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People lined up at career-guidance booths during a job fair in Beijing in March. FLORENCE LO/ REUTERS

China Tells Bosses Not to Cut Jobs Due to AI

BY HANNAH MIAO AND RAFFAELE HUANG

BEIJING—Last summer, Chinese Vice Premier He Lifeng asked the country's biggest employers—tech companies, banks, carmakers and others—how AI could affect their workforces.

Some companies said AI could create new jobs over the next several years, but that full implementation of the new technology could also wipe out 30% or more of their existing roles, people familiar with the situation said.

He seemed shaken by the feedback, one of the people said. Then, late last year, the Chinese government warned employers—particularly tech companies with younger workforces—not to cut jobs as they embrace AI, the people said. Spokespeople for China's government didn't reply to requests for comment.

China's action is a bold response to fears that are mounting worldwide over the disruptive impact of artificial intelligence.

In the U.S., workers fear the widespread loss of jobs. New graduates have been booing commencement speakers who tout AI. In California—the epicenter of many AI advances but also home to tech companies that are shedding workers—Gov. Gavin Newsom, a Democrat and potential presidential aspirant, recently signed an executive order calling for ways to help workers displaced by AI.

Even as Chinese companies race to stay at the cutting edge of AI development, Beijing is warning companies against replacing workers with AI, suggesting concern that the technology could create instability in the world's second-largest economy.

China in recent years has struggled with youth disillusionment, with millions of college graduates competing for a limited number of desirable white-collar jobs. The unemployment rate among 16- to 24-year-olds in urban areas, excluding students, stood at 16% in April, according to government data.

“China is trying to balance between two major priorities: social stability and productivity growth. AI as a potentially transformative technology might force Beijing to make hard trade-offs,” said Kyle Chan, a fellow with the Brookings Institution who studies China’s technology development and industrial policy.

China’s campaign to accelerate AI adoption, released last August and dubbed “AI+,” gives priority to using the technology in sectors such as manufacturing and logistics, which aren’t as sensitive to white-collar job displacement.

Late last year, China’s Ministry of Human Resources and Social Security told employers, particularly tech companies with younger workforces, to refrain from firing employees as they embrace AI, people familiar with the matter said.

While both state-owned and private companies have long had to secure a signoff from regulators before conducting large-scale layoffs in China, employers are being asked to explain layoffs—and, in some cases, to prove that the cuts aren’t because of AI replacing jobs, these people said.

Recent publicized labor disputes in China have sent a similar message, prompting companies to think twice before firing a worker because of automation.

In Hangzhou, a wealthy technology hub in eastern China, a man surnamed Zhou worked as a quality-control supervisor checking for errors generated by his company’s AI model, according to a case study published by the local court. He had worked at the tech company for more than a decade and took home an annual salary of about \$44,000.

Then, last January, his company started using AI to do his job instead, the court said. It tried to move him to a different role with a 40% pay cut. He refused, and his company fired him.

At 35 years old, Zhou was paying off his mortgage and had been his family’s primary breadwinner, his lawyer said. He saw the job market shrinking and was filled with dread about being replaced by AI.

Zhou challenged his employer in arbitration, which turned into a lawsuit. The Hangzhou court ruled in his favor. The company was forced to pay Zhou the equivalent of about \$38,000 for wrongful termination, his lawyer said.

“This case sends a strong and clear legal warning to companies across the industry,” said Jiang Xiaotong, a lawyer at Zhejiang Yufeng Law Firm representing Zhou. “Companies cannot use AI upgrading as an excuse for backdoor layoffs and unfair pay cuts.”

In Beijing, a man surnamed Liu had worked for 15 years collecting map data for a Chinese tech company. Then, in 2024, his employer started using AI to automate his work. By the end of the year, he lost his job. Liu challenged his employer in arbitration and requested compensation for wrongful termination. He won.

Beijing’s municipal government used Liu’s case as an example to remind employers that AI isn’t a valid reason to fire people. Employers should provide training and job reassignments to workers whose roles are affected by AI, it emphasized.

“As employers enjoy the benefits of technology, they must also shoulder social responsibilities,” the humanresources bureau of the Beijing municipal government wrote in a case study published last December.

In April, a senior official said in Beijing that China plans to offer free courses for skilled workers and training programs for college graduates this year to help them adopt AI.

Human-resources managers at some Chinese tech companies said they have reduced head counts for roles where AI has proven highly capable. They are adjusting job scopes and overhauling workflows of some other positions so those employees can leave simple and repetitive work to AI while focusing on more complex and humancentric tasks, such as customer-facing work.

Meanwhile, companies are less willing than before to hire and invest in inexperienced workers, they said.

John Xie, co-founder of a Guangzhou-based software startup, created several AI agents this year to assist with his work.

He named one AI assistant “Junior Researcher Zhang,” which helps conduct market research and user analysis, and another “Assistant Li,” which manages his schedule and helps prepare presentations.

After weeks of intensive training and fine-tuning on company data, Xie said his AI workers can now seamlessly replace interns and junior employees with up to two years of experience.

“I honestly worry for young people,” Xie said. “Fresh graduates have to spend years gaining experience, but AI can master those same skills in just a few weeks or months.”

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