

Case Playback

A company in Shanghai recruited a few undergraduates after a competitive selection process. These recruited undergraduates were brilliant, with excellent university performance records which made them highly sought after in the labor market. Apart from that, they all had one thing in common; all of these students were undergraduates from other parts of the country. Most importantly, they were eager to start their careers in the vast market of Shanghai. It was “love at first sight” during the recruitment meeting, and after the interview the company signed employment agreements with each student and their university for a five-year term. After their official graduation, formal labor contracts with a term of five years were quickly signed between the undergraduates and the enterprises, where rights and obligations, three-month Probation period and relevant liquidated damages were stipulated according to laws and regulations.

Housing registration in Shanghai, the most important issue for the employees, was soon resolved after they officially came to work in the company. Before long, housing registrations and their individual records had been successfully shifted to the Shanghai Undergraduate Employment Instruction Centre. Formal employment and benefits procedures were also conducted for these students by the company. After three months, during the National Holiday, the company president received “gifts” from two students, their resignation letters.

Representatives of the company knew that they could not refuse the resignation letters submitted by these two students because they were still within the probation period. However, they lamented the time they had dedicated to conducting the formalities needed for resettlement in Shanghai. They had been seeking the most qualified candidates, and it was unimaginable to the company to consider that the undergraduates were simply taking advantage of an opportunity to get a Shanghai housing registration, using the job as a springboard to gain residency. The Personnel Manager claimed that the two students should compensate the company for conducting the resettlement registration procedures. The students did not yield to the company’s harsh request.

Without common ground, the two parties found it impossible to consult further. The company took the two university students to the Labor Dispute Arbitration Committee, demanding that they bear liability for liquidated damage, compensate the company for expenses to hire new employees, and pay the fees related to the census housing registration procedures. According to what they had learned from Labor Law, these two students argued that laborers had the right to dissolve the labor relationship within the probation period. They claimed their actions conformed to the regulations of Labor Law and could not be regarded as a breach of contract. They should not bear liability for a breach of contract. Arranging resettlement in Shanghai was the company’s obligation and the students did not need to pay these expenses.

Questions:

- 1 Can the Arbitration Committee support the company's claims? Why?
- 2 Which legal issues are reflected in this case?