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Chinese Company Draws Fire for Laying Off 100 Grads a Month After Hiring Them; Authorities rebuke auto-parts maker, a supplier to Western brands, as young people face bleak job market

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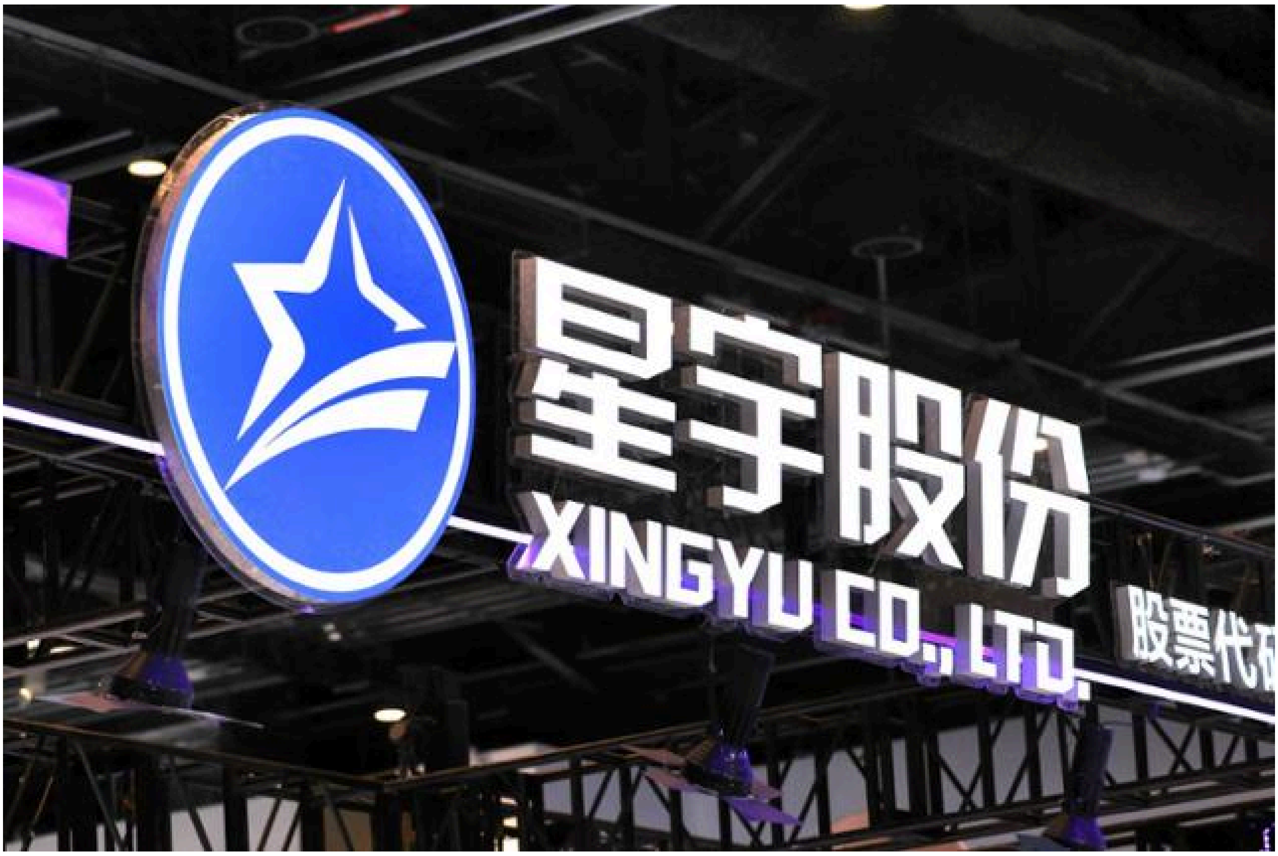

Changzhou Xingyu Automotive Lighting Systems said it was punishing executives over the episode. PHOTO: VCG/Getty Images

A major Chinese auto parts maker has landed in hot water with authorities after laying off more than 100 young people just a month after it hired them fresh out of university.

The case of Changzhou Xingyu Automotive Lighting Systems, a headlamp manufacturer that supplies Volkswagen among others, signals how sensitive layoffs have become in China's flagging economy [https://www.wsj.com/economy/chinas-economic-activity-weakened-in-july-0ce9bde7].

The parts maker apologized Monday and announced punishments for four executives including the dismissal of its human-resources director. That followed a widespread backlash on Chinese social media and an investigation by the government in the eastern city of Changzhou where the company is based. The local government called on companies to learn from the incident.

The naming and shaming underscores the Chinese government's desire to stem economic disruption as many young people grow disillusioned [https://www.wsj.com/world/china/america-had-quiet-quitting-in-china-young-people-are-letting-it-rot-5f10d4a0].

"It is a reflection of the bigger picture of China's labor market," said Christian Yao, an expert on China's workforce at Victoria University of Wellington in New Zealand. With many young graduates unable to find stable careers, he said the government's message was: "Do not create a large-scale redundancy like this because it creates further anxiety."

China's car industry has been under particular pressure this year. PHOTO: AFP/Getty Images

While the outcry this time helped the laid-off workers receive additional benefits, millions more are struggling without much government help. The youth unemployment rate in China rose to 17.9% in July, an 11-month high, according to official statistics.

Founded in 1993, Xingyu has an annual production capacity of 80 million automotive lamps, according to its website. The company filed earlier this year to list its shares on Hong Kong's stock exchange and is already listed in Shanghai. Mercedes-Benz and Toyota are among the other major global car brands it supplies.

The Chinese car industry has been under particular stress [https://www.wsj.com/business/autos/everyone-loves-chinese-cars-except-the-chinese-b1533c82] this year because of tepid consumer spending and fierce competition among dozens of companies. Though electric-vehicle exports from China to overseas markets are surging, domestic sales of vehicles have plunged.

Xingyu recruited 440 new graduates from the class of 2026, then fired 107 of them in early August after barely more than a month on the job. Nearly a third of the laid-off workers hold master's degrees, and nearly 40 served in research-and-development positions, according to the company. Some of the workers with advanced degrees were offered positions on the production line but opted to leave, according to Chinese media.

In late August, the company issued its first apology, writing that the young workers had joined the company with hopes for a bright future but instead faced "disappointment and pain." Xingyu said it would pay the workers $745 a month for three months to help them look for another job, provide free housing in the company dormitory and guarantee that employees who didn't find a job in three months would be entitled to six months of salary.

By early September, more than 70 of the fired workers had already started new jobs, according to the company. Xingyu didn't respond to calls or emails on Monday.

The heavy attention was unusual, said Jenny Chan, who researches the Chinese labor market at Hong Kong Polytechnic University. Layoff incidents are "quite common, and they never encounter organized resistance and publicity," she said, while artificial intelligence is bringing even more "uncertainty and more precarity" for workers.

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