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Recent
Developments

CALIFORNIA SUPREME COURT REAFFIRMS EMPLOYMENT AT-WILL DOCTRINE (October 13, 2000)

Guz v. Bechtel National, Inc. (2000) 2000 WL 1473898

Summary: In the first major decision of its kind in more than twelve years, the California Supreme Court reaffirmed the vitality of the employment at-will doctrine by ruling that even long-term employees may be separated at will – as long as the employer has the appropriate policies or agreements in place.

The *Guz* Case:

The plaintiff, Guz, was a financial reports supervisor for the management information department of Bechtel. During his 22 year employment with the company, he received consistently good performance reviews, commendations and steady raises. During most of Guz's employment, Bechtel had no express at-will policy, but adopted and published one in 1991. In 1993, Guz was laid off as a result of a job restructuring program.

Guz sued Bechtel for age discrimination and for breach of contract, alleging that his termination violated an implied agreement requiring good cause for termination. The California Supreme Court found in favor of Bechtel on both claims.

On the at-will issue, the Court held that Bechtel's at-will policy was sufficient to establish employment at-will, and that in light of the policy, Guz's length of employment, good performance reviews, commendations and raises were insufficient to establish the existence of a contrary implied contract.

With regard to Guz's age discrimination claim, the Court held that an employer may avoid a jury trial when it can establish a non-biased explanation for its employment decisions, and the evidence, considered as a whole, is insufficient to support a rational inference that the actual motive for the decision was discriminatory.

Analysis:

This case signals a small victory for employers. Of particular significance is the Court's reaffirmation of existing court decisions holding that mere length of service, positive evaluations, and raises are insufficient, by themselves, to overcome the at-will presumption where the employer has adopted a policy of at-will employment.

However, unlike most plaintiffs in similar cases, the plaintiff in *Guz* did not allege he received any promises or representations that he would only be terminated for cause, nor did he present any evidence that the practice in the industry was to provide secure employment. Therefore, the Court did not address what impact this kind of common evidence would have on the at-will analysis, and this long-awaited decision was not the kind of sweeping endorsement of the at-will doctrine that many employers were

hoping to see.

The more important part of the decision may be the Court's disposition of the age discrimination claim. The Court's holding that an employer can avoid a jury trial where the evidence, as a whole, does not support a rational inference that the decision was discriminatory, appears to limit the recent decision of *Reeves v. Sanderson*, in which the U.S. Supreme Court allowed the plaintiff to go to a jury trial on very thin evidence. This may give employers a tool to obtain the early disposition of discrimination claims in state court.

What this means:

Guz does not change the advice we have been providing for many years:

- Ensure that all employment policies and manuals contain a clear and unequivocal at-will provision. Where possible, have employees sign an at-will agreement. The agreement should clearly state that it represents the entire agreement between the parties concerning the length of employment, and can only be modified by a written agreement signed by a company executive.
- Pay particular attention to any policies or employment benefits that may be considered inconsistent with at-will employment.
- Advise supervisors and other managers to never give verbal or written assurances to employees of future employment.

Always provide employees the reason for any adverse employment decision. Make sure the reason given is accurate and well-documented.

If you have any questions about this or any other topic, please contact Sandra L. McDonough (smcdonough@paulplevin.com) or at (619) 744-3641 at Paul Plevin & Sullivan.

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