work performed on an off-work or rest day at the rate of one hour off for each hour worked.

However, the above calculations do not apply to employees who work under an alternative working hours system. The calculation of overtime pay for employees who work under an alternative working hours system is subject to special rules.

Law stated - 11 February 2025

Overtime pay – contractual waiver

Can employees contractually waive the right to overtime pay?

No. An employer must pay an employee for overtime work. In practice, any waiver of the right to overtime pay or a similar agreement will most likely be deemed unenforceable.

Law stated - 11 February 2025

Vacation and holidays

Is there any legislation establishing the right to annual vacation and holidays?

According to the Regulations on Paid Annual Leave of Employees, employees of authorities, organisations, enterprises, public institutions, private non-enterprises or individual private businesses (with hired staff) who have continuously worked for more than one year will be entitled to paid annual leave. The statutory annual leave entitlement is allotted as follows:

- for employees who have worked a total of at least one year but less than 10 years in aggregate: five days;

- for employees who have worked a total of at least 10 years but less than 20 years in aggregate: 10 days; and
- for employees who have worked a total of at least 20 years in aggregate: 15 days.

Service is measured against all employers, not just the current employer. Statutory holidays, rest days and other leave stipulated by law, such as marriage leave, bereavement leave and maternity leave, are not calculated as annual leave.

An employee is not entitled to paid annual leave for the current year under any of the following circumstances:

- where an employee is legally entitled to a summer or winter holiday (or both) that is longer than their annual leave;
- where an employee takes at least 20 days of personal leave, and their salary is not deducted according to the regulations of the employer;
- where an employee who has worked a total of at least one year but less than 10 years in aggregate takes sick leave for more than two months;
- where an employee who has worked a total of at least 10 years but less than 20 years in aggregate takes sick leave for more than three months; or
- where an employee who has worked a total of at least 20 years in aggregate takes sick leave for more than four months.

Law stated - 11 February 2025

Sick leave and sick pay

Is there any legislation establishing the right to sick leave or sick pay?

Under the Regulations on Medical Care Period for Enterprises' Employees for Illness or Non-Work-Related Injury, employees who suffer from a non-work related illness or injury are entitled to between three and 24 months of medical leave, depending on the employees' total working years in aggregate and the time spent working for the current employer:

- for an employee who has worked a total of less than 10 years in aggregate, if they have worked for their current employer for:
 - less than five years: three months; or
 - more than five years: six months; and
- for an employee who has worked a total of more than 10 years in aggregate, if they have worked for their current employer for:
 - less than five years: six months;
 - more than five years but less than 10 years: nine months;
 - more than 10 years but less than 15 years: 12 months;
 - more than 15 years but less than 20 years: 18 months; or
 - more than 20 years: 24 months.

For certain employees who suffer from certain diseases (eg, cancer, mental illness or paralysis) and are unable to recover within 24 months, medical leave can be extended, subject to the approval of the employer and the local labour authority.

Employers should pay sick leave wages under the terms of the labour contracts entered into with employees. Sick leave pay will be no lower than 80 per cent of the local standard minimum salary, which varies depending on local regulations. For example, the minimum wage in Beijing has been 2,420 yuan per month since 1 September 2023, so the minimum amount of sick leave pay is 1,936 yuan per month. Subject to the minimum requirement for sick leave wages at the national level, authorities at the provincial or municipal level may implement a higher rate for sick leave pay to apply locally.

Law stated - 11 February 2025

Leave of absence

In what circumstances may an employee take a leave of absence? What is the maximum duration of such leave and does an employee receive pay during the leave?

Marriage leave

Marriage leave is a minimum of three days, subject to specific circumstances and approval of the employer. Marriage leave may be extended by local government regulations. For example, local rules in Beijing extend marriage leave for all employees by seven days.

Parental leave

On 25 November 2021 and 26 November 2021, the Shanghai and Beijing municipal governments, respectively, introduced this form of leave, which is new in China, presumably to encourage more couples to have more children. Parents in Shanghai and Beijing who have a child in accordance with the municipalities' Population and Family Planning Regulations are now entitled to five days of paid parental leave each year until the child reaches three years old.

On 1 December 2021, Guangdong Province issued similar regulations, but the entitlement for eligible parents is 10 days of paid parental leave each year. A number of other cities and provinces have issued similar local regulations.

Maternity leave

According to the Special Rules for Labour Protection of Female Employees, pregnant employees are generally given maternity leave of 98 days, including 15 days of antenatal leave. An extra 15 days of leave may be granted if the employee experiences a difficult childbirth. Employees who give birth to more than one baby in a single birth will be granted an extra term of maternity leave of 15 days for each additional baby. If an employee suffers an early termination after having been pregnant for less than four months, 15 days of leave will

be granted. If an employee has an early termination after the fourth month of the pregnancy, 42 days of maternity leave will be granted.

Local legislation may provide additional maternity leave according to the Population and Family Planning Law. For example, maternity leave was extended by 80 days in Shenzhen to 178 days. On 25 November 2021 in Shanghai and on 26 November 2021 in Beijing, maternity leave was extended by 60 days to 158 days.

Paternity leave

While there is no national entitlement to paternity leave, local legislation generally provides male employees with some paid paternity leave. In Beijing, for example, the entitlement is 15 days. In Shanghai, the entitlement is 10 days.

Elderly care leave

While there is no national entitlement to elderly care leave, some local regulations also provide elderly care leave, during which an employee who is an only child may be able to take care of their parents who are at least 60 years of age.

In Beijing, for example, the entitlement is 10 working days. The employee may be required to provide evidence showing that the parent requires care, such as a diagnosis or hospitalisation certificate from a medical institution or an ability assessment from the relevant authorities. On 1 December 2021, Guangdong Province issued similar regulations permitting up to 15 days of paid leave in the case of the hospitalisation of an elderly parent for an employee who is an only child.

A number of other cities and provinces have issued similar local regulations. In Shanghai, however, there is currently no similar leave.

Bereavement leave

Bereavement leave is generally one to three days, subject to specific circumstances and the approval of the employer. The applicable laws and regulations do not extend to multinational employers.

Law stated - 11 February 2025

Mandatory employee benefits

What employee benefits are prescribed by law?

Under national and local labour laws and regulations, employees are entitled to receive basic social benefits, including a pension, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and access to the housing fund. Also, employees have the right to enjoy statutory holidays, paid annual leave, marriage leave and maternity leave, among others. In some locations, such as Beijing and Shanghai, qualified employees are entitled to paternity leave and parental leave, the latter of which was introduced through local legislation in late November 2021.

Part-time and fixed-term employees

Are there any special rules relating to part-time or fixed-term employees?

The principal rules regulating part-time employment are set out in the Labour Contract Law. Generally, an employee working on a part-time basis for one employer may not work more than four hours per day on average or above 24 hours per week. The employer and the part-time employee may have a verbal contract.

A part-time employee may enter into a labour contract with more than one employer, given that the contract entered into during the term of an existing contract may not influence the performance of an existing contract. No probationary period may be stipulated in a part-time labour contract, and either party may terminate the employment at any time and without any notice. Also, the part-time employee is not entitled to any severance upon termination. The hourly salary may not be lower than the minimum hourly salary published by the local government in the municipality in which the employer is located and part-time employees must be paid no less than every 15 days.

The rules regulating fixed-term employment are set out in the Labour Contract Law and its implementing rules.

Law stated - 11 February 2025

Public disclosures

Must employers publish information on pay or other details about employees or the general workforce?

Employers are not required to publish information on pay or other details about employees or the general workforce. However, publicly traded companies (not including subsidiaries of multinational companies) are subject to certain disclosure requirements, including the names of senior management and information regarding their remuneration.

Law stated - 11 February 2025

POST-EMPLOYMENT RESTRICTIVE COVENANTS

Validity and enforceability

To what extent are post-termination covenants not to compete, solicit or deal valid and enforceable?

According to the Labour Contract Law, employees who may be subject to non-compete covenants are limited to an employer's senior management, senior technicians and other personnel with a confidentiality obligation. The scope, territory and term of these restrictions should be agreed upon between the employer and the employee, and the agreement may not violate laws and regulations. Any non-compete covenants lasting longer than two years after the termination of the employment contract are not enforceable. Employees bound

by non-compete obligations are entitled to monthly non-compete compensation payable by the employer during the non-compete period. Local legislation provides different standards regarding the amount of the non-compete compensation payable to an employee, but the amount of the compensation should be agreed to and documented in writing.

Clauses on the non-solicitation of either employees or company customers are not specifically addressed by the current employment-related laws and regulations. Therefore, their enforceability is unpredictable. While the common view is that no payment of additional consideration is required for the non-solicitation of employees, there is a risk that a Chinese arbitration commission or a court will deem the non-solicitation of company customers to be a form of non-compete obligation, which requires the payment of a financial consideration.

Law stated - 11 February 2025

Post-employment payments

Must an employer continue to pay the former employee while they are subject to post-employment restrictive covenants?

Reasonable compensation is a precondition to the enforceability of the competition restrictions. Generally, the compensation may not be less than 20 per cent of the employee's average salary in the 12-month period immediately preceding the termination of the employment contract. Local regulations often provide the minimum compensation payable for non-compete restrictions to be enforceable.

For instance, in Shenzhen, the compensation may not be lower than 50 per cent of the employee's average salary in the 12-month period immediately preceding the termination of the employment contract. In Jiangsu Province, the monthly non-compete compensation should be no less than one-third of an employee's average monthly salary in the 12-month period immediately preceding the termination of the labour contract. If the amount of the consideration for the post-termination non-compete obligation agreed by the employer and employee is lower than the minimum salary periodically announced by the local government, the employer must pay an amount no less than the government-mandated minimum.

In Shanghai and Beijing, for example, while there is no statutory minimum requirement, 20 per cent and 30 per cent of an employee's average monthly salary in the 12-month period immediately preceding the termination of the labour contract, respectively, are often considered the minimum amounts that should be paid.

If, for any reason caused by the employer, the monthly compensation is not paid to the employee for three months, the employee may file a claim to terminate the non-compete covenant and obtain the non-compete consideration for those three months.

There is no specific requirement regarding the compensation for non-solicitation covenants, given the lack of regulation around them.

Law stated - 11 February 2025

LIABILITY FOR ACTS OF EMPLOYEES

Extent of liability

In which circumstances may an employer be held liable for the acts or conduct of its employees?

It is a well-established legal principle that an employer will be held liable for damages caused by its employees in the course of the employees' performing employment duties. In addition, if sexual harassment takes place in the workplace in violation of the Law on the Protection of Women's Rights and Interests, the employer's responsible person, in addition to the other directly liable individuals, should be held liable. Further, under the amendments to the Anti-Unfair Competition Law of 1 January 2018, employers may be vicariously liable for an employee's violations of that Law, including commercial bribery.

Law stated - 11 February 2025

TAXATION OF EMPLOYEES

Applicable taxes

What employment-related taxes are prescribed by law?

Employees are subject to individual income tax on wages, salaries, bonuses and other employment-related income. As a withholding agent under Chinese tax law, an employer is liable for withholding the applicable taxes and paying the same to the competent tax authorities upon payment to its employees. In practice, an employer will file tax returns monthly on behalf of its employees, as the standard pay cycle is monthly.

Law stated - 11 February 2025

EMPLOYEE-CREATED IP AND CONFIDENTIAL BUSINESS INFORMATION

Ownership rights

Is there any legislation addressing the parties' rights with respect to employee inventions?

According to the Patent Law, as amended, an employee invention is an invention completed by an employee in the course of performing duties for the employer or completed by substantially using the material and technical conditions of the employer during the employment term or within one year of its termination. The employer will have the right to apply for a patent for an employee invention and shall become the patentee upon approval. The employer and the employee inventor are allowed to enter into an agreement concerning the ownership of the invention.

When the employer has been granted patent rights for an employee invention, it is required to reward the employee inventor and, when the patent is implemented, the employee inventor should be given reasonable remuneration according to the scope of implementation and the economic benefits subsequently received. Several Opinions on Strengthening the Protection of the Lawful Rights and Interests of Employee Inventors and Promoting the Implementation of Intellectual Property Rights, issued jointly on 26 November 2012 by the State Intellectual Property Office and other governmental agencies, provide specific rules that enhance the

economic compensation that the employer should pay the employee inventor in the absence of a written agreement regarding the reward and remuneration for a patent.

The Copyright Law, as amended, provides that a work created in the course of fulfilment of a work assignment by an employee belongs to that employee. The author of the work will be entitled to the copyright to the work and the employer will have priority in using the work within its scope of business. However, for the following works, the author will solely enjoy the right of authorship, and the employer will enjoy other rights of the copyright and may reward the author at its discretion:

- drawings of engineering designs, product designs, maps, computer software and other author works that are created mainly by using the materials and technical conditions of the employer, and for which the employer bears responsibility; or
- author works, the copyright of which belongs to the employer according to the law or contract requirement.

The Copyright Law, as amended, further provides that, for two years after the completion of the employee's work, without the employer's consent, the author may not allow a third party to use the work in the same way that their employer does. The Implementing Regulations of the Copyright Law, as amended, offer explanations as to the meaning of the terms 'work assignment' and 'materials and technical conditions'.

Law stated - 11 February 2025

Trade secrets and confidential information

Is there any legislation protecting trade secrets and other confidential business information?

According to the Labour Law, the Labour Contract Law and the Contract Law, employers and employees may agree upon the protection of trade secrets and other proprietary confidential information in labour contracts or by signing separate confidentiality and non-compete agreements. Employees in breach of confidentiality obligations shall be liable for compensation to employers for any loss caused. There could also be criminal liabilities under the Criminal Law, depending on the circumstances, which could result in serious consequences and up to seven years' imprisonment for a blatant violation.

The Anti-Unfair Competition Law, as amended, prohibits any and all unauthorised possession, disclosure, use or permitting others' use of trade secrets that violates any confidentiality or similar obligations. If a third party knows or should have known that an employee (or a former employee) of the owner of a trade secret, or any other entity or individual, has obtained any unauthorised trade secrets, the third party is also prohibited from obtaining, disclosing, using or permitting another party's use of that confidential information. The Anti-Unfair Competition Law, as amended, also requires regulatory bodies and their employees to keep trade secrets learned through their investigations confidential.

The Law on Promoting the Transformation of Scientific and Technological Achievements further provides for the protection of technical know-how and forbids any disclosure of, transfer of or competition based on the technical know-how by employees without employer authorisation.

DATA PROTECTION

Rules and employer obligations

Is there any legislation protecting employee privacy or personnel data? If so, what are an employer's obligations under the legislation?

The protection of employee data is a fast-evolving area of law. While a new data protection regime has applied for employers since 1 November 2021 through the coming into force of the Personal Information Protection Law (PIPL), there are still many questions that are unanswered and will remain so until the ambiguous terms and general understanding of how the legislation will be enforced are clarified.

Under the newly instituted personal data protection regime, which includes the Cybersecurity Law (CSL), the PIPL, the Measures for Security Assessment for Cross-Border Data Transfers and other related regulations, employers are required to obtain express consent from employees when collecting, using, processing, retaining and transferring their personal information outside of the employing entity and across international lines. Employers must also obtain separate and express consent to collect and process sensitive personal information. Further, employers should limit their collection of data to what is necessary for legitimate business purposes, although there is an exception to the need for express consent for the collection of personal data from employees for routine human resources management functions, which employers should define in their data protection policies.

The PIPL has greatly broadened the rights of employees with respect to their personal data by requiring employers to inform employees (and applicants, interns, etc) of how their personal data will be collected, the scope of what will be collected and why, how to access their personal data, where their personal data is stored and whom to contact if they have questions about that storage or processing, and that they can request that their personal data be transferred to a third party (express right of portability).

The Measures for Security Assessment for Cross-Border Data Transfers, which took effect on 1 September 2022, clarify under what circumstances a company must undergo a security assessment approved by the competent Chinese governmental authority before being able to legally export personal data, among other data, out of China.

The Measures for the Standard Contract for the Outbound Transfer of Personal Information, which took effect on 1 June 2023, provide the template for the cross-border data transfer agreement (commonly referred to as the standard contract clauses (SCC)). The SCC are recognised as one of the most practical routes for cross-border data transfers under the PIPL because the SCC are easier to implement, considering the uncertainty of a security assessment or of having both parties to the cross-border data transfer being certified by the Chinese government. That said, companies need to assess whether they qualify to implement the SCC, because not all companies will satisfy the requirements to implement the SCC in lieu of other requirements. Companies that are eligible to implement the SCC are required to file them with the Cybersecurity Administration of China (CAC).

The Provisions on Regulating and Promoting Cross-Border Data Flows, issued by the CAC on 22 March 2024, ease the rules regarding cross-border transfers by eliminating the need

to follow the cross-border data transfer requirements noted above if the subject data to be transferred falls into certain categories. The categories include, in relevant part, employees' personal data that is necessary for the purposes of human resource management and personal information necessary to protect the health and safety of individuals.

Law stated - 11 February 2025

Privacy notices

Do employers need to provide privacy notices or similar information notices to employees and candidates?

Under the personal data protection laws and regulations (ie, the CSL, the PIPL and other related regulations), employers are required to obtain express consent from employees when collecting, using, processing, retaining and transferring their personal information outside of the employing entity, which includes the cross-border transfer of personal data of employees and applicants. The PIPL provides that separate express consent is required for providing personal information to other data controllers, publicly disclosing personal information, processing sensitive personal information and transferring personal information out of China.

Law stated - 11 February 2025

Employee data privacy rights

What data privacy rights can employees exercise against employers?

Employers have the right to know the basic information of employees that is directly related to the employment contract, and employees are required to faithfully provide this information. No law or regulation provides a detailed definition of 'information related to the employment contract'. Employees may refuse to provide information that is not relevant to the employment contract, such as religious belief.

If an employer discloses its employees' personal data without authorisation or in violation of the law, it is an established civil law principle that a party that breaches another party's civil rights (including the right to privacy) may be liable for damages in respect of monetary losses and, where applicable, damages for mental distress. Therefore, the affected employees may file a civil lawsuit against the employer. The employer may also be subject to fines imposed by the competent authorities for the unauthorised or unlawful transfer of personal data, particularly if a complaint is received by an employee whose personal data was compromised in some way.

Law stated - 11 February 2025

BUSINESS TRANSFERS

Employee protections

Is there any legislation to protect employees in the event of a business transfer?

Yes, but indirectly, as terminations of employment are restricted to statutory grounds and there is no automatic transfer of employment from one entity to another entity. In the event of an asset acquisition in which the buyer wants any of the employees to transfer to its entity with business assets, the buyer will need to offer a new contract of employment and the impacted employees will need to consent to the termination of employment with the current employer (the seller) and sign a new contract of employment with the buyer. Under the Implementing Regulations for the Labour Contract Law, the buyer should recognise each employee's total years of service with the seller and no severance pay will be due to employees who transfer from the seller. If the buyer does not recognise the employee's service with the seller, the employee is entitled to statutory severance pay for the termination of employment with the seller.

If, as a result of the business transfer, the employer intends to lay off any of its employees, depending on whether the number of employees involved meets the statutory amount to trigger a mass lay-off, the employer may need to go through the statutory procedures as specified by the Labour Contract Law by giving prior notice to the affected employees, carrying out a consultation with the affected employees and reporting the prospective lay-offs to the local labour administrative authorities. If the employer intends to terminate contracts of employment with certain employees outside a formal statutorily prescribed lay-off, it must first negotiate with those employees. The employer is also obliged to pay severance payments in those cases.

In the case of an equity transfer, the employment contract will not be affected and will continue to be performed.

Law stated - 11 February 2025

TERMINATION OF EMPLOYMENT

Grounds for termination

May an employer dismiss an employee for any reason or must there be 'cause'? How is cause defined under the applicable statute or regulation?

An employer may dismiss an employee only for cause. However, an employer may dismiss an employee with 30 days of prior notice or one month's salary in lieu of notice in certain circumstances.

Law stated - 11 February 2025

Notice requirements

Must notice of termination be given prior to dismissal? May an employer provide pay in lieu of notice?

Under certain circumstances, prior notice or one month's salary in lieu of notice will be required.

An employer may dismiss an employee with 30 days of prior notice or one month's salary in lieu of notice if:

- after the completion of medical treatment for an illness or non-work-related injury, the employee is unable to perform their original job or any other work position arranged for them by the employer;
- the employee is incompetent in their job and fails to make any improvement after training or adjustment of their position; or
- material changes in the objective circumstances have made the employment contract no longer executable, and the employer and the employee cannot reach an agreement on a change to the employment contract.

The Labour Contract Law provides for circumstances where an employer may dismiss an employee without prior notice.

Law stated - 11 February 2025

Dismissal without notice

In which circumstances may an employer dismiss an employee without notice or payment in lieu of notice?

The Labour Contract Law provides that an employer may dismiss an employee without prior notice if the employee:

- fails to meet the conditions set out for the probationary period;
- severely violates the employer's internal rules and policies;
- is corrupt or neglectful in performing their duties, causing severe damage to the employer's interests;
- fraudulently induced the employer to employ them through means such as fraud, deception or coercion;
- is simultaneously employed by another employer, severely affecting the performance of their duties, or they refuse to rectify the situation after receiving the employer's request; or
- is convicted of a crime.

Law stated - 11 February 2025

Severance pay

Is there any legislation establishing the right to severance pay upon termination of employment? How is severance pay calculated?

According to the Labour Contract Law, an employer must make a severance payment upon termination of employment if:

- the employee terminates the labour contract owing to the employer's fault (eg, not paying the employee in full or in a timely manner);

- the employer does not renew the employee's fixed-term labour contract;
- the employer initiates the termination discussion, and the employer and employee reach a mutual agreement to terminate the labour contract;
- the employer terminates an employment contract with 30 days of notice or payment of one month's salary in lieu of notice;
- the employer carries out collective dismissals or a mass lay-off owing to the need to restructure the enterprise under the applicable laws and regulations;
- a fixed-term labour contract expires and the employee has refused to renew the employment contract on the lesser terms proposed by the employer (severance pay is not due if the employer proposes to renew the labour contract on the same or more favourable terms);
- the employer is declared bankrupt under the law, has its business licence revoked, is subject to a lawful order to shut down, is closed down or decides to go into liquidation; or
- any other circumstances prescribed by law and administrative regulations.

The aggregate amount of severance payment is calculated primarily based on the employee's monthly salary for each completed year of service with the employer. A period longer than six months but shorter than one year will be rounded up to a full year of service and a period shorter than six months gives rise to an entitlement to half a month's salary.

In calculating the severance payment, the monthly salary used is the employee's average monthly salary in the 12-month period immediately preceding the termination. If the monthly salary of an employee is higher than three times the average monthly salary for the relevant year as announced by the government at the municipal level directly under the central government or at the district level where the employer is situated, the monthly salary used to calculate the severance payment may be capped at three times the average monthly salary announced by the government. In this scenario, the number of service years for calculating the severance payment amount due to the employee concerned may also be capped at 12 years. However, if an employee's service commenced before 1 January 2008 (the date of effect of the Labour Contract Law), the calculation may vary significantly depending on the reason for the termination, the work location of the employee, the location where the employer is registered (if different from the work location of the employee) and the circumstances involved.

Law stated - 11 February 2025

Procedure

Are there any procedural requirements for dismissing an employee?

The Labour Contract Law prescribes certain procedures for dismissing employees. If an employer plans to terminate a labour contract unilaterally, it must provide prior notice to the trade union, even if the employer does not have its own trade union. In this case, the local or municipal union may be notified. If the employer violates any laws, regulations or labour contracts, the union may ask the employer to take corrective measures. The employer must consider the union's opinions and notify the union in writing of the outcome. Usually, no prior

government approval is required to terminate an employee's contract, but approval will be necessary in the event of a mass lay-off.

Law stated - 11 February 2025

Employee protections

In what circumstances are employees protected from dismissal?

Certain employees are protected from dismissal with prior notice and collective dismissal (but not summary dismissal) of their employment contracts, including:

- employees engaged in positions at risk of occupational diseases who have not undergone proper health examinations before leaving the position, or employees who are suspected of having occupational diseases, are being diagnosed for these diseases or are under medical observation;
- employees who have lost or partially lost the ability to work owing to a work-related injury or disease;
- employees within the statutory period for medical treatment owing to non-work-related medical conditions (including covid-19);
- employees who are pregnant, on maternity leave or in the nursing period, which is the period from childbirth until the child's first birthday;
- employees who have worked for 15 consecutive years with the same employer and are within five years of the statutory retirement age; and
- employees otherwise protected by the relevant laws and administrative regulations.

Law stated - 11 February 2025

Mass terminations and collective dismissals

Are there special rules for mass terminations or collective dismissals?

If an employer intends to dismiss 20 or more employees, or fewer than 20 employees when this number represents 10 per cent or more of the total number of its employees, the dismissals must be based on statutory reasons, including restructuring according to the Enterprise Bankruptcy Law, or serious difficulties in production or business operations. Also, the employer must consult with the employees by giving 30 days of advance notice of the background and reasons for the dismissals to the trade union or all of its employees. The employer should consider the opinions of the union or the employees and file the mass lay-off plan with the labour administrative authorities. While government approval is not legally required to implement a mass lay-off, this approval is necessary in practice.

Law stated - 11 February 2025

Class and collective actions

Are class or collective actions allowed or may employees only assert labour and employment claims on an individual basis?

In theory, class actions are allowed in China. According to the Civil Procedure Law, where the subject matter of an action is of the same category and one of the parties has numerous litigants but the exact number of the litigants is uncertain when the lawsuit is filed, the people's court may issue a public notice to explain the nature of the case and the claims, as well as to notify interested persons who are also entitled to claims to register their claims with the people's court within a specified period. In practice, however, no class actions of this nature have been brought; in most cases, an employee will file a claim on an individual basis.

While multiple employees may bring the same claim and the hearings may be held concurrently, the adjudications are made on an individual basis. When there is a breach of a collective bargaining agreement, as authorised by the Labour Contract Law, a trade union may apply for arbitration or bring a lawsuit against the employer. However, labour disputes filed in the name of the trade union are not common.

Law stated - 11 February 2025

Mandatory retirement age

Does the law in your jurisdiction allow employers to impose a mandatory retirement age? If so, at what age and under what limitations?

In 2024, the Standing Committee of the 14th National People's Congress approved and announced the Measures of the State Council on Gradually Raising the Statutory Retirement Age (the Measures). The Measures, which took effect on 1 January 2025, changed the rules regarding the statutory retirement age and the number of years of contributions required for a retired worker to receive the basic pension: the statutory retirement age for male employees (whose previous statutory retirement age was 60) and female employees (whose previous statutory retirement age was 55) will increase by one month for every four-month period since 1 January 2025, so that the retirement ages for this group of males and this group of females will eventually reach 63 and 58, respectively. For female employees whose previous statutory retirement age was 50, the statutory retirement age will increase by one month for every two-month period since 1 January 2025, so that the retirement age for this group will eventually reach 55.

Despite the proposed postponement of the statutory retirement age, the Measures still leave some flexibility for employees to choose to retire early (based on the regulations in place prior to 1 January 2025) or postpone the statutory retirement age, and employers are prohibited from interfering with an employee's decision in this regard.

Employers, however, are allowed to hire retirees using a labour service contract. Retired employees hired under labour service contracts are not entitled to termination protections and some other benefits provided under the Labour Contract Law, and their engagement in this manner may be limited to one to two years. Generally, foreign nationals are not permitted to work in China beyond the legal retirement age unless they have permanent residency in China.

Law stated - 11 February 2025

DISPUTE RESOLUTION

Arbitration

May the parties agree to private arbitration of employment disputes?

No. The Labour Dispute Mediation and Arbitration Law specifically mandates arbitration by government-controlled labour arbitration committees if there is any dispute between the employer and employee for most causes of action. However, this statute encourages the parties to resolve their disputes by way of friendly negotiation or mediation, and government-supported and private mediation is also encouraged as a way to resolve disputes.

If a party disagrees with the arbitration award granted by the labour arbitration committees, it may challenge the award within a certain period by filing a lawsuit with the competent people's court, although some arbitration awards may not be challenged by the employer depending on the subject matter at issue.

Law stated - 11 February 2025

Employee waiver of rights

May an employee agree to waive statutory and contractual rights to potential employment claims?

As a general principle, Chinese employment laws do not provide for an employee's waiver of statutory employment rights. In practice, however, when agreeing to a mutual termination of the employment relationship, an employee may agree to waive certain claims by signing an agreement with the employer, and this waiver may be supported by the labour arbitration committee and court. Contractual employment claims, however, may generally be waived if they do not conflict with Chinese labour laws.

Law stated - 11 February 2025

Limitation period

What are the limitation periods for bringing employment claims?

Any arbitration claim must be made within one year of the day when 'the employee knows or should have known of the infringement of rights' according to the Labour Dispute Mediation and Arbitration Law. With respect to disputes over salary payments with current employees, the one-year limitation period starts on the date of termination of the labour contract.

Law stated - 11 February 2025

UPDATE AND TRENDS

Key developments and emerging trends

Are there any emerging trends or hot topics in labour and employment regulation in your jurisdiction? Are there current proposals to change the legislation?

The two significant developments introduced for 2025 relate to the increase in statutory holidays and the extension of the retirement ages for male and female employees. On 1 January 2025, the Chinese government introduced two additional days of paid statutory holiday, bringing the total to 13 days per year in an effort to enhance employee work-life balance, boost domestic tourism and consumption, and provide workers with additional time to travel as both of the newly added days extend other pre-existing holidays.

The other significant legislative change corresponds with the extension of retirement and concerns pension contributions, which was the second significant change introduced by the Measures of the State Council on Gradually Raising the Statutory Retirement Age (the Measures). Starting from 1 January 2030, the minimum contribution period required for employees to receive the basic monthly pension will increase by six months each year. This gradual increase will continue until the minimum period reaches 20 years, up from the current 15 years. Employees who have reached the statutory retirement age but have not met the minimum required years of contributions for the basic pension may, in accordance with the applicable regulations, satisfy the required minimum contribution period through extended contributions or one-off payments. This option may not have been previously available in some cities, subject to local rules and practice.

Employers will need to ensure they follow the Measures and track the applicable statutory retirement age of their employees carefully as well as adjust expectations (and potentially their budgets) if any employees choose not to retire upon reaching the pre-2025 statutory retirement age. The Measures will have an immediate impact on employees who are about to reach the pre-2025 statutory retirement age and are expected to retire in 2025.

Law stated - 11 February 2025