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LABOR DISPATCH IN THREE ESSAYS

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ABSTRACT OF THE DISSERTATION

Labor Dispatch in China: Three Essays

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The global economy has witnessed an expanding army of labor dispatch workers over the last few decades. Although China could hardly avoid this employment transformation given its role in the global value chain, its distinct treatment of this interior group of employees is worthy of particular attention. This dissertation is composed of three essays concerning labor dispatch in China. Each of the three essays touches on one aspect of this critical form of employment and attempts to answer one set of questions of great interest to scholars of political science, employment relations, and management. The first essay attempts to answer why the Chinese government deviated from the precarious deregulation trends in the Global North and put stringent regulations on using dispatch workers in firms. Based on extensive field work in China, the essay investigates the underlying logic of the institutional formation of the Chinese labor dispatch system, which set China apart from the global pace of precarious work deregulation. The second essay compares compensation and welfare, working conditions, voice and representation, and labor-management relations of dispatch workers with those of regular workers. Data were derived from a national survey of employees conducted by the All-China Federation of Trade Unions (ACFTU) in 2012. Taking a management perspective, the third essay explores the managerial implications of the clear-cut divide of regular and dispatch

workers within an organization for the performance of dispatch workers and the boundary conditions of these relationships.

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Chapter 1 Introduction

Since the 1970s, precarious employment, such as part-time work, temporary agency employment, and contract work has irreversibly penetrated the traditional workplace in an age of neoliberalism and flexible accumulation. Precarious employment (Treu, 1992), can be defined as nonstandard employment relations (Casey, 1991; Goldthorpe, 1984; Kalleberg et al., 2000), flexible staffing arrangements (Abraham, 1988; Houseman, 1997), atypical employment (Cordova, 1986; Delsen, 1995; De Grip et al., 1997), and vagrant or peripheral employment (Summers, 1997). Such unstable employment leads to shorter-term employment, less job security, and less attachment between employees and employers contrasted to the archetypal model of full-time standard employment (Cappelli, 1999; Gonos, 1997; Hatton, 2011, 2014; Kalleberg, 2000, 2011; Peck & Theodore, 2007).

One of the most important forms of precarious employment is labor dispatch, which is founded on a triangular employment relationship among worker, dispatch agency, and employer (also referred to as a third-party host company, which pays the agency a fee for the staffing service and the workers' labor). The number of global dispatch workers rose from 4.15 million in 1997 to 9.52 million in 2007, with an especially significant increase of 67% from 2002 through 2007.¹ In 2015, the total

¹ Private employment agencies, temporary agency workers, and their contributions to the labor market. *International Labor Organization 2009*, p. 14 .

number of dispatch workers reached 67.2 million.² Research published by the International Confederation of Private Employment Agencies in 2015 showed that after a dip during the economic crisis since 2007, the proportion of dispatch workers in the total labor force in the biggest markets had reached pre-crisis highest levels with 2.2% in the United States, 2% in Japan, 1.8% in European countries, and 1.6% worldwide.³ In the United States, employment in the temporary help services industry rose at an annual rate of over 11% from 1972 to 1998, and its share of total employment increased from under 0.3% in 1972 to approximately 2.5% in 1998 (Laird & Williams, 1996; Segal & Sullivan, 1997). The growth in agency employment has also been dramatic in Japan and in the European countries (Bronstein, 1991; Pilling, 2005). Precarious employment is more prevalent and wide-ranging globally than ever. Further, this global trend has socially and politically profound implications: a host of issues are associated with rising precarious employment, such as income inequality, skill formation, and social movements led by the precariat (Cobb, 2015; Standing, 2011).

Many issues drove the expansion of precarious work in industrialized countries. In these countries, where market mechanism plays a dominant role in shaping work arrangements and employment relations, the emergence of polarized and precarious employment systems was determined primarily by a corporate strategy for more

² The Ciett Economic Report 2016 Edition (based on data available in 2014-2015), <http://www.ciett.org/economicreport2016/ex-summary-report.html>, Accessed on Sep 20, 2016.

³ Ibid .

flexibility (Houseman, 2001; Kalleberg, 2012; Kalleberg, Reynolds, & Marsdan, 2003; Uzzi & Barness, 1998; Vidal & Tigges, 2009). With the absence of strong labor market institutions, slack labor movements, and relatively weak government regulations and interference, employers have relatively free rein to seek employment arrangements that enhanced their flexibility and cut their cost in response to heightened competition associated with globalization and other macrostructural forces (Kalleberg, 2012; Kalleberg & Hewison, 2013). As a result, companies hired fewer regular workers and increased the proportion of temporary workers, which led to the expansion of precarious jobs (Estevao & Lach, 2000; Ono & Zelenev, 2003).

The Development of Labor Dispatch Industry in China

After its introduction into China approximately 30 years ago, the labor dispatch industry, has grown rapidly on a large scale. The development of the industry experienced four stages since its emergence. During each stage, labor dispatch agencies, dispatch workers, and host companies had different characteristics.

Foreign Labor Dispatch Stage (From the Late 1970s to the Mid-1990s)

China's labor dispatch came into being in the late 1970s in the form of a "foreign affairs service," which was not spontaneously driven by the market, but by government intervention in employment of foreign-invested enterprises in China and in the expatriate labor force employed by foreign companies overseas. In the late 1970s and the early 1980s, when economic reform and opening-up policies had just been implemented, the

foreign-invested enterprises in China, instead of directly hiring workers, had to employ laborers through local “foreign service companies” (Xu, 2008) or other organizations designated by the Chinese government. These foreign service companies would sign labor contracts with Chinese employees, and then send them to the foreign-invested enterprises located in China. Foreign companies that employed workers from China to work abroad were also mandated to use the “foreign affairs service” offered by these Foreign Service companies. Although actual employment relations were between foreign employers and expatriate workers, the foreign employers had to entrust foreign service companies to sign labor contracts with these expatriate workers and to send them to work overseas. Foreign service companies constituted the original labor dispatch agencies in China. The main hosting companies that used labor dispatch workers were foreign-invested companies located in China, foreign representative offices, and overseas employers.

The labor dispatch agencies set up during this period were all run by central or local government agencies. For example, the Bureau of National Security directed the first labor dispatch company in China, the Beijing Foreign Enterprises Human Resource Service Company (FESCO). In November 1979, FESCO sent Chinese employees to a Japanese representative office in China, marking the outset of China's labor dispatch industry. The central government departments also operated other large labor dispatch agencies established during this period such as China Star Corporation (STAR) and

China International Intellectech Corporation (CIIC). In August 1984, Shanghai Foreign Service Co., LTD (SFSC) was set up, which was managed by the Shanghai municipal government. These state-run labor dispatch agencies later transformed into state-owned enterprises and provided dispatch services to a variety of enterprises.

State-owned Enterprise Reform and Migrant Workers Dispatch Employment Stage (From the Late 1990s to the Early 2000s)

State-owned enterprise reform and the rise of migrant workers necessitated initial development of a labor dispatch industry. Starting in the mid-1990s, the re-employment of state-owned enterprises' laid-off workers caused by "smash the iron rice bowl" reform in the SOEs and orderly transfer of surplus rural labor to the cities had become critical social issues facing the government (Leung, 1988). Labor dispatch was seen by the government as an expedient approach to promote employment. In the 2003 National Symposium on Reemployment, President Hu Jintao emphasized the importance of the labor dispatch industry on re-employment: "it is necessary to support the development of labor dispatch agencies, as well as other employment service organizations; we should organize scattered laid-off workers, and provide organizational support for their re-employment" (Hu, 2003).⁴

Specifically, both the central and local governments encouraged state-owned enterprises to establish labor dispatch agencies to provide job opportunities to laid-off

⁴ Hu Jintao's speech on national reemployment work forum, 2003.

workers, and encouraged relevant governmental departments to set up labor service companies to provide transfer service to the rural work force (Xu, 2008). As a result, many state-owned enterprises set up labor dispatch companies of their own, to dispatch workers laid off from their own operations amidst the large-scale privatizations of that period (Li, 2015). Moreover, a large number of migrant workers became construction workers and manufacturing operators in the cities through labor dispatch agencies. At one time, dispatch workers took almost all the construction positions in the industry, a phenomenon that was rare worldwide (Huang, 2009).⁵

During this period, the labor dispatch agencies mainly appeared in the coastal cities of mainland China, such as Guangzhou, Shenzhen, and Shanghai (Mi, 2008).⁶ Three main types of institutions provided labor dispatch service. The first type of labor dispatch company was established by the labor and social security departments at various levels. For example, Shenzhen municipal Labor Bureau and Shenzhen Baoan District Labor Bureau co-funded Penglao Human Resource Management Co., Ltd. in 1998 in Shenzhen. The second type was labor dispatch companies established by large state-owned enterprises, mainly to re-allocate the workers they laid off during the privatization reform. Third, some private human resource companies embarked on labor dispatch

⁵ Huang Xiuli. The solution of “contract system.” On May 21, 2009, <http://www.infzm.com/content/28748?g>

⁶ Mi Huijin. The development history of labor dispatching industry. On April 19, 2008, <http://www.boraid.cn/article/html/89/89702.asp>

businesses including Suzhou Huisi Human Resources Co., Ltd. established in 2001, Beijing Yicai Human Resource Consulting Co., Ltd., and Guangzhou Shibang Human Resources Co., Ltd. set up in 2003.

Market-oriented Labor Dispatch Stage (From the Early 2000s to the End of 2012)

The labor dispatch industry in China experienced unprecedented expansion and became increasingly market-oriented since China was incorporated in the World Trade Organization in 2001 (Li, 2015). By the end of 2005, the number of dispatch workers in all organizations reached 25 million, and there were 26,158 dispatch companies throughout the country.⁷ During this period, foreign enterprises, along with domestic private companies, started to take on dispatch arrangements to maintain flexibility. In 2005, 85% of wholly foreign-owned enterprises in Suzhou Industrial Park used dispatch workers, and dispatch workers in foreign-invested companies accounted for 90.4% of the total dispatch workforce.⁸

After the implementation of the 2008 Labor Contract Law (LCL), the labor dispatch industry underwent another round of explosive growth, and newly registered labor dispatch agencies increased dramatically. According to the estimation released by Ministry of Human Resources and Social Security, there were 27 million dispatch workers in 2010, and the number of dispatch agencies grew dramatically from 49,000 to

⁷ Labor Contract Law Analysis (laodong hetongfa liangdian jiexi 劳动合同法亮点解析), July 3, 2007. <http://acftu.people.com.cn/GB/67588/5940175.html>, accessed on June 30, 2016.

⁸ Labor Dispatch System in Reform, Window on the South (China), March 17, 2011, translated by China Labor News Translations.

56,000 between 2010 and 2011 (Li, 2014). Dongguan, a big city in the Guangdong province, only possessed 43 dispatch agencies before 2008, but the number of newly established agencies was 58 in 2008, 158 in 2009, 358 in 2010, and 166 in the first half year of 2011. In addition, according to the estimation made by ACFTU, the number of dispatch workers rose from 25 million in 2005 to approximately 37 million in 2011.

Under the influence of 2008 LCL, the sector distribution of labor dispatch has also changed. The proportion of labor dispatch employment increased dramatically in the state-owned sectors: some 16% of employees in state-owned enterprises and quasi-government organizations, such as hospitals and universities, were dispatch workers (Lee 2016; Roberts 2012). Up to 70% of the workforce, in some extreme cases such as Sinopec and China Telecom—two central state-owned conglomerates—are dispatch workers (Lee 2016). Despite the dispatch boom during this period, emerging problems in the labor dispatch industry, such as “reverse labor dispatch” and “fake dispatch,” led to great concerns (Li, 2015).

Although the state-owned labor dispatch agencies with relatively long histories dominated the labor dispatch market, quite a few newly built agencies with various sources of investment entered the dispatch service market during this period. State-owned dispatch agencies occupied a leading position in the labor dispatch industry, mainly relying on their relations with the government and a stable customer base of foreign companies in China. In 2007, the top three dispatch agencies ranked based on their

dispatch scale were CIIC (with more than 300,000 dispatch workers), SFSC (with 250,000 dispatch workers), and Beijing FESCO (with more than 200,000 dispatch workers), which were all early-built state-owned dispatch agencies (Mi, 2008).⁹ During this time, international labor dispatch enterprises, namely Manpower and Service, entered the Chinese market through mergers and acquisitions. Additionally, a large number of private labor dispatch companies were successively set up, funded either by private investments or by venture capital. For example, Suzhou Huisi was funded by 100 million RMB venture capital attained from Jinri Capital in August 2007.

The composition of dispatch workers tended to be diversified in this period. Besides laid-off SOE workers, migrant workers, college students, and some senior managers in various enterprises were also dispatch workers. While migrant workers were mainly dispatched to low-end manufacturing and service positions, college students were more likely to be dispatched to high-end service sectors. The use of dispatch workers was particularly prominent in large and medium-sized state-owned enterprises. For example, dispatch workers of China Post, China Mobile, and Sinopec in Anhui province accounted for over 60% of the total number of employees.¹⁰

⁹ Mi Huijin. The development history of labor dispatching industry. On April 19, 2008, <http://www.boraid.cn/article/html/89/89702.asp>

¹⁰ ACFTU labor dispatch problems research group: 《当前我国劳务派遣用工现状调查》(the survey on current status of labor dispatched laborers in our country), China labor (China labor), 2012(5): 23-25.

Strict Legal Regulation on Labor Dispatch Stage (from the implementation of the Labor Contract Law Amendment on July 1, 2013 to now)

To constrain the inadvertent growth in the labor dispatch industry after the implementation of 2008 LCL, a series of strict regulations on the use of dispatch employment and on the dispatch industry were quickly enacted. A host of laws and regulations on labor dispatch, including the 2013 Amendment to the Labor Contract Law, Measures for the Implementation of Administrative License for Labor Dispatch, and Interim Provisions on Labor Dispatch, were successively implemented in 2013 and 2014. These regulations put very stringent limits on labor dispatch. For instance, employment through labor dispatch arrangement would only be used in “temporary,” “auxiliary,” and “back-up” positions.

The law also raised the entry capitalization threshold for establishing labor dispatch agencies, it specified the “equal pay for equal work” principle, set up a 10% cap of dispatch workers that an employer could use out of its workforce, and imposed higher penalties to both labor dispatch agencies and host companies for noncompliance with the law. As a result, the rapid expansion of labor dispatch was effectively controlled, and the proportion of labor dispatch employment in the total workforce declined. Since the implementation of the amendment and related regulations, both the size of the dispatch workforce and the proportion of labor dispatch have declined. According to the State-owned Assets Supervision and Administration Commission, at the end of June 2014, the

total number of dispatch agencies approved by the Department of Human Resources and Social Security was 17,000, and the number of dispatch workers was 9.1 million, respectively decreasing by 2% and 8% compared to that of the end of June 2013.

After the implementation of Interim Provisions on Labor Dispatch, both the number and the proportion of dispatch workers in central state-owned enterprises decreased. For example, the number of dispatch workers in Sinopec in 2015 was 312,000, plummeting by 23,000 as compared with that of 2014. In addition, the number of dispatch workers in the China Post decreased by 50,000, and the proportion of labor dispatch workers dropped from 52% to 30%. The use of dispatch workers in the four state-owned banks, including Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, and the China Construction Bank, was reduced most prominently.

By the end of 2011, the total number of dispatched workers in the four banks was 172.9 thousand. However, by the end of June 2015, the number dropped to 28.7 thousand, accounting for only 2% of their total workforce. The Bank of China, in response to the strict regulations, has transferred all its 58,000 dispatch workers to regular work positions (Zhang, 2015).¹¹ Despite the sharp decline, the proportion of dispatch did

¹¹3 Zhang Xin: 四大行劳务派遣工降至 2.87 万人 农商行仍在逆势招聘 (The number of dispatched workers in the four banks dropped to 28700, but ABC still recruit anti trend), 证券日报 (Securities Daily)· 2015-10-20B01·

not change much in public institutions, including schools, hospitals, and cultural organizations, where the 10% restriction did not apply.

Three Strands of Literature on Precarious Employment

Scholars in multiple disciplines of social science have showed great interest and concerns for precarious employment and workers in precarious status. For the purpose of constructing a comprehensive understanding of the theoretical foundation of this employment, I have identified three strands of theories analyzing respective facets of precarious employment based on distinct lenses. First, social scientists identified that precarious employment marked the transformation of employment relations in the market-driven economy since the 1970s. A body of literature looked into the macro-structural and local institutional antecedents of this transformation, and the implications of such a transformation for managerial practices, labor market structure and social movement (Cappelli, 1999; Gonos, 1997; Hatton, 2011, 2014; Kalleberg, 2000, 2013).

Pressures from global competition, which elicits firms' craving for flexibility, as well as deregulation on the use of temporary employment in Western economies, give companies incentives to use precarious employment extensively, thus shaping the behaviors of market actors and shaking the embedded employment relations developed in the New-deal era. Second, in response to more precarious workers in the changing workplace, socialist scholars have had heated debates on whether the precariat has formed a new working class and how this emerging class initiates the labor counter-

movement in the new era. The third line of theory follows economists' investigations on the underlying logic of the internal labor market and employment dualism within an organization. These studies have demonstrated the implication of segmented labor market of core and peripheral workers, as well as the growth of temporary help agencies, for income inequality at the societal level.

Transformation of Employment Relations and Work

Many scholars have identified transformation of employment relations since the 1970s from traditional standard employment relations towards market-mediated precarious employment relations with shorter-term employment, less job security, and less attachment between employees and employers (Cappelli, 1999; Gonos, 1997; Hatton, 2011, 2014; Kalleberg, 2000, 2011; Peck & Theodore, 2007). Long-term growth of temporary workers and their poor-quality jobs have characterized this transformation of work. First, on a global scale, the number of precarious workers has been rising progressively since the 1970s. From 1972 to 1998, employment in the temporary help services industry in the United States experienced explosive growth, rising at an annual rate of over 11%, and its share of total employment increased from under 0.3% in 1972 to approximately 2.5% in 1998 (Laird & Williams, 1996; Segal & Sullivan, 1997).

The number of temps reached 2.7 million in 2010, which has jumped more than 50% by 2013. It is estimated that, in the United States in 2013, temps, freelancers, contract workers and consultants totaled 17 million. Likewise, temporary help agencies

have also been growing rapidly in Europe (Bronstein, 1991). The growth in agency employment has been dramatic in Japan – increasing from just over 250,000 to more than 2 million between 1997 and 2004 (Pilling, 2005). Second, precarious workers, especially undereducated workers with low skills, are trapped in poor quality jobs (Autor & Houseman, 2005). Temporary jobs are generally regarded as “bad” jobs, with lower wages, fringe benefits, job security, and upward mobility than standard employment, even when controlling for differences among workers, including personality characteristics, family status, and industry (Houseman, 1999; Kalleberg et al. 2000; Kalleberg, Reskin, & Hudson 2000; Segal & Sullivan, 1997). According to Autor and Houseman (2010), placing low-skilled workers in positions arranged through temporary help agencies instead of direct hire does not increase their “employability” or long-term employment, and few workers can use temporary agency jobs as stepping-stones towards full-time long-term employment (Hopp, Minten, & Toporova, 2016; Scherer, 2004).

This transformation of work and employment relations has profound implications for labor market structure, managerial practices, and social movements. First, temporary employment has shaped the structure of the labor market, as well as the cultural understanding of employment and work (Hatton, 2011). Houseman et al. (2003) found temporary agency employment in the 1990s contributed to stagnant wage growth, for both regular workers and agency workers, and low unemployment. Along with this factual evidence in the labor market, Hatton (2014) argued that temp industry campaigns

to convince employers that permanent employees were “costly burdens” (who should be replaced by temps to boost stock market performance) helped downgrade employment standards not just for temps but for workers in general. Second, the counter-movement argument (Polanyi, 1944) stated that the “precariat” as a “dangerous class” (Standing, 2011), could be mobilized by different interest groups for various ends, in response to neoliberal, unregulated markets, though the mechanism is still unclear (Kalleberg & Hewison, 2013).

Labor scholars who have identified this marked transformation of work attribute the growth in precarious employment to a couple of macro-structural and local institutional factors. Kalleberg (2011) focused on the role of macrostructural factors (e.g., globalization, technological changes, deregulation) in generating the conditions (e.g., growing price competition in both product and labor market and declining union power) that encouraged employers to adopt more flexible employment relations (e.g., temporary and other nonstandard work arrangements). Taking a historical perspective, Helfen (2015) illustrated that the recent proliferation of agency employment in Germany was the outgrowth of a lasting legalization contest since 1949. From a managerial perspective, as Davis-Blake and Uzzi (1993) argued, four factors affect the use of externalized workers: employment costs, external environment, organizational size, and bureaucracy and skill requirements.

Formation of “Precariat” as a New Working Class

A body of sociology literature argued for the precariat or precarious workers, as a new working class in formation (Chhachhi, 2014; Pun & Ngai, 2009; Silver & Zhang, 2009; Standing, 2011). Chhachhi (2014) defined the precariat as a marginalized new class distinct from the traditional proletariat. The Marxist connotation of industrial proletarians is a group of workers employed full-time by one employer and working with their fellow workers for an extended period. While the proletariat possesses agency to develop collective consciousness and to take collective action, the precariat has only short employment at the workplace with little chance of developing collective consciousness (Chhachh, 2014). Some labor scholars cast doubts on the argument that precarious workers were a dangerous class that could lead collective labor movements in the new era, or even the idea that precarious workers could be called a “class.” However, in his controversial work, *The Precariat: The Dangerous Class*, Standing (2011) argued that the precariat is a class-in-making, “denizens” with a more restricted range of social, cultural, political, and economic rights than have citizens, and that they have the potential to rise as a political force lured “onto the rocks of neo-fascism.”

Whether China is breeding a similar class of precarious workers, who lack economic security and are underprotected by the existing labor institutions, has recently become a focused discussion among labor scholars. The earlier work of Chan and Ngai (2009) suggested that the migrant workers, who often take jobs that are precarious in

nature, were a class in the making. Similarly, Silver and Zhang (2009) perceived that the agency workers in the Chinese auto industry were also a forming new class. Drawing on a few anecdotal instances of agency workers and student interns' protests, Zhang (2015) argued that "the new generation of temporary workers in the Chinese auto industry has begun to show their capacity and potential to act collectively and to struggle for change for the better" (Zhang, 2015, p. 171).

Zhang (2015) further demonstrated that the agency workers and student interns in the Chinese auto industry were treated as second class industrial citizens, and that the labor dualism of regular/agency-worker bifurcation caused the inferior agency workers to accumulate "intense grievances," based on Zhang's fieldwork in the mid-2000s. The fact that the central government stepped in to regulate and stabilize labor relations through a series of labor legislation reforms since 2008 in response to the congregated dissatisfaction among temporary workers and rising labor unrests incited by the informalization of employment, also serves as a partial reflection of emerging class consciousness among precarious workers (Zhang, 2011).

Conversely, some scholars hold neutral or even pessimistic prospects for the precarious workers in China who reportedly have the potential to organize as a new working class. Contesting the empowerment thesis that the second generation of migrant workers has growing rights awareness and is undergoing a maturing labor movement which leads to consistent increases in wages over the past decade, Lee (2016) argued

there is no sufficient evidence that the new generation of migrant workers in China has a class consciousness that the first generation “lacked” or that its purported “empowered” subjectivity will exert substantial influence on labor politics. In the same vein, Chan (2016) argued that despite the agency workers’ vulnerability and inferior social status, management practices inherited from the Maoist system are able to mitigate their dissatisfaction and tendency to take militant resistance actions. Chan’s argument was based on survey results of 483 regular workers and agency workers of five auto joint ventures in China.

Another stream of theorists argued that the shortened job duration of migrant workers indicates an insecure and volatile labor market, which inhibits the formation of worker collectivity and solidarity (Tsinghua Sociology Research Team, 2013). According to a national survey conducted by the Tsinghua Sociology Research Team (2013), the job duration of migrant workers born before 1980 is more than twice as long than that of the new generation (workers born in the 1990s). Therefore, whether the precariat in China have the capacity and the class awareness to mobilize a new labor movement is still undefined, and further empirical evidence is needed to resolve the debate.

Dual Labor Market Perspective and Income Inequality

Most economic accounts of precarious work used internal labor market theory (Piore & Doeringer, 1971), and dual labor market perspectives (also referred to as labor market segmentation theory, see e.g., Atkinson, 1984, 1987; Mangum, Mayall, & Nelson,

1985; Osterman, 1988). The postwar dominant institution of internal labor market (ILM) is characterized with a port of entry, a clear career ladder, wages determined internally, and on-the-job training, reflecting firms' desire to keep the turnover rate of their core employees down, and to invest in firm-specific skills (Lazear & Oyer, 2004; Piore & Doeringer, 1971).

The idea of a dual labor market is extended into an internal labor market by exploring how employers seek to attach some core workers to their firms while detaching others (Mangum et al., 1985). In this view, core workers receive benefits associated with the primary labor market, including job security, a career ladder, on-the-job training, general fringe benefits, and other incentives to stay, while peripheral workers in the secondary labor market are provided with unstable jobs, relatively low wages, almost no training, and minimum advancement opportunities. Temporary agency workers (TAW), though they might be placed in core firms or the core sector, are still part of the secondary labor market. Based on this core-periphery model (Atkinson, 1984), firms use precarious workers as a buffer for core workers to achieve numerical flexibility, which enables firms to adjust headcounts to variable demands and avoid "floaters" (Abraham, 1990; Wenger & Kalleberg, 2006).

One distributional and political consequence of the dual labor market and spread of temporary agency workers was rising income inequality. Cobb (2016) argued that in developed countries where workers are employed by firms favoring the use of

nonstandard work arrangements, income inequality at the societal level will be higher. Cobb suggested that temporary agency workers were usually paid at lower rates than regular, full-time workers because many were involuntarily placed in these positions, faced constraints on the number of hours they could work, and had few advancement opportunities and on-the-job training (Cobb, 2016; Walsh & Deery, 2006).

Cobb (2016) also suggested that by outsourcing some low-skilled, peripheral jobs in the firms, employers could keep the wages and working conditions of these jobs close to market rates, and these jobs become separated from internal labor markets that reduce the wage disjuncture across hierarchical levels within the firm and across occupations (Cappelli, 2001; Davis & Cobb, 2010). While dismantling ILMs would benefit high-skilled employees, the vast majority of employees in the contingent low-skilled, low-paid positions would suffer, thus contributing to a larger wage discrepancy at a societal level. In a similar vein, Kalleberg (2011, 2012) argued that the growth of polarized and precarious employment systems in the United States and in many other countries has increased inequality between good and bad jobs (e.g. inequality in job rewards). Using a national U.S. survey, Kalleberg found supports for the growing rewards gap between those who have access to standard work arrangements and those who do not.

Prior Literature on Labor Dispatch in China

Labor Dispatch Institution

Consistent with the global trend, labor scholars have identified that China has been experiencing a new round of employment transformation and informalization since the institutionalization of the labor dispatch system in 2008 (Kuruvilla, Lee, & Gallagher, 2011; Park & Cai, 2011; Zhang, 2011). It was stated that China has completed its first round of transition from state socialist permanent employment characterized by an “iron rice bowl” to a system of contractual employment (Gallagher, Lee & Kuruvilla, 2011). The 1995 labor law intensified the process of “commodification and casualization of labor” (Friedman & Lee, 2010), in which the labor flexibility strategies of employers interact with the lack of efficient labor protection under the law and result in less secure jobs, shorter employment tenures, and contract-based employment.

In the past decade, the unprecedented increasing use of dispatch employment indicated a further step towards informal employment and economic liberalization. At the national level, the 2008 LCL codified the legal status of dispatch employment (Li, 2015), which contributed to the exponential growth of labor dispatch industries within a short period. Moreover, the fast-growing labor dispatch agencies, which function as large subcontracting organizations for delivering informal workers to firms, serve as the institution that further formalizes the trend of informalization (Zhang, 2008). At the industry level, the labor force dualism introduced to the auto industry, as Zhang (2011)

wrote, had marked the transformation of the production workforce, as well as a changing workplace. Under the labor force dualism, firms hire a large number of dispatch workers alongside their formal workers, but subject them to differentiated treatment in terms of wages, welfare benefits, and advancement opportunities.

Most academic discussion of labor dispatch in China centers on the legislative regulations of the labor dispatch system and dispatch industry. Two issues arose as the center of interests for both labor and law scholars: the unintended consequences of the 2008 Labor Contract Law on labor dispatch (Cairns, 2015), and the legal confusion stemming from the triangular employment relations of labor dispatch (Li, 2015). Since the implementation of LCL in 2008, the overuse of dispatch workers has become a contentious issue in China, which emerged as an outstanding feature in the Chinese labor industry (Liu, 2014). However, the original intention of the law was to restrict the use of precarious employment and to provide more protection for the disadvantaged workers caught in dispatch employment.

In interviews conducted by Zhang (2011) with Chinese labor law scholars, the initial legislative objective in implementing the law was to reduce the number of agency employees by half. The market quickly responded to the law in the opposite direction after its implementation, and many employers, including Huawei, Wal-Mart, and some major state-owned enterprises in China, unilaterally terminated their employees and “rehired” them by asking a dispatch agency to sign labor contracts with these employees

and send them back, known as “reverse labor dispatch” (Li, 2015; Liu, 2014). This practice was intended for the firms to rid their responsibilities for the employees they wanted to use by not building direct employment relations with them, an act to avoid open-ended employment contracts with workers, as well as the legal risks of terminating employees under strict regulations of the new LCL.

Another unintended consequence of the new law was its impact on the Chinese firms’ move towards entrenching labor dualism. According to Zhang (2011), responding to LCL, Chinese automakers moved toward entrenching dualism with more job security and protection for a small portion of core formal contract workers while using more dispatch workers for numerical flexibility. The latter could sign one-year renewable labor contracts with limited on-site training and promotion opportunities, while the former was offered longer contracts and a clear career path within the organization (Piore & Doeringer, 1971).

The second legal issue is the confusion embedded in the triangular employment relations of labor dispatch (Harper Ho & Huang, 2014; Li, 2015). In a triangular employment relationship, while the dispatch agency pays the workers and makes contributions to their social insurance, the host company exercises day-to-day supervision and control over the workers. Although the LCL allegedly identifies the dispatch agency as the formal employer of dispatch workers, the dual responsibility of dispatch agencies and host firms as ascribed by the law brought confusion to employees, as well as the

potential for contractual risk-shifting, which may create ambiguity about which entity should take the responsibility when employees suffer harm.

The amendment to the LCL, effective in 2013, further complicated matters by limiting the sharing of responsibility only to situations in which the workers' harm is caused by the host company (provision 4). Li (2015) argued that the amendments failed to resolve the fundamental question of who a dispatch worker's ultimate employer was, and that this failure made enforcement of the law by the dispatch workers more difficult and less likely, because they did not necessarily know which entity to pursue when their rights were violated, and either party may have had forceful reasons to shirk their responsibilities.

Apart from the legislative institutions that shaped the labor dispatch employment in China, researchers have identified a couple of institutional and organizational factors that fostered the use of dispatch workers. Challenging the prevalent argument that contingent employment arrangements are determined by managerial strategy (Atkinson, 1984), Gamble and Huang (2009) argued that such local institutions as politically determined social structures (as reflected by the Chinese household registration system) as well as labor market and social norms (e.g., customers' reliance on the salesperson for detailed knowledge about the products) have major impacts on the employment strategies open to firms, and that managerial discretions from the parent company has to dwarf secondary considerations.

Based on their qualitative study on vendor representatives¹² in the retail sector in China, Gamble and Huang (2009) found that the parent company of StoreCo's plan to replace vendor representatives sent by the suppliers with their regular store employees had to be put aside, because the regular employees lacked the product knowledge and proactivity processed by the vendor representatives, whose peripheral status in the store was reinforced by their non-Beijing residency (hukou) although their sales skills and product knowledge were valuable to sales and service. In addition, using establishment-level quantitative data from call centers, Liu (2014) found that state ownership, union presence, stringent regulatory enforcement, and unpredictable enforcement are positively correlated with the increased use of dispatch workers in China.

Workplace Treatment of Dispatch Workers

Another strand of literature described the inferior welfare and work conditions of dispatch workers as compared to regular workers (Chan, 2016; So, 2014) at the workplace. According to Chan's (2016) study of five auto assembly companies in China, the contract term of dispatch workers was slightly shorter than for regular workers. The difference in take-home pay of regular and agency workers was non-negligible, but not large as well. In 2010, agency workers' take-home wage ranged from 75.9% to 90.7% of regular workers. In terms of working hours, agency workers worked 9.5 hours and regular workers worked 9.4 hours a day on average, slightly longer. Despite the relative

¹² Vendor representatives are salespersons sent by dispatch agencies to promote specific products in the store, and do not have employment relations with the stores at which they work.

inferior conditions and low expectation of long-time employment in the company, agency workers were as satisfied with their companies as their regular workers.

So (2014) conducted a preliminary survey of 120 employees in 2011. Although the author speculated that few factories surveyed paid very low wages to dispatch workers because of recruiting problems, the results showed that the average monthly income of dispatch workers was still 88% of regular workers. In addition, there was a clear gap between regular and dispatch workers in terms of welfare benefits (including housing funding, holiday payments, and enterprise annuity). Besides, dispatch workers' occupational health and safety were not taken seriously; only 8% of dispatch workers prior to taking the job and 15% on the job received training concerning knowledge of safe operation of machinery and prevention of occupational hazards. While a plethora of qualitative evidence has demonstrated inferior conditions for dispatch workers, only a few studies have showed the specific degree of the differences between dispatch and regular workers in some regions and industries of China (Chan, 2016; So, 2014).

Because of the small sample size or concentration in certain provinces or industries, these conclusions are not nationally representative. The only national surveys were conducted by ACFTU in 2010 and 2011, but the analysis was limited to the general descriptions of dispatch employees. Besides, most current studies just focused on the salary gaps between dispatch and regular employees, but other labor rights, such as working environment and democratic rights, are not well documented. A nationwide

comprehensive comparison between dispatch employees and regular employees is needed.

Managing the Behaviors of Dispatch Workers

In management literature, prior research has extensively studied the difference in treatment between contingent workers and standard employees within organizations (Boyce, Ryan, Imus, & Morgeson, 2007; Broschak, Davis-Blake, & Block, 2008; Padavic, 2005; Williams, 1989). Researchers have suggested that the difference in treatment between contingent and standard workers within an organization can have substantial consequences for regular workers. These consequences include perceptions of job security threat (von Hippel, 2006; von Hippel & Kalokerinos, 2012), lack of knowledge sharing between contingent and standard workers (Yang, 2012), and low organizational citizenship behaviors (OCB; Van Dyne & Ang, 1998). Yet few researchers have investigated the experience of temporary agency workers faced with divergent treatment.

Two popular lines of theories have depicted the psychological impact of employment status of temporary workers: stigmatization theory of temporary workers (Boyce et al., 2007) and stress theory (Zeytinoglu, Lillevik, Seaton, & Moruz, 2004). Stigmatization theory anticipates stigmatization treatment that induces the perception that one has been stigmatized or a negative affect is proposed to influence the behavioral outcomes of temporary agency workers, including task performance, OCB,

counterproductive behavior, and withdrawal (Boyce et al., 2007; Gruys & Sackett, 2003; Liden, Wayne, Kraimer, & Sparrowe, 2003).

Stress theory of contingent workers suggests that work conditions such as job insecurity, short- and split-shifts, unpredictability of hours, and low wages and benefits in temporary jobs in the retail sector contribute to stress and such workplace problems as absenteeism, high turnover, and workplace conflicts (Zeytinoglu et al., 2004). Stress among casual workers can also be attributed to the “employment strain” in these jobs due to uncertainty in employment, earnings, scheduling, location of employment, and tasks (Lewchuk, de Wolff, King, & Polanyi, 2003). Based on their qualitative research, Zeytinoglu et al. (2004) suggested that treating workers with respect and dignity can help decrease stress, which in turn, can lead to positive workplace outcomes for retail workers.

Although these two models of temporary work shed light on the psychological process of temporary workers, they are faced with some constraints. Stigma theory (Goffman, 2009) is a static and symbolic theory of temporary workers, focusing on the impacts of the stigma, or discriminant conceptions, attached to employment status on temporary workers’ attitudes and behaviors. In addition, the model lacks empirical justification. Though the stress theory overcomes the shortcoming of stigma theory by exploring the psychological process of stress demonstrating the treatment-behavior link, it only exposes one side of the story. My proposed framework (as in the third essay) contributes to the knowledge of the psychological and behavioral impacts of a work

environment unique to temporary workers by exploring multiple intervening mechanisms that explicate the relationship between differentiated treatments between agency and regular workers and the behavioral outcomes of agency workers.

Research Questions

Each of the aforementioned research streams has made important contributions to our understanding of precarious employment and the labor dispatch system in China. However, while providing many valuable insights, these accounts do leave some key questions unanswered. This dissertation is composed of three essays that separately tackle three sets of questions concerning dispatch workers in China:

First, among all the labor issues in China, why has the labor dispatch system emerged as the center of legislation reforms under the context of rising labor unrest? And why, deviating from the deregulating precariousness trends in the Global North, does the Chinese government put stringent regulations on the use of dispatch workers in firms? The first essay investigates the underlying logics of the institution formation of Chinese labor dispatch system, which set China apart from the global pace of precarious work deregulation.

Second, to what extent are dispatch workers worse off than regular workers? The intent of the second essay is to compare the compensation and welfare, working conditions, voice and representation, and labor-management relations of dispatch workers with regular workers, based on a national survey of employees conducted by the All

China Federation of Trade Union (ACFTU). Answers to this question will help construct our understanding of the extent of income inequality in China, and whether dispatch workers are infused with the potential to organize as a new working class.

Third, how do the differentiated treatments of regular and dispatch workers affect the behaviors and performance of dispatch workers at the workplace? Under what workplace environment are dispatch workers indifferent to their differentiated treatments? By examining the micro-level behaviors of dispatch workers, the third essay explores the managerial implications of the clear-cut divide of regular and dispatch workers within an organization.

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Chapter 2

Essay One: Institutionalizing Precariousness: Unpacking the “Black box” of Chinese Labor Dispatch Legalization

Introduction

Labor dispatch, a dominant form of precarious employment in China, accounts for almost 25% of total employment (Liu, 2014).¹³ The rise of labor dispatch, rather than a product of some abstract “demand” for contingent labor, was advanced by innovations in the legal environment and in regulatory policy (Hatton, 2011, p. IX).¹⁴ As the first step to unravel such an important component of the Chinese workforce, it is important to understand the legalizing process of labor dispatch arrangements because regulatory policy has played an important role in the rise of temping in China. The emergence of labor dispatch employment in China occurred in the late 1970s, mainly to meet the employment demands of foreign enterprises during the early period of economic reform and opening-up. In the 1990s, the labor dispatch industry procured initial development, as the State endorsed dispatch agencies to absorb a large number of laid-off workers resulting from the reforms of state-owned enterprises, and to relocate the rural labor force pouring into cities for employment.

After 2000, labor dispatch underwent unprecedeted expansion because it satisfied increasing needs for flexible employment. By 2006, the number of dispatch workers reached approximately 25 million in China. The Labor Contract Law (LCL),

¹³ Liu, G. (2014). Private employment agencies and labour dispatch in China. *Ilo Working Papers*.

¹⁴ Hatton, E. (2011). *The temp economy: from Kelly Girls to permatemps in postwar America*. Temple University Press.

which was enacted in 2007 and took effect on January 1, 2008, brought this triangular labor relation, “labor dispatch,” under legal regulation for the first time, which confirmed the legal status of labor dispatch employment. The LCL attempts “to regulate the rights and obligations of dispatch agencies, employment units and dispatch workers, as well as to establish harmonious labor relations,” so that the new labor management system would embody dispatch workers’ rights protection. However, after the implementation of the LCL, the labor dispatch industry demonstrated “abnormal prosperity,” which meant that some host companies abused labor dispatch by transforming direct-hire employees and supernumerary staff, also known as “outside-system” staff, to labor dispatch workers. The proportion of labor dispatch in the central SOEs was especially large and some even reached 70% -80%.¹⁵

According to a survey of the All-China Federation of Trade Unions (ACFTU), there were 37 million dispatch workers in the country in 2011. If the dispatch workers in government departments and public institutions were counted, the total number would reach around 42 million.¹⁶ Because of the inferior market bargaining power as well as

¹⁵ Speech by Yang Zhiming, Deputy Ministry of Human Resources and Social Security, in the seminar of standardizing labor dispatch, 2012-01-31 <http://www.bjkslw.com/news/html/?511.html>

¹⁶ The Labor Dispatch Group from ACFTU: how many dispatch workers in China? The authoritative statistical data has not been released from relevant department, controversy exists everywhere. Around 2006, the ACFTU had a rough estimate that the dispatch workers were about 25 million. After 2009, relevant researches frequently quoted the statistical data from MOHRSS, and there were 27 million dispatch workers. According to the survey of enterprises employees’ labor economic rights achievement status and thought dynamics from the ACFTU research in 2011, it is estimated that the national labor dispatch accounted for 13.1% (increased 2.1% than 2010), about 37 million people, if coupled with the authorities and institutions of the dispatch workers, a total of about 42 million people (the data are from internal reference database).

inadequate legal safeguards, dispatch workers' rights protection is not an optimistic situation. For a long time, violations of dispatch employees' rights such as no contract, no insurance, unequal pay for equal work, fake dispatch, and transferring direct employment to labor dispatch frequently occurred. The dispatch workers have been unfairly treated without legal protection and informal employment becomes more and more widespread (Friedman et al., 2015).¹⁷ Disputes caused by labor dispatch gradually appeared. In March 2011, the "2010 White Paper on Labor Dispute Litigation Event" issued in the Huangpu District of Shanghai reported that labor dispatch, as a special employment form, had gradually become a source of conflict. Among the 78 labor dispatch disputes cases in Huangpu District Court during 2010, 40 cases were concluded, 60% of which were caused by the employing units sending back the dispatch workers to dispatch agencies.¹⁸

The popular interpretations of the 2012 Amendment to Labor Contract Law means that the government attempted to improve the protection of dispatch labor rights and to buffer conflicts between the employers and the employees by advancing legislation modification (Cairns, 2015).¹⁹ To control the "explosive" growth of labor dispatch, the Eleventh National People's Congress passed the Amendment to Labor Contract Law on December 28, 2012. It articulated that "labor dispatch is a

¹⁷ Friedman, E., & Kuruvilla, S. (2015). Experimentation and decentralization in China's labor relations. *Human Relations*, 68(2), 181-195.

¹⁸ March 2011, "2010 White Paper on Labor Dispute Litigation Event" issued in the Huangpu District of Shanghai.

¹⁹ Cairns, D. S. S. (2015). New formalities for casual labor: addressing unintended consequences of China's Labor Contract Law. *Washington International Law Journal*, 24.

supplementary employment form” and that “employing units should strictly control the number of labor dispatch workers within a certain percentage of total employment,” which strengthened the regulation on labor dispatch. On January 24, 2014, the Ministry of Human Resources and Social Security (MHRSS) issued “Interim Provisions on Labor Dispatch,” which stipulated that the proportion of labor dispatch employment in a firm should not exceed 10% of its total employment. The stipulation was widely embraced that from then on, and the policies on labor dispatch have been transformed from “encouragement policies” into “restrictive regulations.”

However, if we examine the transition of the Chinese labor regime in a longer spectrum, it is not hard to find that China has been continuously undergoing neoliberalism reform since the opening up of the Chinese economy in 1978. Although the LCL in 2008 tightened regulation of employment relations to limit firms’ extreme and substandard pursuit of flexible employment, it still attached great importance to flexible employment in enterprises and made a couple of concessions such as making ambiguous legal provisions on labor dispatch. Thus, one may wonder why China introduced such strict labor dispatch regulations only a few years after the implementation of 2008 LCL. Two sets of questions follow:

First, why was labor dispatch selected to be amended? Is labor dispatch really the most serious labor problem that urgently requires addressing in China, given that strikes, collective bargaining, and union reform seem more important issues that need legal

attention? If not, why do Chinese unions focus especially on the regulation of labor dispatch? Second, why are the regulations so stringent, and even stricter than that in many Western countries in many aspects? Why does the State not fear that the stringent labor regulations would affect flexibility in firms? Do the top leaders in China decide that labor protection comes prior to economic development? It is crucial to understand the legal processes of labor dispatch law making, and the logic underlying the formation of labor dispatch institutions to evaluate their implications for workplaces in China. This paper would make the first attempt to answer these two sets of questions and unpack the “black box” of Chinese labor dispatch legalization.

Literature Review

In recent years, precarious employment such as dispatch work, contract work, temporary work, and seasonal work, to name a few, has been widely used in organizations (Mitlacher, 2007).²⁰ In China, with the dynamic development of a market economy and deep facilitation of labor system reform, labor dispatch has become an important way to obtain human resources for organizations. Labor dispatch, as a new and rapidly expanding form of employment, calls for systematic theoretical discussions. However, the research on labor dispatch is still in its infancy, especially considering specific national conditions in China (Cairns, 2015; Juliana, 2014; Liu, 2015; Mitlacher,

²⁰ Mitlacher, L. W. (2007). Temporary agency work and the blurring of the traditional employment relationship in multi-party arrangements: The case of Germany and the United States. *International Journal of Employment Studies*, 15(October).

2007; Thommes & Weiland, 2010).²¹ The significance of national conditions makes it necessary for labor researchers to study the policy choice of labor dispatch in China, and to explain the labor dispatch regulation changes in 2012. Understanding the legislation of labor dispatch in China helps contribute to our knowledge in three strands of research.

Globalization and Labor Dispatch Legislation: Re-regulation or Deregulation

Under the double pressure of global competition and human rights protections, both international organizations and governments faced the difficult choice of re-regulation and deregulation of employment. On the one hand, national governments around the world deregulated employment moderately and lowered some laborers' protection standards to ease unemployment pressures and to maintain a competitive workforce, giving rise to the growth in labor dispatch and other forms of nonstandard employment (Antoni & Jahn, 2009; Mitlacher, 2007; Spermann, 2011).²² The evolution

²¹ Thommes, K., & Weiland, K. (2010). Explanatory factors for firms' use of temporary agency work in Germany. *European Management Journal*, 28(1), 55-67.

So, J. (2015). Exploring the plight of dispatch workers in China and how to improve their conditions: A preliminary study. *Workingusa*, 17, 531-552.

Liu, X. (2015). How institutional and organizational characteristics explain the growth of contingent work in China. *ILR Review*, 68, 372-397.

Cairns, D. S. S. (2015). New formalities for casual labor: Addressing unintended consequences of China's Labor Contract Law. *Washington International Law Journal*, 24.

²² Antoni, M., & Jahn, E. J. (2009). Do changes in regulation affect employment duration in temporary help agencies? *ILR Review*, 62(2), 226-251.

Mitlacher, L. W. (2007). Temporary agency work and the blurring of the traditional employment relationship in multi-party arrangements: The case of Germany and the United States. *International Journal of Employment Studies*, 15(October).

Spermann, A. (2011). The new role of temporary agency work in Germany. *Alexander Spermann*.

of the International Labor Organization's (ILO) convention on temporary agency work reflected the deregulation trend of dispatch employment.

The Unemployment Proposal (No. 2) in 1919 and the Convention of Charged Employment Agency (No. 34) in 1933 prohibited labor dispatch employment. However, the Convention of Charged Employment Agency (revised; No. 96) in 1949 deregulated it slightly by "rendering the placement of workers a *de facto* public service monopoly in ratifying countries" (Peck, Theodore, & Ward, 2005).²³ In 1997, the Private Employment Agencies Convention (No. 181) fully acknowledged the "'market-enhancing' functions" of labor dispatch but set some restrictions on the use of dispatch workers such as in some categories of occupations. Similarly, since the late 1980s, western countries, including Italy (1997), Greece (1999), and the Netherlands (1998), progressively deregulated labor dispatch (Graaf-Zijl & Berkhout, 2007; Storrie, 2002).²⁴ On July 1, 1986, Japan formally implemented the Laborer Dispatch Law, which it has revised four times: in 1990, 1996, 1999 and 2003, gradually lifting labor dispatch regulations (Ping, 2009).²⁵

On the other hand, some scholars have argued that labor dispatch should be restricted, to prevent its excessive expansion and impact on the standard employment

²³ Peck, J., Theodore, N., & Ward, K. (2005). Constructing markets for temporary labour: Employment liberalization and the internationalization of the staffing industry. *Global Networks*, 5(1), 3-26.

²⁴ Graaf - Zijl, M. D., & Berkhout, E. E. (2007). Temporary agency work and the business cycle. *International Journal of Manpower*, 28(7), 539-556.

Holmlund, B., & Storrie, D. (2002). Temporary work in turbulent times: The Swedish experience. *The Economic Journal*, 112(480), 245-245.

²⁵ Ping, L. (2009). An analysis of the evolution and influence of the Japan's Labor Dispatch Law. *Japanese Studies*, 3, 83-95.

relationship, which has been the basis for workers' social and material protection since the New Deal (Gonos, 1997).²⁶ In reality, countries exert different levels of restrictions on labor dispatch depending on the social and political conditions facing the economies. In spite of the generally positive regulatory climate for the labor dispatch employment, the extent of restrictions on the use of labor dispatch workers varies between countries (Peck et al., 2005).²⁷ Moreover, despite the expansion, dispatch employment remains a supplementary type of employment. According to the 2014 CIETT report,²⁸ in 2012, the permeability of global labor dispatching (the proportion of labor dispatch workers in the total employment population) was only 0.9%, while it was 2.0% in the United States, 1.6% in Europe, 3.8% in the UK, 1.4% in Japan, 2.9% in Australia, and 9.2% in South Africa, the highest among all developed countries. Therefore, labor dispatch remains a controversial legislative issue to balance labor dispatch regulations and employment promotion under the broader context of globalization and labor market liberalization (Peck et al., 2005).²⁹ In contrast to most countries where liberalization of temporary

²⁶ Gonos, G. (1997). The contest over "employer" status in the postwar United States: The case of temporary help firms. *Law & Society Review*, 31(1), 81-110.

²⁷ Peck, J., Theodore, N., & Ward, K. (2005). Constructing markets for temporary labour: Employment liberalization and the internationalization of the staffing industry. *Global Networks*, 5(1), 3-26.

²⁸ CIETT Economic Report 2014 Edition based on data of 2012/2013,
[http://www.ciett.org/fileadrnin/temp\]ates/ciett/docs 'Stats.' Economic report 20 \] 4-C.IETT ER2013.pdf](http://www.ciett.org/fileadrnin/temp]ates/ciett/docs 'Stats.' Economic report 20] 4-C.IETT ER2013.pdf)

CIETT (International Confederation of Private Employment Services) was founded in 1967, composed of private employment service association in 49 countries and the 8 biggest human resources management companies (Adecco, GI Group, Kelly Services, Manpower Group, Randstad, Recruit, Trenkwalder and USG People).

²⁹ Peck, J., Theodore, N., & Ward, K. (2005). Constructing markets for temporary labour: employment liberalization and the internationalization of the staffing industry. *Global Networks*, 5(1), 3-26.

contracts is the mainstream legislation choice under globalization, China is one of the few exceptions in which the government has sought to tighten employment regulations (Liu, 2014)³⁰. Thus, it is intriguing to investigate the driving forces and the underlying logic of “China exceptionalism”.

Forging Labor Policy in China: Elite-dominated or Bureaucratic Politics Models

The traditional image of Chinese lawmaking, known as the command model, endorses a unified, tightly-run, top-down process, in which the Party takes full control of the formation of the law, and the National People’s Congress (NPC) dutifully ratifies it with a unanimous vote (Tanner, 1999).³¹ The leadership struggle model expends this image by acknowledging the split of Party leadership at the top (Solinger, 1982)³² and assumes that the policy formulation is “dominated by the views of the central leaders, rather than the permanent central organizational interests of the career bureaucrats who regularly deal with the issue” (Tanner, 1999).

While both the command and leadership struggle models assume the distribution of power at the top, and a top-down lawmaking process, the bureaucratic politics model, also known as “fragmented authoritarianism” (Lieberthal & Oksenberg, 1988),³³ focuses

³⁰ Liu, G. (2014). Private employment agencies and labour dispatch in China. *ILO Working Papers*.

³¹ Tanner, M. S. (1995). How a bill becomes a law in China: Stages and processes in lawmaking. *China Quarterly*, 141(141), 39-64.

³² Solinger, D. J. (1982). The Fifth National People’s Congress and the process of policy making: Reform, readjustment, and the opposition. *Asian Survey*, 22(12), 1238-1275.

³³ Lieberthal, K., & Oksenberg, M. (1988). *Policy making in China: Leaders, structures, and processes*. Princeton University Press.

on the pursuit of organizational “mission” and “ideologies” of bureaucratic actors, namely ministries, bureaus, and territorial governments, in shaping the policies. Fragmented authoritarianism explains the policy arena as being governed by incremental change via bureaucratic bargaining. Lieberthal and Oksenberg (1988) revealed that the bureaucracy of government departments will make policy decisions or influence the policy-making process according to the interests of their departments. Top leaders determine policy direction through a reasonable solution to the problem in the light of their understanding, while the bureaucracy determines the details in policy implementation. In this process, the bureaucracy often bends to the top leaders.

On the other hand, Taiwan scholars Zhao and Cai (1999) believed that Kenneth Lieberthal’s so-called “fragmented authoritarianism” only appears in highly professional decision-making processes involving “bureaucratic interests,” such as joint construction, economy, trade, etc., in which the Party Central Committee does not hold a clear standpoint, and the decision-making specifics can be negotiated by departments. However, when deciding on issues that concern “party-state benefits,” including national defense security and ideology, the Party Central Committee holds a clear standpoint, and the departments are unable to negotiate. “The party manages all” and “bureaucratic interests” co-exist in the internal decision-making system in the Communist Party of China (CPC).³⁴

³⁴ Zhao, J., & C, W. (1999). “The party manages all” or “bureaucratic interests”: Taking the policy-making decision of the Three Gorges Dam and the Qinghai Tibet Railway as an example. *China Mainland Study*,

Organizational politics theorists hold that the Central power is constrained by top leadership's inability to develop coherent policies, and top leaders are alternately advised and lobbied by a variety of senior advisers through "competitive persuasion" (Lieberthal & Lampton, 1992).³⁵ As an extension of bureaucratic model, new "policy entrepreneurs," such as peripheral officials, non-governmental organizations, and the media, are allowed to compete within the policy making process (Mertha, 2009).³⁶ In the process of formulating major economic and social policies, the Chinese government has extended the scope of policy consultation to outside the government, including non-Party members, academic and business elites, major stakeholders, non-governmental organizations, and even ordinary people. The party-state has opened up the channels, making communication unimpeded. It has considered outsiders' views as a critical basis for decision making (Cabestan & Black, 2004).³⁷ For example, Kornreich and Potter (2012) concluded that in the course of developing the recent reforms to China's health-care system, the Chinese government introduced various forms of consultation.

To solve bureaucratic conflicts, the government extensively consulted elites from academics and international organizations. To gather technical feedback, the government

53(2), 39-71.

³⁵ Lieberthal, K., & Lampton, D. M. (1992). *Bureaucracy, politics, and decision making in post-Mao China*. Oakland, CA: University of California Press.

³⁶ Mertha, A. (2009). "Fragmented authoritarianism 2.0": Political pluralization in the Chinese policy process. *The China Quarterly*, 200, 995-1012.

³⁷ Cabestan, J. P., & Black, M. (2004). Is China moving towards "enlightened" but plutocratic authoritarianism? *China Perspectives*, (55), 21-28.

also endorsed consultation with professionals from the medical industry via the NPC & CPPCC Sessions (known as “Two Sessions”). To enhance legitimacy and receive more information from the grassroots level, the government also promoted consultation with the general public and key stakeholders through an Internet portal and the mass media.³⁸ Li, Chen, and Powers (2012) pointed out that during the health-care reform debate, the government solicited proposals from a select number of public and private institutions. Besides, the Chinese government constructed an online crowd-sourcing system to collect feedback and suggestions from ordinary citizens, which was the first time the Chinese government implemented such a dialogue with the greater public.³⁹

Such negotiated authoritarianism, a combination of cooperation and confrontation, is readily identifiable in China. Instead of mandatorily carrying out many policies, the government maintains its control and influence on the society through negotiation, compromise, and guidance. The rise of negotiated authoritarianism probably reflects failures of command authoritarianism under complex and plural social conditions produced by market-oriented development in China (He & Warren, 2011).⁴⁰ Similarly, with the rapid development of the Chinese economy and changes in social structure, a group of scholars started to believe that a “fragmented authoritarianism” framework

³⁸ Kornreich, Y., & Potter, P. B. (2012). Consultation and deliberation in China: The making of China’s health-care reform[J]. *The China Journal*, 68, 176-203.

³⁹ Li, L., Chen, Q., & Powers, D. (2012). Chinese health-care reform: A shift toward social development. *Modern China*, 38, 630-645.

⁴⁰ He, B., & Warren, M. E. (2011). Authoritarian deliberation: The deliberative turn in Chinese political development. *Perspectives on Politics*, 9(2), 269-289.

could no longer describe Chinese policy-making processes (Wang & Fan, 2013),⁴¹ though the framework had been regarded as the most durably heuristic theoretical model to study Chinese policy-making since the Chinese economic reforms (Mertha, 2009).⁴²

Professor Wang and Fan concluded the new changes in Chinese policy-making through a detailed description of Chinese health-care reform policy-making: In the process of such policy-making, the participants are becoming more and more diversified. In addition to the decision-makers in the political system, the stakeholders outside the system may also influence the formulation of policies through various channels: “In the process of making policy, the policy makers communicate and interact with the external public.” The decision makers seek advice from external experts in what is known as “opening the door” and going down to the grass roots to investigate and listen to public opinions.

The conflicts between the different political departments within the political system can be resolved through “running-in,” whose last step is for the top decision makers to make decisions based on the principle of “collective decision” and then to introduce a policy. This decision-making process, featuring “opening the door” and “running-in” known as “Chinese consensus decision-making,” is rooted in China’s experience and founded on the philosophy of “the mass line and the collective

⁴¹ Wang, S., & Fan, P. (2013). *Chinese consensus decision-making: “Opening the door” and “running- in”:* A case study of health-care reform. China Renmin University Press.

⁴² Mertha, A. (2009). “Fragmented authoritarianism 2.0”: Political pluralization in the Chinese policy process. *The China Quarterly*, 200, 995-1012.

leadership.”⁴³ Although elite-dominated models (e.g., the command model and leadership fight model) and the bureaucratic politics model demonstrate a diverse power distribution and lawmaking process, they are not exclusive in explaining the lawmaking process in China.

For instance, Johnston (2002) united elite analysis and bureaucratic bargaining to examine the creation of central-level labor policy in the post-Mao period. Johnston found that competing elite constellations at the central were fencing with each other, using bureaucratic agencies (e.g. Ministry of Labor) as their surrogates to stake out control of labor policy.⁴⁴ Tanner (1995) also integrated both models by bringing a multi-stage, multi-arena framework to the study of the lawmaking process. These models on lawmaking politics shed light on how labor policies and laws are made and may explain why certain regulations on employment are enacted.⁴⁵

While both the elite-dominated and bureaucratic politics models have their merits, what is overlooked is the dynamic feature of Chinese bureaucratic behaviors, which is critical yet rarely recognized. China’s bureaucratic institutions are characterized as “hybrid adaptive,” which has allowed the Chinese government to adapt relatively well to challenges in a time of rapid transition, especially when goals must be quickly met (Zhi

⁴³ Yang, M. (2014). Beyond the “fragmented authoritarianism”?—A review of Chinese consensus decision: “Opening the door” and “running-in”. *Journal of Shandong Administration Institute*, 7, 1-4.

⁴⁴ Johnston, M. F. (2002). Elites and agencies: Forging labor policy at China’s central level. *Modern China*, 28(2), 147-176.

⁴⁵ Tanner, M. S. (1995). How a bill becomes a law in China: Stages and processes in lawmaking. *China Quarterly*, 141, 39-64.

& Pearson, 2016).⁴⁶ China has transformed through a combination of pragmatic thinking and incremental adaptation of institutions. In reactive response to multiple pressures, bureaucratic behaviors focus on short-term goals and constant adjustments, and a model of “muddling through” is applied to political reform in China, which implies that any reform process was involved in the assessment of the negative effects of the previous stage and adjusted accordingly to the next stage (Zhou. et al., 2013).⁴⁷ So far, we know that the compromise of the pro-capital and pro-labor forces within state lawmaking resulted in a restrictive regulation on standard employment protection and left a “loophole” for the use of dispatch workers (Zhang, 2014).⁴⁸

Still, it remains unclear how the pro-labor and pro-capital forces that play out in the law-making process can bring stringent regulations on dispatch employment in such a short law-making period.

The Role of Trade Unions in Labor Legislation

In western countries, trade unions are mainly involved in the formulation of the law through the tripartite mechanism and informal lobbying (Wright & Brown, 2014).⁴⁹

In China, the ACFTU is regarded as a dependent of the CPC without a voice

⁴⁶ Zhi, Q., & Pearson, M. M. (2016). China’s hybrid adaptive bureaucracy: The case of the 863 program for science and technology. *Governance*.

⁴⁷ Zhou, X., Lian, H., Leonard, O., & Ye, Y. (2013). A behavioral model of “muddling through” in the Chinese bureaucracy: The case of environmental protection. *China Journal*, 70(1), 120-147.

⁴⁸ Zhang, L. (2014). *Inside China’s automobile factories: The politics of labor and worker resistance*. Cambridge University Press

⁴⁹ Wright, C. F., & Brown, W. (2014). From center stage to bit player: Trade unions and the British economy. *Singapore Economic Review*, 59(4), 1450030

(Franceschini, 2015),⁵⁰ and it has been politically seen as an insignificant, weak bureaucracy. However, over the past 15 years it has gradually gained a foothold in the decision-making arena as a powerful third party. The ACFTU has put itself forward within the government as a representative of workers' interests, and in the legalization process it contended with other more powerful bureaucracies, especially those empowered to make economic decisions (Chan, 1995).⁵¹ After the transition, the ACFTU, combined with other political forces, influenced the legislative process (Chen, 2009).⁵² The ACFTU and workers' advocates put a lot of energy into fighting for an input in the drafting of legislation (Chan, 1993).⁵³ It has great influence in the process of labor policy-making. It not only has a voice of power on matters related to workers' rights, but it also directly participates in the formulation of labor policy and drafting the law, to a certain extent possessing quasi-legislative power (Yue, 2007).⁵⁴

Law making and Law Enforcement in China: Authoritarian Legality Perspective

Gallagher et al. (2015) investigated the Chinese authoritarian state's deployment of legal institutions to address the challenge of mass labor revolution, and provided a

⁵⁰ Franceschini, I. (2015). The broken belt: The all-China federation of trade unions and the Communist party in the People's Republic of China.

⁵¹ Chan, A. (1995). The emerging patterns of industrial relations in China and the rise of two new labor movements. *China Information*, 9(4), 36-59.

⁵² Chen, F. (2009). Union power in China: Source, operation, and constraints. *Modern China: An International Journal of History and Social Science*, 35, 662-689.

⁵³ Chan, A. (1993). Revolution or corporatism? Workers and trade unions in post-Mao China. *The China Journal*, 29, 31.

⁵⁴ Yue, J. (2007). *Labor policy in China: Marketization and globalization perspectives*. Beijing: Social Science Literature Press.

political explanation for the Chinese central government's support of increased labor standards, inclusive protection and implementation via social mobilization.⁵⁵ Gallagher et al. suggested that the attraction of authoritarian states to the allure of "rule of law" was caused by the central government's intention to constrain the elites and coordinate its relationship with local government. The Chinese government adopted a model of "high standards, self-enforcement," which serves its purpose of managing principle-agent issues, building legitimacy to gain mass support, and exploiting social cleavages.

By setting up high legal standards and leaving the enforcement to local governments, the central state is able to rely on bottom-up individualized legal mobilization to constrain the divergent goals of local governments, to attribute enforcement failure to local governments, and to constrain the formation of collective mobilization. Gallagher's analysis of authoritarian legality reflects the overall intention of the central state to maintain social stability, or "durable authoritarianism," while putting less emphasis on the role of market competition and employment protection in shaping decisions on labor legislation.

Theories and Arguments

Labor Dispatch Regulation: Logic of Action Perspective

To understand the rationale for introducing such strict labor dispatch regulations only a few years after the implementation of 2008 LCL, it is important to consider the

⁵⁵ Gallagher, M. E., Giles, J., Park, A., & Wang, M. (2015). China's 2008 Labor Contract Law: Implementation and implications for China's workers. *Human Relations*, 68(2), 197-235.

relative strengths of the country's employment relations initiatives. Based on the "logic of action" framework, national industrial relations configurations (institutions, policies, and practices) reflect the interplay of three underlying kinds of logic: the logic of industrial peace, the logic of competition, and the logic of employment-income protection (Frenkel & Kuruvilla, 2002; Kuruvilla, Erickson & Hwang, 2001).⁵⁶ Different sorts of logic indicate different aims of the industrial relations configuration. Under the influence of the logic of industrial peace, national industrial relations configurations aim to address or reduce industrial conflict. Under the influence of the logic of competition, national industrial relations configurations aim to help employers manage their workplaces more flexibly or to suppress union activity. Under the influence of employment-income protection (E-I), national industrial relations configurations aim to strengthen employment or income protection, including increased unemployment benefits and increased training and retraining.

The relative strengths of each of these three kinds of logic have great impact on changes in labor dispatch regulations. According to Zhang (2011),⁵⁷ the outcome of labor dispatch regulation depended on the "relatively emphasis of the CPC on maintaining

⁵⁶ Frenkel, S., & Kuruvilla, S. (2002). Logics of action, globalization, and changing employment relations in China, India, Malaysia, and the Philippines. *ILR Review*, 55(3), 387-412.

Kuruvilla, S., Erickson, C. L., & Hwang, A. (2001). An assessment of the Singapore skills development system: Does it constitute a viable model for other developing countries? *World Development*, 30, 1461-1476.

⁵⁷ Zhang, L. (2011). The paradox of labor forced dualism and state-labor-capital relations in the Chinese automobile industry.

stability and legitimacy (with labor) and promoting growth and profitability (with) capital given the specific political and economic situation.” Our analysis on the labor dispatch legislation could contribute a case of how the three kinds of logic of action interact among different political actors, and how political dynamics influence legislative decisions on labor dispatch regulations in China.

Drawing on a “logic of action” framework, we argued that *the strict regulation of labor dispatch does not aim to decrease employment flexibility or increase labor protection, but it is driven by the logic of industrial peace*. First, the 2012 Amendment to Labor Contract Law, though limiting the use of dispatch workers to a certain degree, still left space for both state-owned and private enterprises to deploy other forms of flexible employment arrangements (e.g., outsourcing), and provides a chance for SOEs to conduct employment structure reforms. Neither functional nor numerical flexibility is apparently compromised by a series of dispatch regulations. Second, the Amendment did not essentially promote labor rights protection.

Except for some dispatch workers who were transferred to regular positions, most dispatch workers suffered when firms substituted labor dispatch with outsourcing. Moreover, some regular workers lost their job security when firms decided to outsource the whole business in response to the law. Third, following the logic of industrial peace, the Chinese central state found it necessary to take a quick measure to resolve China’s short-term concerns, such as labor dispatch disputes and the explosive expansion of

nonstandard employment. Strict labor dispatch regulations could enhance the legitimacy and stability of the Chinese employment relations system by setting up high standards on the use of dispatch workers, and by suppressing the potential labor disputes stemming from the triangular employment relations of labor dispatch.

Such regulation is also crucial to the ACFTU, because the monolithic union needs to restore its legitimacy by presenting itself as the representative of workers' interests.

Our analysis of the implications of the labor dispatch regulations assume that the logic of competition that has been gaining ground since the economic reforms in 1978 has not lost its important position in policy makers' decision-making (Frenkel & Kuruvilla, 2002).⁵⁸

In the meantime, concerns for industrial peace and social stability have become the predominant driver. Therefore, even though China stands out as an exceptional case of tightening regulations on dispatch employment worldwide, the underlying employment relations logic in China has hardly tilted towards a pro-labor mindset.

Our argument is supported by detailed examination and analysis of the initiation, process, and outcomes of the latest labor dispatch regulations enactment. At the stage of initiation, the ACFTU plays a key role, for whom political and ideological factors are major concerns. In the process, both elites and bureaucratic politics play a role, with salient concern of stability. There are two types of outcomes: resulting regulations and

⁵⁸ Frenkel, S., & Kuruvilla, S. (2002). Logics of action, globalization, and changing employment relations in China, India, Malaysia, and the Philippines. *ILR Review*, 55(3), 387-412.

enforcement of regulations. Analysis of the former shows loopholes and gaps in the legal terms. The latter is based on evidence from interviews, cases, and surveys.

Initiation. At the initiation stage, the ACFTU plays a key role, for whom political and ideological factors are major concerns. First, regulating labor dispatch is especially important for the monolithic union in China—ACFTU, whose capacity to provide workers protection has been doubted for lack of independence from state control (Clarke & Pringle, 2009). The ACFTU feels pressured to show different actors in the industrial relations system, including Party leaders, ministries and workers, that it is fulfilling its responsibility and tasks to provide a collective voice and protection to the workers. Promoting LCL is a proactive act of the organization to increase its legitimacy.

Promoting the amendment of law demonstrates the ACFTU is actively performing its duties and developing its subjective initiative. One of the main duties of the ACFTU is to “*participate in the formulation of policies, measures, systems and laws and regulations concerning the vital interests of the workers,*”⁵⁹ which is also an important role for fulfilling and maintaining the functions of Chinese trade unions.

Still, for a long time, collective bargaining legislation actively promoted by trade unions has not made any progress. As an official of the legal department of the ACFTU said,

The ACFTU puts forward proposals for the collective bargaining legislation every year. Whether it is to promote the “Measures for the Collective Bargaining” from the departmental rules to administrative regulations, or to enact a special law

⁵⁹ The main duties of ACFTU.

about collective bargaining, the union has raised many legislative proposals. But other ministries, including the MHRSS, are not interested and there is quite large resistance to introduction.⁶⁰

Among Chinese labor issues, the legislation on the right to strike, which is related to collective bargaining, is obviously a most vital issue that influences social stability and needs more attention. However, because “*the strike involves problems concerning China’s human rights, the stability of the workers and society, and it has always been a sensitive issue, the trade union has not proposed legislation on strike.*”⁶¹

Labor Dispatch Regulation: Initiation, Process and Outcomes

Comparably, the choice of amending the law on labor dispatch might be considered an easy and quick one to realize. Compared with labor issues such as strikes and the collective bargaining, labor dispatch is a “soft persimmon.”⁶² Revising laws on labor dispatch shows the attitudes of the government and the trade union towards resolving the problems embedded in labor dispatch, which is also indicative of the government’s position and the fact that the trade union works for the rights of workers, thereby enhancing the legitimacy of the government and the trade union. When talking about the background of the *initiation* of revising labor dispatch law, the minister of the Legal Department of ACFTU said:

In the face of the labor dispatch chaos, the trade union must unequivocally indicate its position and make a difference. Revising law is more of a politically

⁶⁰ An interview with the minister of the Legal Department of ACFTU.

⁶¹ An interview with the minister of Legal Department of ACFTU.

⁶² There is a Chinese phrase—"old lady eats persimmon and picks the soft one." The original meaning is that a persimmon is relatively soft, but the extended meaning is that one person is in a disadvantaged position.

declarative legislation, which is especially important for the trade unions, because it can show to the parties that the trade unions are working for the rights of workers.

The ACFTU believes that labor dispatch is a major problem encountered in implementing the LCL, which has attracted greater attention. After the implementation of the 2008 LCL, there has been a large increase in the number of labor dispatch agencies and a rapid expansion of the scale of labor dispatch. Around the labor dispatch legislation, the first game between the ACFTU and SASAC (State-owned Assets Supervision and Administration Commission of the State Council) is about whether to further regulate labor dispatch in the Regulations on the Implementation of the LCL.

In the formulation process of the Regulations, the union advocated strict restrictions on the scope of labor dispatch, because there were 20 million dispatched employees before the promulgation of the new law, and after the promulgation the number reached 27 million,⁶³ a huge increase that occurred within such a short period of time. The Regulations on the Implementation of the LCL (Draft) once provided detailed definitions of the “provisional,” “auxiliary,” and “substitutive” features of dispatch employment. However, under pressure of the counter-view of the SASAC and some SOEs, the official Regulations on the Implementation of the LCL deleted this clause and did not place further restrictions on kinds of job positions that could be taken by dispatch workers.

⁶³ Chen, H. (2008, September 22). The Labor Contract Law was officially promulgated, the priority to maintain the employment rate. *Twenty-first Century Economic Report*, p. 01.

Completely contrary to legislators' expectations, the employment of labor dispatch presented a "rising instead of decreasing" trend after the 2008 LCL was enacted, which drew the attention of ACFTU leaders. These leaders realized that "*While the enterprises were doing relatively well then, the number of dispatch workers was ironically becoming larger, and this trend was uncontrollable.*"⁶⁴ The abuse of the dispatch employment system not only damaged the legitimate rights and interests of the workers, but it also had a great impact on the traditional mode of employment and the labor contract system.⁶⁵ These problems, if not resolved as soon as possible, would inevitably have a negative impact on social stability.

In 2010, Wang Zhaoguo, a member of the Political Bureau of the CPC Central Committee, vice chairman of the Standing Committee of the National People's Congress (SCNPC) and the chairman of the ACFTU, repeatedly made important instructions on standardizing labor dispatch, and asked the union to "*investigate and study deeply, fully ascertain the situation, identify the crux of the problem and promote countermeasures.*" In 2011, the research group on labor dispatch was set up by the ACFTU. Zhang Mingqi, who was the vice chairman of the ACFTU and secretary of the Secretariat, and Li Binsheng, who was the secretary of the Secretariat were appointed as the group leaders. Meanwhile, the Legal Department and the China Labor Movement Research Institute of

⁶⁴ Interviews with the leaders of Legal Department of ACFTU.

⁶⁵ National People's Congress. (2012, July 6). Explanations on the Amendment to the Labor Contract Law (Draft) of the People's Republic of China. http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2012-07/06/content_1729107.htm

the ACFTU played the leading role in the work of the research group. The Research Division, the Security Department of the ACFTU, and all the industrial unions participated in the group.

The group investigated the labor dispatch situation for more than six months: it conducted statistical analysis of the data of dispatch employees collected by the Research Department of the ACFTU in 2010. In 2011, in a survey called “the research on the realization of labor economic rights and interests of enterprise workers,”⁶⁶ the group conducted a comprehensive study of the report on labor dispatch from the federations of trade unions of each province and ten national industrial unions. Moreover, the group conducted field research on telecommunications, banking, and other industries in Beijing, Jiangsu, and other places. This research has been the largest survey on labor dispatch in China so far. The ACFTU pointed out that “the issue of dispatch employment abuse must be resolved in time.”

After the implementation of the LCL, one of the biggest problems has been the abuse of labor dispatch, which invalidates the LCL.”⁶⁷ The NPC also found the same

⁶⁶ The Research Department of the ACFTU conducted a questionnaire survey of 25 cities, 1,000 enterprises, 10,000 employees, and 1,000 trade union chairmen in June 2010 and June 2011. One thousand companies are in accordance with the PPS sampling method selection, survey workers in the pumping of enterprises within the random equidistant selection, and the trade union chairman sample in the pumping enterprises. The PPS sampling method is a method of probability sampling proportional to the size of the sample. It can increase the probability that the larger part is drawn in the population, thus improving the representation of the sample. The workers surveyed included labor contractors who signed with the unit or signed a labor contract with the unit, but the contract had not been renewed and the labor service contract was signed with the labor dispatch company and dispatched to the current unit.

⁶⁷ Interviews with leaders of the Research Division of ACFTU.

problem during the LCL enforcement inspection in 2008 and in 2011. In mid-February 2011, the ACFTU seized the opportunity and submitted the complete Investigation Report on Labor Dispatch to Law Committee of the NPC, reflecting the phenomenon on the abuse of dispatch workers and proposing to amend the clauses on labor dispatch in the LCL. This report triggered the second round game on labor dispatch during the Two Sessions of China in 2011. According to the media, ACFTU mentioned in the Investigation Report that the total number of dispatch workers nation-wide had reached more than 60 million,⁶⁸ nearly twice the number of 37 million previously announced by the MHRSS.

Based on the total number of domestic workers, about 300 million, the labor dispatch workers reached 20% of the total number of employees.⁶⁹ Though the ACFTU later denied that ACFTU was the source of this figure—60 million dispatch employees, this figure has become one of the most cited statistic data that scholars use to criticize labor dispatch. Although ACFTU claimed the official number of dispatch employees should be subject to the statistics number reported by the MHRSS, it did not openly refute this exaggerated number of dispatch employees. The ACFTU seems to be happy to

⁶⁸ All along, many institutions and managers are engaged in controversy on the total amount of labor dispatch. Due to the ambiguity of the definition of labor dispatch, the difference between the parties is different, so the amount of labor dispatch is quite different. The labor dispatch manner and project outsourcing, external, re-employment, and other employment methods were detailed distinctions. Through the questionnaire survey and individual central enterprises field research, it found that the current central enterprises had a large number of dispatched laborers.

⁶⁹ Xie Wenying, Labor Contract Law for the first time, directed at “labor dispatch”: <http://www.sina.com.cn>, July 02, 2012 Procuratorial Daily.

see the number of labor dispatch employees intentionally exaggerated.⁷⁰ On the other hand, the attitude of the MHRSS was different from that of the ACFTU.

Although Yin Weimin, the minister of MHRSS admitted that there were indeed some problems with labor dispatch, the labor dispatch was a new form of employment and “the biggest advantage of which is its flexibility and the employment”. He advocated that we should solve the problems by formulating methods for dispatching labor services and strengthening labor supervision and law enforcement on the basis of the existing laws. The 2010 survey of the MHRSS, to some extent, reflected the Government’s attitude towards labor dispatch. The research group of the 2010 survey mentioned in the recommendations session that the regulations on labor dispatch should take three points into account: First, labor dispatch was a developing form of employment, and it still served to maintain the vitality of the labor market; second, the use of labor dispatch should not expand excessively, and constraints should be placed on it; and third, the relationship between the tripartite involved in labor dispatch employment was complicated, so it was important to handle the relationship between market flexibility and employment stability well.

Regarding the scope of labor dispatch, MHRSS believed that it was too early to fixate the specific forms of labor dispatch. Putting specific restrictions on what qualified

⁷⁰ Interviews with ACFTU legal officials: the ACFTU specifically conducted the investigation on data of 60 million dispatchers, which department, authorities have denied. ACFTU considered it to be based on an interview with reporters’ extrapolated data.

as “temporary, auxiliary or substitute job positions” (“three forms” positions) was bound to seriously affect the survival and development of the entire industry and might lead to a large number of social problems and employment issues.⁷¹ The State Council held a most extreme attitude. Guo Jun, the minister of the Democratic Management Department of the ACFTU, commented that the early opinion of Legislative Affairs Office of the State Council on the labor dispatch was to directly render this employment obsolete.⁷² Eventually, the formal procedure to amend the laws on labor dispatch was not initiated during the Two Sessions of China in 2011.

Second, the ACFTU proposes that revising the labor dispatch law is consistent with the CPC ideology, which stresses “the dominant position of working class” and “the ruling foundation of CPC.” The expanding use of dispatch workers after the implementation of 2008 LCL hampers the interests of the working class and exposes workers to inferior treatment and working conditions.

The third round game was carried out in a “Two Sessions” period in March 2012. Wu Bangguo, the chairman of the SCNPC, pointed out that based on results of the LCL enforcement inspection of National People’s Congress (NPC) in 2011, “the abuse of labor dispatch is still outstanding, and it is recommended to amend and perfect the laws and regulations, and specify the applicable scope of labor dispatching.” He also listed the

⁷¹ Zheng Dongliang, Development and Regulation of Labor Dispatch, China Labor and Social Security Press, 2010, pp. 117-123.

⁷² Ye Jun, Labor Contract Law: in the controversy ushered in overhaul, democracy and the rule of law, July 30, 2012.

amendment of the LCL as an important legislative task of the National People's Congress in 2012. However, SASAC held different opinions with regard to Wu's decision. An official involved in the amendment of LCL commented:

There was a big debate over revising the laws on labor dispatch. SASAC believed that it was too hasty to revise the labor contract law in such a hurry. It held that labor dispatch, as a form of employment, was popular with enterprises, and workers would benefit from it as well, so the government did not need to force interference at this point. Even if there were some problems with this employment, it can wait, waiting for time to test whether this form of employment was good or bad. Now less than 5 years, was it a bit too hasty to revise?⁷³

The central leaders' instructions at this critical point substantially pointed out the direction and promoted the process of labor dispatch legislation. In April 2012, Chairman Wu Bangguo developed instructions:

Labor dispatch should be strictly regulated and it cannot become the main channel of employment. Now the central enterprises employ a large number of dispatch workers, and it can't go on like this!... Long-term use of dispatch workers in a large number is also unfavorable for enterprises' development. The enterprise should also consider the political status of the working class. The workers and the working class are the ruling basis of the CPC, so how can the government consolidate the political regime if it uses labor dispatch employment to infringe the legitimate rights and interests of workers?"

The instructions of the Central leaders unified the thoughts and quelled the debate on whether or not to amend the law. The MHRSS, ACFTU, and SASAC also turned their work objectives to how to amend the law. The MHRSS became neutral from the initial stand of maintaining the interests of the enterprise, because it was its responsibility to

⁷³ Interview with Wang Changsheng, Director of Labor Relations, Ministry of Human Resources and Social Security.

coordinate the complex relationship among the parties. In that same month, the legislative committee of the NPC completed the draft amendment to the Labor Contract Law.

The amendment of laws on labor dispatch reflects the impact of political consideration. Labor Law (1995) had been implemented for 20 years without modification, while the LCL was amended by the original organ in less than five years, which was unprecedented in China's legislative history. The proposed amendment by the ACFTU is mainly due to political and ideological considerations, and it is rare to put forward the maintenance of the law from the perspective of regime stability, which links party-state interests and bureaucratic interests together. The director of the Research Department of the ACFTU pointed this out when talking about the decision-making process of initiating law amendment:

Taking the dominant position of working class and the CPC's ruling foundation into consideration during the amendment of laws on labor dispatch was first put forward by the ACFTU. After all, our Constitution states that China is a socialist state led by the working class and based on the alliance of workers and peasants and the people's democratic dictatorship. At present, the country is still in the process of industrialization, and the status of workers and labor rights should be valued and respected.

The core problem with labor dispatch is that it will make a generation of workers lose the future. Once there is no future, there is no sustenance and the people will be fearless. Why is there no future? In the 50s of last century, the state-owned enterprises should not only produce, but also cultivate the people. After the workers worked 30 years and then retired, they would basically develop into four identities: technical personnel, enterprise manager, party and government personnel and old master (the eighth grade old worker, who was respected by people). They could educate their children to become such a person. But labor dispatch interrupted this dream, because their identities were dispatch workers at present. They worked from the age of 20 or younger till to 35, 45 or 50 years old, when they were nothing and had no future. His career did not have promotion channels and the so-called the interruption of upward pipeline.

This situation fundamentally shook the working class. Once a person has no future, it is very easy for him to become an anti-society force. I'm not saying he will certainly be antisocial. However, it is impossible to earn a dignity and respect by work for it now. These ideas were identified by the principal leaders of the ACFTU, and later reflected in the ACFTU report, file, and Zhaoguo speech, which all connected the labor dispatch with the ruling foundation of the party. If a large number of workers became the dispatch workers, these people might not support the CPC.

That in addition to the chairman of the ACFTU at that time, Wang Zhaoguo was also vice chairman in the front rank in the NPC to preside over the daily work and a member of the Political Bureau of the CPC Central Committee. The political conventions of this unique political system and personnel arrangement in China are conducive to the proposition and the adoption of the law proposed by the ACFTU:

Labor unions and the Legislative Affairs Commission of NPC had the same opinion on labor dispatch. They all thought that tens of millions of people of labor dispatch might be a big problem. In particular, the leaders of the National People's Congress and our leaders at the top level thought that this needed fundamentally changing. As the result, the amendment of the labor contract law was initiated smoothly.⁷⁴

Process. In the law-making process, both elites and bureaucratic politics play a role, with the salient concern of stability. Different interest groups hold divergent opinions on the regulation of labor dispatch in the law-making process. On the one hand, a considerable number of dispatch workers, especially in SOEs, pose a potential threat to the stability and legitimacy of Chinese labor regimes. Bureaucratic officials from the MHRSS⁷⁵ and ACFTU are concerned that the expansion of labor dispatch arrangements

⁷⁴ Interviews with the Legal Department of ACFTU.

⁷⁵ Ministry of Human Resources and Social Security.

would disrupt the current contractual employment system featuring direct employment contracts between employers and employees. However, the SASAC⁷⁶ and several central enterprises argue that strict regulation of labor dispatch would cause adverse effects on the production and operation of enterprises, and further the development of society.

The ACFTU, which represents the labor side, and SASAC, which represents the capital side, hold strong disagreements on this issue. The legislative organization of China, NPC, found it difficult to push forward. Under such circumstances, the Party leaders play a determinant role in promoting regulations on labor dispatch by relating labor dispatch regulations to the legitimacy of CPC. The Party leaders' "instructions" in April and December of 2012 pointed out that "the unlimited expansion of labor dispatch is not beneficial to the Party's ruling foundation" and that "it is important to amend the law to maintain regime stability, and it is significant to solve the issue of labor dispatch from the perspective of maintaining the working class's dominant status and consolidating the party's ruling foundation."

The ACFTU is the most important representative of promoting the legal amendment. The ACFTU has always held a completely negative attitude toward labor dispatch, believing that while workers and the government will suffer from the implementation of labor dispatch, employers and labor dispatch agencies will benefit from it. The ACFTU advocated an amendment of laws on labor dispatch in the name of

⁷⁶ State-owned Assets Supervision and Administration Commission of the State Council.

protecting “the dominant position of the working class and the ruling foundation of the Party.” This move aroused higher priority from the top leadership because the amendment meant beyond defending “bureaucratic interests,” which was to actively protect the legitimate rights and interests of dispatch workers but guarding the “party-state’s interests,” which was to maintain social harmony and stability.

The rapid expansion of labor dispatch workers, especially in SOEs, presented itself as a potential threat to social stability and to government authority. Once labor disputes occurred in the triangular labor relationship involving SOEs, these enterprises and the government would easily be held fully responsible for the issue. Once the law was amended, SOEs could be unburdened of this political risk because triangular employment relations would be turned into a pure commercial relationship in the form of business outsourcing. Disputes would no longer be labor disputes between SOEs and workers, but business disputes between two business entities. The specific role of the ACFTU in the process of revising laws on labor dispatch is as follows:

Joint deliberation. The ACFTU is one of the most important participants in the formulation of labor policy in China’s political system, which is committed to lawmaking throughout the procedure to safeguard the legitimate rights and interests of all employees. For this reason, the ACFTU established a special research group on the issue of labor dispatch, investigated labor dispatch nationwide, and compiled a specialized investigation report.

In June and December 2012, the ACFTU participated in the two reviews of the draft amendment to the labor contract law hosted by the standing committee of the eleventh National People's Congress. It also participated in the investigation of labor dispatch by the legislature and perfected the revision of the draft in coordination with departments such as the Legislative Affairs Commission of NPC, the Legal Affairs Office of the State Council, the Ministry of Human Resources and Social Security and the SASAC. The legislature adopted the ACFTU's proposals, including "clearly defining the scope of 'three forms' positions," "limiting the proportion of labor dispatch employment," and "setting up strict labor dispatch market access mechanism."

Game with the Mighty Department SASAC. The ACFTU believed that the state should revise the relevant regulations and policies of labor dispatch. It proposed to establish strict market access and exit mechanisms for labor dispatch agencies, and to tighten legal regulations on the use of labor dispatch. In view of the excessive labor dispatch agencies and improper business operations, the ACFTU proposed to set up an administrative licensing system for labor dispatch industries and raise the amount of registered capital. After their legal status was codified in the LCL, a large number of dispatch agencies sprang up. For example, Dongguan City in Guangdong Province only had 43 dispatch agencies before 2008, but 58 agencies were set up in 2008, 158 agencies in 2009, 358 agencies in 2010, and 166 agencies in the first half of 2011.

Many of these dispatch agencies were not qualified to run the business when established. As long as a firm included “labor dispatch” in its scope of business, it could get a license to engage in a labor dispatch business, which led to varying qualities of labor dispatch agencies. Some employment agencies and illegal intermediaries under the banner of labor dispatch companies engaged in labor dispatch businesses and infringed on the legitimate rights and interests of dispatch employees, leading to mass incidents and social instability. For example, in February 12, 2012, in Dongguan Hougang bus station, a migrant worker called Wu Gang fatally stabbed Shu Nan, who was a labor intermediary salesman in the Meihe Labor Market, because he was cheated of 270 yuan by Shu Nan.⁷⁷ Both the ACFTU and the SASAC believed that the labor dispatch agencies should be regulated, but they stressed different priorities. The ACFTU emphasized the need for placing constraints on the establishment of labor dispatch agencies, while the SASAC emphasized the need for cleaning up the established dispatch agencies and rectifying non-compliant dispatch agencies.

One of the focal debates between the two parties involved in the amendment was that dispatch workers and regular workers did the same work for different pay and benefits. In the lawmaking process, the ACFTU advocated refining the standards of “equal pay for equal work,” namely, that employers should pay the same remuneration,

⁷⁷ Refer to "21-year-old man stabbed intermediary because of being cheated 300 yuan in searching job," People's Network, website: <http://pic.People.Cn/GB/17131637.Html>, February 16, 2012.

"Two young Dongguan Hougang migrant workers cut throat killings" "China moment net, <http://www.s1979.com/news/society/201203/0227269002.shtml>, March 2, 2012.

including salary, bonuses, overtime pay and benefits to dispatch workers who were engaged in the same work and achieved the same performance as regular workers. On the other hand, the SASAC believed that one of the important motives for central enterprises to use dispatch workers was to reduce labor costs, and to bypass the limit of the total wage of the central enterprises.

Dispatch workers in central enterprises generally engaged in low-end positions and received market wages or slightly higher wages. Because dispatch workers were not on the payroll of the enterprise, there was no need to pay benefits. The ACFTU said they did not find enterprises pursuing profits and lowering costs repellent, and they also understood the needs of enterprises to pay reasonable prices for employment, but the essence of equal pay for equal work was to eliminate discrimination in wages and benefits, eliminating the workers' identity discrimination and breaking "dualistic" patterns of the internal wage distribution system. Therefore, the ACFTU advocated adjusting the social welfare system and included dispatch workers in the welfare system, such as housing funds and the enterprise annuity system. It also proposed that dispatch workers' wages should be included in the total wages of SOEs, and the problem of unequal pay for equal work between dispatch workers and formal workers should be solved in SOEs.

Another core issue of the debates between the two parties was to clarify the definition of the "three forms" (temporary, auxiliary or alternative) job positions and the

proportion of labor dispatch workers within the firm. The ACFTU asserted that many enterprises placed a large number of dispatch workers on long-term positions, and some even used labor dispatch as the main employment form because of the ambiguous provisions of the “three forms” of job positions in the law. The ACFTU proposed making specific definitions of “three forms” of job positions, setting up the employment terms and proportion of dispatch workers in the firm, and limiting the kinds of industries, professions, and posts for dispatch workers. On the other hand, the SASAC held that the use of labor dispatch solves the problem with the termination of labor relations in the SOEs, which, if not handled with care, would cause social contradictions.⁷⁸

The main motivation of the central enterprises to use dispatch workers was to increase employment flexibility.⁷⁹ In the meanwhile, it was contended that defining “three forms” job positions could be very difficult, and it was unnecessary to define the “three forms” relying on forced regulations. There were significant differences in the understanding of “three terms” in different industries. Many companies found it difficult to give a clear definition of the “auxiliary” posts. For example, for the Changbai Mountain Hotel, the waiter was the main staff, but for the Sinopec Group, the waiter was only auxiliary staff. This conflict was particularly evident in large enterprises. For example, for enterprises affiliated to the same central enterprises but running different

⁷⁸ An interview with the ASAC officials.

⁷⁹ MHRSS (2012): Central enterprises labor dispatch employment status and assessment study.

businesses, the auxiliary positions could be different.⁸⁰ These debates took place throughout the whole process of amending the law, and in some cases the debates were very fierce. These debates took place throughout the whole process of the law amendment process.

In the face of the strong opposition from the SASAC and some of its SOEs, the ACFTU argued that a part-time contract and an assignment-based contract had given the enterprise sufficient flexibility, and the so-called flexible employment in SOEs was only employed to bypass the SASAC's total wages quota and employment quota, not for seasonal production. Also, the employment term of dispatch workers in SOEs was usually quite long. For example, most dispatch workers in Shanxi Province had been working in the main positions for a long time, and the labor dispatch workers who had worked for more than 2 years in the current firm accounted for 74.6% of the workforce, some of whom had even worked for more than 5 or 6 years. Amending the law could contribute to breaking down the labor force dualism in SOEs that resulted from the employment quota system, total wages limits, and the evaluation of per capita efficiency, as well as preventing employment in the SOEs from being transformed from a labor contract system to a two-tier employment system of contract workers and dispatch workers.⁸¹

⁸⁰ Interview with central enterprises and SASAC cadres.

⁸¹ An interview with the minister of Legal Department of ACFTU in July 2016.

The main divergence between the ACFTU and the SASAC was the following:

Whether the strict labor dispatch legislation will affect the flexibility of employment?

Whether the “three forms” positions shall be clearly defined? And whether or not to specify the proportion of labor dispatch workers within the firm? On the one hand, the ACFTU adhered to the principle of amending the law in favor of social stability. On the other hand, the ACFTU acknowledged the institutional constraints that SOEs faced when using a large number of dispatch workers. The employment quota system, personnel system, and the total wages limits of SOEs were all designed and enforced by the SASAC, and SOEs themselves did not have much autonomy over employment beyond the quota limit. While they could only rely on a large number of dispatch workers when the regular workers within the quota limit could not meet production and operation needs, they could reduce the dispatch workforce to maintain employment flexibility and reduce labor costs when production slowed down.⁸² Therefore, the ACFTU recommended improving the quota management system (Wu & Sun, 2014) in SOEs and increasing the employment quota, which enabled the firm to replace dispatch workers with regular ones in posts that ran critical business for the firm.⁸³

Finally, the Amendment to the LCL clearly defined the “three forms” and stipulated that employers should strictly control the number of labor dispatch workers,

⁸² ACFTU dispatch problem group (2012): The current status of basic labor dispatch employment, problems and countermeasures.

⁸³ ACFTU dispatch problem group (2012): The current status of basic labor dispatch employment, problems and countermeasures.

which should not exceed a proportion of the total size of their employees, and that the specific proportion should be stipulated by the labor administrative department of the State Council. In the process of the MOHRSS formulating Interim Provisions on Labor Dispatch, the proportion of labor dispatch workers was a key and sensitive issue. Most local governments and central enterprises strongly recommended that the proportion of labor dispatch workers should be determined according to industries rather than “one size fits all”; Shanghai, Fujian suggested setting up a floating proportion of labor dispatch according to different regions and industries; most local authorities proposed determining a fixed proportion for labor dispatch employment. Regarding specific proportions, local Human Resources and Social Security Bureau recommended a ratio of 5% to 50% of labor dispatch, and the majority of local departments thought that 10% was more appropriate.⁸⁴ The ACFTU proposed that “the proportion of auxiliary positions should not exceed 5%,” while the proportion proposed by SASAC was 30%. On how the proportion of dispatching was determined, a director of Law Department of the MOHRSS stated,

Qiu Xiaoping, a vice minister of MOHRSS specially led a group to the SASAC to solicit opinions about the proportion of labor dispatch. The SASAC put forward a number of specific comments: restrictions on the proportion of labor dispatch will cause the adjustment of the employment quota in state-owned enterprises, total wages, labor costs and performance evaluation indicators, involving a lot of issue with institutional mechanisms. However, the SASAC did not dare to openly oppose. The proportion of labor dispatch was so high in SOEs, and the pay gap was so large. Why employees assigned with an employment

⁸⁴ Labor Relations of MHRSS, Institute of Labor Science: The research on the proportion determination approaches of labor dispatch. June 2013.

quota can take so much money? It couldn't be explained because there were no reasons. The SASAC reported to the legislature that the situation of labor dispatch in the state-owned enterprises was not serious and the national average of proportion was 14 percent.

At that time, Wang Yong, a director of the SASAC who was also at present, the legislature immediately responded that "Let's give you 10 percent." The proportion of labor dispatch was cut to 10 percent. This is the origin of "the 10 percent." Enterprises felt that 10 percent was too low, but the legislature was not willing it to be higher. The NPC and ACFTU's positions were relatively close. The MOHRSS is more objective and neutral, waiting and seeing the both sides. The MOHRSS did a lot of work in the Interim Provisions on Labor Dispatch to soothe the transformation process, loosening a lot of buttons, such as the provisions of the two-year-transition period, the specific calculation method of 10 percent and other provisions, which were much looser than previously discussed, mainly on account of the high proportion of labor dispatch in some state-owned enterprises.

During the period from March to May, 2013, The MOHRSS held two labor dispatch symposia, consisting of the SASAC, the ACFTU, the Enterprises Association, and the Federation of Industry and Commerce, conducted field research in Zhejiang, Liaoning, and Guangdong. They carried out questionnaire surveys about labor dispatch proportions in 132 central enterprises and SOEs. The survey results demonstrated that the proportion of labor dispatch in some central enterprises was very high, such as 62% in China Mobile, 52.6% in China Post, and 40% in Sinopec.

The proportion in some foreign and private enterprises in developed coastal areas was also not low: it was up to 70% in Dalian Konica Minolta (Electronics), 60% in Alps (Electronics), and 50% in Dacheng Food, etc.⁸⁵ Many dispatch workers would be returned if some positions did not fit the definitions of the "three forms," or if the

⁸⁵ Labor Relations of MHRSS, Institute of Labor Science: The research on the proportion determination approaches of labor dispatch. June 2013.

enterprise's labor dispatch proportion was beyond the limit after the implementation of the Amendment, which would lead to unemployment and cause certain impacts on employment and social stability. To avoid unemployment, most enterprises recommended setting a transition period of 2-3 years, making gradual adjustment of employment arrangements, and tapering the high proportion of labor dispatch. The MOHRSS widely consulted various opinions within and outside the political system, of the central and local authorities, to obtain a broader social consensus. The balance and coordination of all parties' concern became the main task of decision-making.

The ACFTU actively participated in the drafting of the "Interim Provisions on Labor Dispatch," including (a) conducting extensive and in-depth investigation after the revision of the LCL, and actively submitting suggestions to MOHRSS; (b) participating in a series of seminars and demonstration sessions held by the MOHRSS, and clearly putting forward and adhering to the views of trade unions; (c) the General Office of the ACFTU issuing the Notice on the coordination of the provisions of the regulations on the labor dispatch (Draft), and widely mobilized trade union cadres and workers to participate in public consultation activities; (d) organizing members of Legal Advisory Committee of the ACFTU, experts and scholars to conduct a mono-graphic study on the "Interim Provisions (draft)"; (e) Participating in the joint research of the labor dispatch held by the Law Committee of NPC and MOHRSS and carrying out a special investigation in the telecommunications industry, which had a high proportion of labor

dispatch, listening to the views and suggestions of the parties; and (f) taking “Hot Spot on ‘Certain Provisions on Labor Dispatching (Draft)”’ as the theme, organizing a series of reports and panel discussions in the Workers’ Daily to analyze the hot and difficult issues in the field of labor dispatching, and elaborating and demonstrating the union claims.

MOHRSS gave a positive response and a clear affirmation in the “Interim Provisions” for the opinions and suggestions reflected by the ACFTU’s representative staff and workers.

For example, the proportion of labor dispatch in “three forms” positions shall not exceed 10% to further protect the social insurance rights and interests of trans regional dispatch workers.

Exerting impacts on law amendment using public opinions. The ACFTU, with its perfect organization and strong mobilization capacity, participated in the whole process of amending the law, clearly put forward the method and strategy to play the game, stipulated the responsibility of the local unions to collect feedback from workers, and through various media continued to strengthen their publicity and guidance. On June 25, 2012, The Amendment to LCL (Draft) was released by the legislature, asking the public for comments and extensively listening to the opinions and suggestions of all circles of the society on the draft. The ACFTU, with its sound organization and strong mobilization forces, organized staff voting on the internet, reported legislative advice and strongly pressured the legislature. The ACFTU arranged a local federation of trade

unions to select 10 to 30 companies in each city (prefecture), county (district), and company to choose 10 representatives of workers to solicit opinions or vote online.⁸⁶

In just a month, the legislature received 557,243 comments, which created the highest record of public comments on the bill in China, three times as much as that of the 2006 LCL and pushed the legislation of labor dispatch to an extent that it must be carried out. In the face of the problems and contradictions exposed by the labor dispatch, the government and the SASAC were also under pressure from the public opinions and the trade union organizations. The ACFTU, making use of the “public opinions,” affected high-level leaders and strong SASAC and other departments, playing a pivotal role in the process of amending the law and affecting trends to amend laws.

At the same time, the ACFTU published a series of articles in the official media publication *Workers' Daily*, such as “Labor dispatch’s loopholes should be blocked,” “Twenty million dispatch workers need to get out of the ‘identity vicious circle’,” “The irregular development of labor dispatch ‘overhead’ LCL” and so on, which clearly “totally denied” the employment of labor dispatch. The ACFTU called upon all of society to pay attention to the abnormal prosperity of labor dispatch, which ran counter to the original goal of the LCL, arousing great public concerns.

Lobbying the Legislature. The lobbying of the ACFTU had deepened the understanding the legislature had on the amendment. The fact that the chairman of the

⁸⁶ Labor Relations of MHRSS, Institute of Labor Science: The research on the proportion determination approaches of labor dispatch. June 2013.

ACFTU, Wang Zhaoguo, who ranked forward in the NPC, presided over the daily work as a vice chairman, was a favorable condition for the propositions of the ACFTU. The ACFTU had carried out the largest labor dispatch survey in China, which provided many facts and data for the amendment. The investigation reports of various labor dispatch issues compiled by the ACFTU continuously influenced the opinions of legislators and scholars, the data in which had become an important basis for scholars to criticize labor dispatch and legislators to enact regulations. The SCNPC conducted two law enforcement inspections on the LCL in 2008 and 2011 respectively.

The fact that the inspection was conducted just one year after the law had been put into effect was unprecedented:

In the report of law enforcement inspection, the legislature pointed out that “we should further study and resolve the labor dispatch problems, and let it play a positive role.” This showed that the thoughts of the NPC to regulate labor dispatch were not very clear, and the NPC just claimed that to resolve the problem with labor dispatch relevant departments should conduct further research.⁸⁷

However, the statements about labor dispatch in the law enforcement inspection reports on LCL in 2011 were completely different, showing the NPC’s tendency to strictly regulate labor dispatch. In “Strictly Regulating Labor Dispatch,” a report, the NPC proposed to “amend the relevant provisions, increase the threshold for the establishment of labor dispatch agencies, and strengthen inspection and law enforcement of the labor dispatch agencies.” This publication showed that the legislature intended to strictly regulate labor dispatch but had not yet decided to enforce it.

⁸⁷ Interview with the Legislative Affairs Officer of the National People's Congress Law Commission.

The ACFTU considered more than “bureaucratic interests” and proposed the law amendment should be based on consideration of the party-state interests of “regime stability,” which won central leaders’ attention and acknowledgement. The ACFTU’s assertion that labor dispatch is a kind of supplementary employment that needs strict limitations and supervision won the NPC’s recognition. The deputy director of NPC, Xin Chunying, said in his deliberation,

The scale of labor dispatch is becoming larger and larger, and it has breached the boundaries of industry, work cycle, job positions and so on, and has become a regular and common employment system. If not regulated timely and unequivocally, labor dispatch is likely to develop into the main channel of employment and disrupt our labor legislation system.⁸⁸

The unbridled expansion of labor dispatch is disruptive to the consolidation and expansion of the Party’s ruling foundation. If the trend continued, there would be a class of precariats in the society, causing more social turbulence. An official involved in the legislation said in the interview:

The central leaders considered this issue from the perspective of political stability. Labor dispatch is not only a legal issue, an economic issue, but also a social and political issue. The CPC is to rely on the working class to gain power, and now the working class has all become dispatch workers. Isn’t this a big problem?⁸⁹

Once the lawmaking decision of labor dispatch was elevated to politics and ideology threats, the Party Central Committee (PCP) adopted a clear standpoint. In the process of amending the law, many interest groups argued that if labor dispatch was

⁸⁸ National People’s Congress Standing Committee members discussed heatedly the draft amendments to the Labor Contract Law – Net Ease News Center.

<http://news.163.com/12/0629/21/856Q0LJH00014JB5.html#from=relevant>

⁸⁹ An interview with a National People’s Congress legislator.

strictly regularized, it would exert an adverse impact on the production and operation of enterprises and even sabotage all social development. The committee asked the legislators to be a little loose on the stated legislative provisions. However, the ACFTU stood against it, asserting that with loose provisions, the legislative purpose could not be reached, and the problem might not be resolved. In this case, the final decision-making power was handed over to the senior leadership of the Central Committee.

Chairman Wu Bangguo in April and December 2012, two key time points, gave instructions to substantially promote the amendment of labor dispatch in terms of directions and procedures. Wu Bangguo insisted that the issue of the labor dispatch law amendment should be addressed considering the “dominant position of the working class,” and “the consolidation of the Party’s ruling foundation.” General Secretary Xi said in a speech, “People have feelings. If they work and live long in a place but have no sense of intimacy and belonging, they may have psychological obstacles, which may further lead to new serious social problems as well as instabilities, and the consequences could be disastrous.”

The speeches and instructions of the leaders of the Central Committee actually determined the tone and principles of the legislation. The Amendment to the LCL has two distinctive features: First, the labor dispatch law amendment is not only a legal issue or an economic issue, but also a social and political issue. The proposed modification plan of labor dispatch reflects the top leaders’ tendency to effectively protect the political

status of the working class nationally. In the fourth session of the eleventh CPPCC of Shanghai on January 18, 2011, Yu Zhengsheng, the Politburo Standing Committee and Secretary of Shanghai Municipal Communist Party committee at that time, said that in order to regulate the employment behavior of labor dispatch, we should start from the SOEs:

The profits the enterprises obtained with low prices were false, which was at the expense of expanding social contradictions as well as the social harmony and development! ... Our development should not be at the expense of the legitimate interests of the masses nor at the cost of the expansion of social contradictions. From this point of view, this kind of labor dispatch employment system must be changed!

He criticized that the relevant departments for “acting slowly” on this issue and were “with too much worries.” At the same time, he admitted that he also was worried that after labor dispatch was strictly regulated, the big companies with high proportions of dispatch workers might not run smoothly. Yu Zhengsheng claimed that the concern with big companies was unnecessary. The changing thoughts of top leadership affected the opinions and behaviors of the relevant decision-making departments. Second, public opinion played a critical role in guiding the direction of the amendment. The initiative to lead public opinion in accordance with the Legislative Council propaganda report reduced resistance to amending the law.

From 2011 to 2013, *People's Daily*, the newspaper that serves as the Party's mouthpiece, sequentially published 14 labor dispatch articles, including “Dispatch chaos needed to be regulated,” “Only ‘three forms’ positions can be occupied by dispatch

workers,” etc. These articles created an atmosphere of public opinion in support of strict regulation of labor dispatch. Public opinion propaganda and guidance impelled relevant departments to actively coordinate amending the law. The clear instructions of the leadership of the Central Committee substantially gave impetus to the smooth progress of the amendment.

The contradictions among the ACFTU, the SASAC, and other decision-making parties stemmed from their different positions. Once the decision makers at the top of the central level make decisions based on the principle of a “collective decision,” this kind of contradiction can be resolved through consultation and coordination and a consensus could be reached. To ensure the smooth passage of the law, the legislature had engaged in a lot of persuasion with some enterprise committee members. Finally, the amendment decision was passed with 145 votes in favor, 6 abstentions, and 0 votes against.

Outcomes. There are two types of outcomes: resulted regulations and enforcement of regulations. Analysis of the former shows loopholes and gaps in the legal terms. The latter is based on evidence from interviews, cases, and surveys. I argue the revised law raises dispatch worker employment standards but leaves space for firms to use other flexible employment arrangements. Concerning the enforcement of the law, I argue that although the scale of both dispatch industry and dispatch workers dropped after the amendment, neither the treatments of dispatch workers were improved, nor the flexibility of firms jeopardized. After the Amendment took effect, the use of dispatch

workers in firms, especially in SOEs, dropped to comply with the 10% cap on the number of dispatch workers within an organization. Except for a few dispatch workers who were transferred to regular positions, the majority were worse off when the firms decided to substitute the labor dispatch arrangement with business outsourcing in response to the law. As a result, the new regulation neither affected the flexibility of firms nor improved the rights, interests, and protection of workers.

Loopholes in the legal provisions of the amendment. The revised law and regulations raised the standards of employment of dispatch workers but left space for firms to use other flexible employment arrangements. The Amendment to LCL and the Interim Provisions on Labor Dispatch mainly tightened the regulations in four aspects of labor dispatch: the labor dispatch agencies, “equal pay for equal work,” positions for dispatch workers, and violation liabilities. First, the Amendment raised the threshold of an entity to engage in the labor dispatch business to 2 million yuan and the entity had to obtain an administrative license (Article 57 of the Amendment). Second, it stipulated that “an employer shall adopt the same methods for the distribution of labor remuneration for the dispatch workers and regular employees at the same position under the principle of equal pay for equal work” (Article 63 of the Amendment).

Third, the Amendment clearly states that labor dispatchers shall exclusively assume temporary, auxiliary, or substitute posts, and the number of dispatch workers shall not exceed 10% of the total amount of employment (Article 66 of the Amendment,

Article 4 of the Interim Provisions on Labor Dispatch). Moreover, the Amendment provides detailed explanations of the scope of labor dispatch. Temporary positions indicate positions that exist for less than six months; auxiliary positions refer to non-major business positions providing services to main business positions; and “substitutive position” indicates a position that may be held by any other employee on a substitutive basis during a certain period of time when the employer’s employee who originally holds the position is unable to work because such an employee is undergoing full-time training, is on vacation, or unable to work for any other reason (Article 66 of the Amendment).

Fourth, the Amendment has strengthened administrative control over labor dispatch agencies and the employer, and further raised the level of punishment for illegal activities of labor dispatch agencies and the employer (Article 92 of the Amendment). All of these provisions regulate the employment standards of labor dispatch. Compared with the LCL, the Amendment and the Interim Provisions have further tightened the use of labor dispatch and strengthened legal protections for dispatch workers.

However, as a whole, the labor dispatch regulations in China do not exceed the regulation standards in OECD countries. For example, unlike labor dispatch regulations in China, slightly less than one-third of the OECD countries place restrictions on the number of consecutive assignments of the same worker in the same user firm; most countries put some restrictions on the specific type of work applicable to labor dispatch

employment; and more than half of OECD countries limit the maximum duration of assignments to no more than three years.⁹⁰

Beyond the regulations in OECD countries, the Interim Provisions in China limit the employer's right and the labor dispatch agency's right to unilaterally terminate employment relations with dispatch workers. According to the Interim Provisions, an employer can unilaterally terminate employment with a dispatch worker only under certain circumstances, such as a change in objective economic circumstances, bankruptcy, and the expiration of a dispatch agreement. In the event that a dispatch worker becomes ill or suffers a non-work-related injury or a female employee is pregnant, confined or in her nursing period, the employer shall not unilaterally terminate employment relations with the dispatch worker. And if during these periods the dispatch agreement expires, the dispatch agreement must be extended until the relevant circumstance disappears (Article 12 and Article 13 of the Interim Provisions).

In the event that a dispatch worker is returned by an employer, not for personal reasons, the labor dispatch agency may not unilaterally terminate its employment contract with the dispatch worker if the dispatch worker does not agree to be dispatched to a new workplace that offers poorer working conditions than the previous one (Article 15 of the Interim Provisions). Besides, during the period when the dispatch worker has no job assignment after being returned, the labor dispatch agency shall pay the dispatch worker

⁹⁰ OECD. (2013). Protecting jobs, enhancing flexibility: A new look at employment protection legislation. *OECD Employment Outlook*, 65-126.

the minimum wage standards specified by the local government on a monthly basis (Article 12 of the Interim Provisions).

These provisions limit the flexible employment of dispatch employees, but the amended law left space for other flexible employment arrangements. In practice, some SOEs began to use “labor dispatch” as a “long probation period” to screen staff. Furthermore, some enterprises substitute dispatch employment with contracting, outsourcing, and other employment arrangements with the intent to circumvent these legal constraints. The strict regulation of labor dispatch has left space for the use of other flexible employment arrangements.

The effects of the implementation of the amendment. The Interim Provisions on Labor Dispatch that went into effect on March 1, 2014 further clarified the scope and proportion of labor dispatch employment. The Provisions explicitly required enterprises to reduce the number of dispatch workers to 10% of the total number of employees before February 29, 2016. After the implementation of the Amendment and the Interim Provisions on Labor Dispatch, there was a decline of dispatch workers both in scale and proportion. According to the statistics of the Labor Relations Department of the MOHRSS, by the end of June 2014, 17,000 labor dispatch agencies were licensed, dispatching 9.1 million dispatch workers, which declined by 2% and 8% respectively compared to the numbers by the end of June, 2013 before the implementation of the new

regulations. By the end of 2015, 29,800 labor dispatch agencies were licensed,

dispatching 8.84 million dispatch workers.⁹¹

Specifically, by the end of 2015, the total number of dispatch workers in Guangdong province was 922,500, dropping by nearly 43% compared with 1.63 million at the peak in 2012. At the same time, the total number of dispatch workers in Shanghai was 880,000, which decreased by 19.9%, compared with 1.098 million by the end of 2012. From an enterprise perspective, the proportion of dispatch workers in central enterprises that extensively use labor dispatch dropped sharply. For example, the total number of dispatch workers in China Post decreased from the 461,300 by the end of 2013 to 180,500 by the end of 2015; the total number of dispatch workers in the Agricultural Bank of China decreased from the 34,800 by the end of 2013 to 11,200 by the end of 2015. In addition, in some foreign-funded enterprises and large private enterprises, the drop was dramatic. These statistics were supplementarily verified by the decline in dispatch workers reported by the labor dispatch agencies. A manager of a labor dispatch company in Yizhuang, Beijing said in July 2015,

The number of dispatch workers has declined. For example, we provided 13,000 dispatched employees in 2012, but the number is 5000 at present. The proportions of dispatch workers in the companies whom we are serving are all controlled within 10 percent. State-owned enterprises have outsourced some positions conducting simple tasks, while dispatch workers in the positions that cannot be outsourced have been transferred to contract workers after passing the examination. And some contracts would be no longer renewed after expiration. In the outsourced businesses, some regular workers were laid off or were converted

⁹¹ Labor Relations Department under Ministry of Human Resources and Social Security: The report on the implementation of the Interim Provisions on labor dispatch, November 2015.

to outsourced labor. Lots are “fake outsourcing and real dispatch.” There are about 15-20 percent of the jobs lost in foreign companies and private companies that consider more about saving costs through the adjustment of employment arrangements to optimize the structure of personnel.

In order to meet the requirements of the “Interim Provisions,” the enterprises took a series of measures to lower the proportion of dispatch workers, such as transferring them to regular jobs, outsourcing, and terminating the contract. Some enterprises made efforts to transfer the dispatch workers occupying key posts to regular ones in the 2-year transitional period, while many enterprises lowered the proportion of dispatch workers by outsourcing. Because the Amendment was guided by the political consideration of maintaining social stability, the strict amendment of labor dispatch law in practice did not substantially reduce the employment flexibility of enterprises, nor did it significantly improve the rights, interests, and protection of workers.

(1) Strict legislation regulation of labor dispatch doesn't significantly affect the employment flexibility.

After the implementation of the Amendment, to meet the requirements of “three forms” posts and employment proportion, enterprises generally used a strategy of “leave a batch, transfer a batch, outsource a batch, and cut down a batch” to transform their employment arrangements. Some dispatch workers were transferred to regular jobs, some were eliminated for failing the exam, and some have been transferred to outsourced labor positions. Because “outsourcing” could reduce the proportion of labor dispatch employment in the short term and was easy to operate, a considerable number of SOEs

and some foreign and private enterprises chose to “outsource a whole business” to lower the proportion of labor dispatch employment. Three main approaches were taken: First, a few large enterprises, such as the Grid Corporation, Sinopec, Lenovo, etc., established a new company under the group and made the dispatch workers sign employment contracts with the new company to achieve the company’s internal personnel outsourcing (see the case with labor dispatch transfer below).

Second, large human resources companies began to deal in businesses like “human resources outsourcing, service outsourcing, job outsourcing, and project outsourcing” instead of the labor dispatch business. For example, the Dongfang Huibo human resource management company contracted for the express, logistics, sorting, and other services of the Beijing Express Mail Service (EMS). The Beijing EMS transferred more than 2000 dispatch workers to “outsourced laborer” positions in the Dongfang Huibo, which was responsible for the management or co-management of laborers with the Beijing EMS. By creating this type of employment arrangement, the Beijing EMS cut profits by increasing actual labor costs but enhanced the flexibility and transferred the risk of employment to the Dongfang Huibo.⁹² This type of “outsourcing” was neither a standardized “business” outsourcing nor labor dispatch, but “labor outsourcing,” which currently lacks legal guidance.

⁹² An interview with the manager of Beijing Dongfang Huibo Labor Dispatch Co., Ltd. in December 2016.

Third, some firms turned to “fake outsourcing and real dispatch.” Namely, some employers wholly outsourced some businesses, but the contractor running the businesses was still the original labor dispatch agency—the workplace stayed unchanged and the employees were managed by people from the outsourcer. The outsourcing contract was only made to look like one in terms of treaty wording and the legal form. This kind of outsourcing does not have the nature of business outsourcing, but labor dispatch in the name of outsourcing. With regard to this practice, the Interim Provisions on Labor Dispatch clearly states that the employment of workers by an employer in the form of labor dispatch in the name of contracting and outsourcing shall be dealt with in accordance with the Interim Provisions on Labor Dispatch. An official from the Department of Policies, Laws and Regulations of the MOHRSS said in explaining the purpose of this provision,

If the outsourcing is too rampant or too blatant, in judicial practice, it is likely to be identified as the labor dispatch. A rational enterprise would not outsource everything. Even if the outsourcing becomes excessive, it is still a rational behavior based on the market. So let's see. Overall, employment arrangements have become more flexible and more diversified now.

A case with labor dispatch transfer: An Education & Training company under Lenovo Group Ltd. With the deadline for state regulation enforcement on the proportion of labor dispatch approaching, Lenovo formally initiated an adjustment project in July 2015. Both dispatched engineers in T0 to T2 positions and dispatched staff in auxiliary positions were transferred to outsourced laborer positions; and dispatched engineers in T3 to T5 positions as well as dispatched workers in functional and non-auxiliary positions

were transferred to regular employment positions. Some regional outstanding dispatch employees were also promoted to regular employment. The change in work status did not affect their wages and benefits.

Since December 2014, the Lenovo company had not employed new dispatch workers. From July 2015, the dispatch workers was transferred at the rate of 20% per month. All transfers should have been completed before October 30, 2015 (except female workers in their pregnant, confined, or lactation periods). Finally, a total of 305 dispatch workers were transferred to regular positions, accounting for 48%; a total of 162 dispatch workers were transferred to outsourced labor positions, accounting for 26%; and 104 employees were dismissed at a rate of 17%. Six percent of the dispatch workers refused to be transferred (a total of 39), and 3% employees declined the change in work status (a total of 20), such as female employees in their pregnancy.

Under the impact of the new regulations, the employers had gradually evolved from using labor dispatch employment to labor outsourcing, and this trend had greatly affected the employment composition within the firms. On the whole, the implementation of the Amendment and the Interim Provisions on Labor Dispatch directly led to a sharp decrease in the proportion of dispatch workers. The strict restrictions on the proportion and the unilateral termination of dispatch workers, the detailed provisions on “three forms” positions, and improved enforcement of social insurance regulations for dispatch workers made the labor dispatch less attractive to the enterprises. For SOEs, only a small

number of dispatch workers could become regular workers, because the SOEs do not have enough employment quotas and increased regular employees would greatly raise management and employment costs, weakening their competitiveness.

In response to the changed legal contexts, the majority of enterprises began to use labor outsourcing, business outsourcing, and processing contracts to replace labor dispatch. Hence, a large number of dispatch employees were transferred to outsourced labor positions. For example, Guangzhou Red Sea Human Resources Group Co. Ltd. (hereinafter referred to as the “Red Sea Group”) contracted in part of non-core businesses of a state-owned enterprise, Guangdong Shaoguan Iron & Steel Group Co. Ltd. As a result, the Shaoguan ended up with 230 outsourced laborers and no dispatch workers in 2015. In addition, the Red Sea Group provided 4000 outsourced workers for Unicom, taking over outsourcing businesses for its customer service centers and some businesses in the business halls. HumanPool Human Resources Group, founded in Suzhou in 2001, provided production outsourcing services to Baosteel Development Co., Ltd. HumanPool Group provided more than 1300 steel packaging workers and more than 2000 steel pipe operators to the Group⁹³ in the form of outsourcing.

Government agencies and public institutions were exceptions to the trend of replacing labor dispatch with outsourcing. Because the employment quota in most

⁹³ A study on the problems and regulations countermeasure of China's labor outsourcing conducted by China Academy of Labor and Social Security under Ministry of Human Resources and Social Security in 2014.

government agencies and public institutions limited their capacities to hire regular employees to finish the workloads, these organizations had employed a large number of dispatch workers to fill in certain positions, such as auxiliary police, bailiffs, and other special administrative law enforcement officials, as well as professional posts including doctors, assistant coaches, and teachers in nursery, primary, and middle schools.

According to the survey I carried out in 43 government agencies and public institutions in Hangzhou City in 2014, covering sectors such as finance, water conservancy, public security, and transportation, there were a total of 4750 dispatch workers in these organizations, and the average proportion of dispatch workers was 35%.

Among these organizations, Caihe Sanitation in the Jianggan District had the highest proportion of dispatch workers, accounting for 79% of the workforce, and the lowest was 7% in Hangzhou Forestry and Water Conservancy Bureau. Considering the particularity of the employment quota limit in government agencies and public institutions, regulations in the Interim Provisions on Labor Dispatch did not apply to these organizations, which means that public institutions are exempt from the 10% dispatch worker restrictions. Therefore, employment flexibility in public institutions was rarely affected because their employment of dispatch workers was not constrained by the amended labor dispatch regulations.

Distinct from the incentives of SOEs to use labor dispatch, including being able to avoid signing open-ended contracts and to control the gross payroll, foreign and private

enterprises were more likely to use labor dispatch for recruiting, reducing management costs, and avoiding the risk of labor disputes. I interviewed individuals from four manufacturing enterprises in Ningbo, namely China Paper Co., Ltd., Zhejiang Shipyard, Ningbo Alps Limited by Share Ltd., and Ningbo Chi Mei Electronics Co Ltd. Two were joint ventures, one was a Japanese-funded enterprise, and one was a Taiwan-funded enterprise. None of them used labor dispatch to solve the problem of unilateral termination existing in SOEs. The proportions of dispatch workers of China Paper Co., Ltd. and Ningbo Chi Mei Electronics Co Ltd were both below 10%, and the main reasons for using dispatch workers in their case included hiring for new projects, addressing seasonal employment needs, and solving recruitment difficulties prevalent in manufacturing firms.

The maximum duration of dispatch employment was six months, and all dispatch workers would be promoted to direct employment after six months. The proportion of dispatch workers of Zhejiang Shipyard, Ningbo Alps Limited by Share Ltd. respectively reached 50% and 70% in 2014, and then was quickly reduced to within 10% by promotion, outsourcing, and employment termination in compliance with the new regulations. In addition, all four companies had provided promotion opportunities for dispatch workers before the strict regulations came into effect, and they regularly promoted outstanding dispatch employees to direct hire positions. Therefore, the strict

provisions on labor dispatch did not have a huge impact on employment flexibility of foreign and private enterprises.

In accordance with new policies on labor dispatch, the labor dispatch agencies proactively transformed their businesses to accommodate the firms' need to decrease the proportion of labor dispatch workers. For many manufacturing enterprises in Dongguan, especially the enterprises in the electronics industry, the proportion of dispatch workers had reached as high as 50%.⁹⁴ The boom of the labor dispatch industry in Dongguan was largely due to the need of manufacture firms for recruitment, and they highly relied on labor dispatch agencies for recruiting workers. After the introduction of the new deal, the labor dispatch agencies expanded their human resources services and outsourcing businesses in response to firms' increasing needs to transfer dispatch workers to regular and outsourced jobs. The marketing manager of Dongguan Chitone Outsourcing Group (hereinafter referred to as the Chitone Outsourcing) I interviewed in January 2017 said,

No sooner than the new deal was introduced, we began to take the initiative to cooperate with enterprises to reduce the scale of labor dispatch. First, we provide HR outsourcing solutions including recruitment process and other HR practices, such as recruitment, labor relations, files keeping, social security and housing fund, compensation and benefits, and other administrative work. Even if dispatch workers are promoted to regular workers, the human resource services firms will still provide HR services covering these groups of employees, so that the enterprises can focus on their core businesses. Second, firms can consider using outsourcing to reduce the proportion of labor dispatch. Outsourcing can avoid all kinds of challenges brought by transferring dispatch workers to regular workers. For example, some dispatch workers asked for compensation as a condition for

⁹⁴ Zheng Siqi & Wang Qian. (2015). The proportion of the labor dispatch shall to be controlled to 10% and the Dongguan enterprises are facing re employment (accessed May 11, 2015). Retrieved from http://news.sun0769.com/dg/headnews/201505/t20150511_5343427.shtml

accepting firms' work status request, and some asked to count their tenure as dispatch workers in the firm when calculating total work tenure. Besides, changing the work status of dispatch workers would increase legal risks, labor costs and management pressure for the firm. Because no clear distinctions between labor dispatch and outsourcing (contracting) are specified in the law, many manufacturing companies that claim to use outsourcing are actually using "fake outsourcing, and real dispatch."

(2) Strict labor dispatch regulations do not significantly improve the rights, interests, and protection of workers

The Amendment and the Interim Provisions on Labor Dispatch required that employers limit the proportion of dispatch workers. However, in response to this regulation, many employers still did not directly sign contracts with dispatch workers or improve their treatment as the lawmakers had expected. Instead, they outsourced the businesses which were originally conducted by dispatch workers. Except for a few dispatch workers who were offered transition opportunities to regular positions, most employees rarely benefited from or even suffered from business outsourcing.

To make things worse, some regular employees were dismissed or lost their privileged work status as regular workers in SOEs after the businesses were wholly outsourced. For example, in 2014, the number of dispatch workers in China Mobile Communications Corporation (CMCC) was 338,500, accounting for 59.6% of employment. To cut down the proportion to less than 10% before February in 2016, China Mobile took a series of measures such as setting up an examination for transition to regular work, and to relocate the positions of dispatch workers. Transition to regular positions could only solve the problem of employment status, but treatments of this group

of employees did not improve with the change in status. Just as a dispatch worker of CMCC said,

I have worked in CMCC for more than 10 years. I was a dispatch worker in the past and then became a regular employee via examination. According to my company, the treatment wouldn't change after becoming regular worker. However, if I couldn't pass the examination, I would have been transferred to a type D worker, namely an "outsourced worker." Type D employees do similar works as us, but the salary, insurances, bonus and other welfare are much worse, let alone the instability of their jobs. The type D employees signed contracts with third-party companies. Many type D employees have left the company so far. (An interview with a dispatch worker of CMCC in October 2015.) Even though some dispatch workers were transited to regular positions, some enterprises adopted different compensation and benefits system for these "new regular employees," so that their treatments stayed unchanged. This practice was prevalent in foreign-invested firms, because wages were generally determined by the value of the position, not employment status.

A more prevalent practice emerging after the implementation of the Interim Provisions was that if the dispatch workers wanted to keep their jobs, they had to re-sign an employment contract with a third-party agency and passively accept their new legal status as the "regular workers" in the outsourcing company. This new provision was mainly due to the firms' decision to outsource the business conducted by dispatch workers, in compliance with the new regulations limiting the proportion of labor dispatch within a firm. Although wages, benefits, and jobs stayed unchanged, the legal status of these employees was substantially altered. As a result, the employer was able to circumvent labor law responsibility for these employees because instead of being the co-employer in a triangular relationship of dispatch employment, the firm only needed to fulfill its responsibility for the contractor based on the terms on the outsourcing contract.

In other words, once the business was outsourced, the outsourcer took no legal responsibility for underpayment of wages and social insurance by the contractor. It was more likely that outsourcing would replace labor dispatch and become widely abused due to lack of regulations. A dispatch worker in a media company in Beijing described what followed in March 2016 after turning into an outsourced laborer: “My wages dropped by 30% after outsourcing. In the past, our treatment was almost similar to regular workers. But after outsourced, it is obvious that we were not protected by the labor dispatch regulations. We have no place to complain about that.”

A worker in Beijing Power Enterprise talked about his feelings after he was turned from a dispatch worker to an outsourced laborer in August 2015:

I still think being dispatch worker is better, mainly because of job security. Although the income is slightly low, it is ok. And I had the chance to change employment status. But now the company has outsourced the business that we once did, and we become the workers of outsourcing enterprise and feel insecure. The salary is not less and the position treatments didn’t change, but it feels further and further away from the (communist) system, and I feel little hope.

Both policy executors and policymakers didn’t publicly oppose the transition from “labor dispatching” to “outsourcing,” whether it was “fake outsourcing ” or not. On the one side, the local government selectively turned a blind eye to firms’ extensive use of outsourcing in place of labor dispatch for the sake of preserving local economic vitality. “Because of the poor business performance currently, the government turn a blind eye to this practice of ‘cry up wine and sell vinegar’, and not strictly investigated and penalize (using labor dispatch in the name of outsourcing),” said an official from the

Labor Supervision Department of MOHRSS in Jiangsu in August 2016. On the other side, the policy makers hoped to force fly-by-night companies to withdraw from the labor dispatching market by increasing the registered capital, and requirements for the workplace and professional personnel to regulate labor dispatch. As the director of the Department of Laws and Regulations of MOHRSS said in May 2016,

As for whether the rights and interests of employees suffered more through outsourcing, we can only speculate that it (outsourcing) was originally the labor dispatch, but just changed in the name of outsourcing, which was fake outsourcing. It (this change) cut off the legal responsibility of the employer in labor dispatching relations.

Whether the workers' rights and interests are subject to greater damage in the case of outsourcing? From the legal theory, it is impossible to draw this conclusion. Someone argued that even if the dispatch workers received poor treatments, they were backed by the big daddy such as the Industrial and Commercial Bank of China, Petro China and Sinopec, and they would be pleasant to work there. If there were problems, workers could turn to Petro China and Sinopec and complain. If (labor dispatch is) turned into outsourcing, the outsourcing firms would take away the business, as well as the labor relations, so workers can only turn to outsourcing enterprises for help. If the outsourcing firm originates from a labor dispatch agency, the qualification and ability of the outsourcing enterprise may be weaker, and the wages and benefits of workers may decrease as a whole, which may lead to greater damage to the rights and interests of employees in practice. We believe that this is the result of non-standard outsourcing, and the real outsourcing is unlikely to lead to this result.

The implementation of the labor dispatch regulations was hardly ideal. When talking about the effects of labor dispatch regulations implementation, a leader of ACFTU who participated in the legislative process said:

It was difficult to amend the labor dispatch regulations. ACFTU experienced difficulties fighting for it and made great efforts at that time. However, it was not of much use fighting for it. The government and ordinary people don't take the law seriously. The compliance with the law are poor, and in practice, the law has not been respected.

The emergence of the extensive “fake outsourcing, real dispatch,” and the labor dispatch law enforcement agencies’ neglect of this problem indicated the selective implementation of the regulations protecting the dispatch employees under increasing downward pressure of the current economy. The legitimate rights and interests of the dispatch workers had not been effectively protected. An official of the Law Department of ACFTU referred to the reasons for these issues in an interview in January 2017:

After the introduction of the Interim Provisions on Labor Dispatch in 2014, together with the influence of China’s slow economic growth, some labor-intensive small and medium enterprises (SMEs) suffered from operating difficulties. Some enterprises were closed down, and at one time, there was a wave of bankruptcies in the developed parts of the southeast coast. Some local governments reflected that, if the new deal was strictly implemented, many dispatch workers may lose jobs. Although the ACFTU’ attitudes and positions of protecting dispatch workers had not changed, it indeed made some adjustments in propaganda strategy and in the strength of policy promotion. It no longer put the implementation of labor dispatch as the focus of public opinion.

In conclusion, the implementation of the Amendment and the Interim Provisions on Labor Dispatch was not optimistic, further indicating that the treatments of dispatch workers might not have been truly improved. The violation of rights and interests of the dispatch workers was consistent with a global trend of inferior treatments of informal workers, who are extremely vulnerable under the intense competition of the global economy.

Conclusions

This study takes the amendment of labor dispatch regulations in China as an example to explain the decision making process of China’s labor dispatch policies, based

on a thorough examination of the initiative, process, and outcomes of the law amendment. The study is among the first attempts in analyzing the complete lawmaking processes of China labor policies. The analysis showed that the amended labor dispatch regulations were the result of consultation among three parties, namely ACFTU, the labor administrative department, and SASAC. The ACFTU played a dominant role in promoting labor dispatch regulations. It lobbied the NPC to pay attention to the issue of labor dispatch and sought the support of the central leadership and the grassroots citizens to advance the labor dispatch law revision. The study demonstrated how the trade union as the “weak bureaucratic entrepreneurs” promoted the amendment through mobilizing the grassroots, engaging in joint deliberation, lobbying the upper legislative institutions, and deploying social media, which affected the outcomes of the legislative negotiations counting on the political power of both upper and lower. The process of revising the law reflected a fierce bargaining procedure among ACFTU SASAC and some central enterprises.

The trade union, transcending the “bureaucratic interests,” put forward and demonstrated the necessity of amending the law based on party-state interests and Party ideology. The lobbyists persuaded the legislature and the top leaders of the central government that revising the law was a political strategic decision in favor of “party-state interests,” which concerned the dominant position of the working class and the party’s

ruling foundation. The policy-making decisions were more out of a political consideration than economic demand.

The Politburo made the final call on the direction of labor dispatch policy, demonstrating the uncompromising decision-making power of the CPC on policy-making when the decisions concerned the party-state's interests. The detailed provisions were generated from the suggestions, opinions, and resolutions of the masses and presented a wide range of democracy. The different decision makers kept on negotiating and communicating the policy details after the top central decision-making body made a decision on the amendment, and ultimately the policies were introduced. The contradictory positions and bureaucratic interests between the ACFTU and the SASAC were resolved by the top leaders' decisions.

The social influence of public opinion had promoted the process of amending the law, and the trade unions had taken advantage of the media to press pressures on tightening labor dispatch regulations. The ACFTU vigorously mobilized the grassroots and organized the public to make feedbacks on law amendments. It pushed to an extent that the number of public suggestions collected by the legislature reached 550,000, which made the records because the legislature sought advice from the public in a rare time in China's history. The ACFTU constantly influenced the views of legislators by compiling various research reports on the issue of labor dispatch based on an unprecedented investigation of the issue. In addition, the large amount of data collected in the

investigation had become an important source for legislators to map out regulations. The amendment on labor dispatch regulations set a typical case on how the ACFTU participated in and promoted the policy-making of labor rights and interests from the initiation stage, highlighting its willingness and ability to protect workers' interests and showing its initiatives to actively perform their duties.

The strict Amendments did not produce substantial results, due to the underlying logic of industrial peace on the part of the policy-makers. It neither reduced the employment flexibility of enterprises, nor significantly improved the rights, interests, and protection of workers. The implementation of the Amendment and the Interim Provisions on Labor Dispatch directly caused a significant reduction in the proportion of employed dispatch workers. The strict regulation of labor dispatch made the use of labor dispatch less and less attractive to enterprises and a majority of SOEs began to use labor outsourcing, business outsourcing, processing, and contracting to replace labor dispatch, and ultimately a large number of dispatch employees were transferred to outsourced positions.

While the public institutions were not subject to proportion restrictions on labor dispatch because of the quota management system's rigidity, for foreign and private enterprises, the use of labor dispatch was more to solve difficulties in recruiting, to reduce management costs, and to avoid the risk of labor disputes, rather than to preserve the flexibility of employment within the firm. At the same time, the rights and interests of

the dispatch workers have not been significantly improved as a whole. Although ACFTU played an important role in the process of amending the law, the new regulations still presented themselves as a compromised result. The extent to which the trade unions have played a role should be a subject of further empirical research.

Appendix

Table 1

Labor Dispatch Regulation in China: Logic of Action – Legal Process Framework

		<i>Logic of Action</i>		
		<i>Logic of Industrial Peace</i>	<i>Logic of Competition</i>	<i>Logic of E-I Protection</i>
<i>Initiation</i>	The ACFTU proposed that the expansion of dispatch workers was out of control.			The ACFTU felt pressure to rebuild its legitimacy as workers' representative.
	Both ACFTU and MOHRSS were concerned with the potential threats that labor dispatch exert on the stability and legitimacy of Chinese labor regimes.		The SASAC and several central enterprises argued that strict regulation of the labor dispatch would cause adverse effects on the production and operation of enterprises and the development of society.	
	The Party leader's concern for reigning stability dominated the argument on labor dispatch regulation between MOHRSS and SASAC.			
<i>Legal Process</i>	The revised law raises the standards of deployment of dispatch workers. -The scale of both dispatch industry and dispatch workers dropped after the Amendment.		The flexibility of firms is not compromised because the revised law leaves space for using other flexible employment arrangements. -The flexibility of firms was not jeopardized because dispatch was replaced with outsourcing.	The treatments of dispatch workers were hardly improved.
<i>Outcomes</i>				

Table 2
Regional Distribution of Labor Dispatch Transfer in an Education & Training Company under Lenovo Group Ltd.

Regions	Number	Already been transferred	Percentage of completion
Xi'an	28	28	100%
Yun-Gui	12	12	100%
Shandong	39	39	100%
The Northeast	26	26	100%
Chuan-Yu	53	53	100%
Hunan	2	2	100%
Jin-Ji-Yu	69	68	99%
Wuhan	27	26	96%
Shanghai	116	111	96%
Jing-Jin-Meng	102	95	93%
Nanjing	22	20	91%
Zhejiang	45	39	87%
Guangdong	89	72	81%
Total	630	591	94%

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Chapter 3
Essay Two: Differentiated Treatments between Dispatch Employees and Regular
Employees in China

Introduction

The 2008 Labor Contract Law (LCL) marked the transformation of employment relations in China, featuring non-negligible growth in dispatch employment at the workplace. This law codified the legal status of dispatch employment and the temporary agency industry after their wild development with loose regulations over the past two decades. Instead of constraining the temporary employment relationship (TER), the LCL put strict regulations on contract signing and the length of employment terms of regular employees (Wang et al., 2016), which turned firms on to the extensive use of dispatch employment to compensate for the loss of flexibility.

In many countries, acquiescence in the use of temporary agency employment is a compromise regulators make with firms for increased protection for formal employment. While legal scholars celebrated the triumphs of increased protection for regular employees, the law aggravating the penalty on firms that fail to sign employment contracts with employees on their payroll, firms turned to “disposable” temporary agency workers who often had limited access to the full welfare system for regular employees (Vosko, 2000). The employees were regularly trapped in poor quality jobs (Autor & Houseman, 2010) because they are often marginalized in the organization, which drew increasing attention to this expanding group of precarious employees in China.

Why care so much about the well-being of dispatch employees? First, there is growing concern for dispatch employees whose labor rights are easily breached due to the informality of employment relationships, the virtual absence of regulation specifically for TER, the weak bargaining power of dispatch employees, the complexity of triadic employment arrangements (Bidwell & Fernandez-Mateo, 2008), and the priority of employment over labor rights protection (Cooke, 2006). In addition, some fear the entrenched commodification of labor power along with the erosion of security of the workforce (Vosko, 2000).

On the social level, frequent displacement and disorganization puts downward pressure on the income of dispatch employees, contributing further to an increase in inequality (Cappelli, 1999). In China, particularly, the concerns for income inequality between informal and formal workers is accumulating, because “Chinese dual-labor market is shifting from rural migrants versus urban workers to informal versus formal worker” due to the relaxation of the *hukou* (resident status) system (Chen & Hamori, 2013). Consequently, some predicted the entrenched temporary employment relationship would lead to the making of precariats, a new precarious working class, in China (Chan, 2016).

Both organizational and institutional factors contribute to the vulnerability of dispatch employees in the workplace. First, the triangular employment relationship among dispatch employees, dispatch agencies, and client firms impairs dispatch

employees' control over their work and claims for their compensation. Though the dispatch agency, or the temporary help agency, generally acts as the legal employer of the worker, the actual work is performed at a client site. As a result, the client firm has much power and control over the daily work carried out by dispatch employees, while they maintain little commitment to income, benefits, and job security by keeping an arm's length, market-mediated employment relationship with the employees (Cappelli, 1999; Osterman, 1999).

Second, the cost model of contingent workers indicates that employers hire contingent workers as a cushion to protect job security for regular workers (Atkinson, 1984; Hatton, 2011), contributing to the marginalization of dispatch employees. Firms that employ such personnel schemes view spending on employees as costs rather than investments and maintain little dedication to retaining non-core dispatch employees. Third, without full-fledged regulations on the labor protection of TER, dispatch employees generally suffer from low wages, lack of social security protection, and other problems (International Labor Organization, 2002).

The legitimization of dispatch agencies at both national and the super national levels, namely the new convention on private employment agencies (No. 181), substantiated the state-sanctioned erosion of the standard employment relationship and the abandonment of the sentiments behind the maxim "labor is not commodity" (Vosko, 2000). There is a growing movement among advanced welfare states (including Canada)

to legitimize temporary help agencies without instituting a sufficient package of social protections for temporary help workers (Vosko, 2000). Similarly, in the United States, the temporary help arrangement is ratified as legal and legitimate, and firms rely extensively on the commercial temporary agency because they are then free of paying benefits to the workers if they are not legally classified as employers of these workers (Barley & Kunda, 2006; Gonos, 1997).

Generally, precarious workers, especially undereducated workers with low skills, are trapped in poor quality jobs with inferior welfare and working conditions (Autor & Houseman, 2005; Chan, 2016; So, 2014). Temporary jobs are generally regarded as “bad” jobs, with lower wages, fringe benefits, job security, and upward mobility than standard employment, even when controlling for individual characteristics, including personality traits, family status, and industry (Houseman & Polivka, 1999; Kalleberg et al., 2000; Kalleberg, Reskin, & Hudson, 2000; Segal & Sullivan, 1997). Chan’s (2016) study of five auto assembly companies in China showed that the contract term of dispatch employees was slightly shorter than for regular employees, and the difference in take-home pay of regular and agency workers was non-negligible. According to Autor and Houseman (2010), placing low-skilled workers in positions arranged through temporary help agencies instead of direct hire does not increase their “employability,” or long-term employment, and few workers could use temporary agency

jobs as stepping-stones towards full-time long-term employment (Hopp, Minten, & Toporova, 2016; Scherer, 2004).

Few researchers have attempted to assess the extent to which dispatch employees are worse off than regular employees in working environments, though extensive studies have qualitatively depicted the inferior working conditions of dispatch employees in the Chinese context (ACFTU, 2010; Wang and Wang, 2012; Zhang, 2010). On the one hand, the stated regulations on dispatch employees' labor standards in China are not markedly inferior to those of many developed economies (Cooney, 2007), and, in some cases, they are even stricter. For instance, it is stipulated that dispatch agencies, the legal employer of dispatch employees, must sign a written employment contract of at least two years duration with dispatch employees, and they are obliged to pay them minimum wage when they are between assignments. On the other hand, the effective enforcement of relevant regulations remains problematic (Cooke, 2005; Cooney, 2007; Taylor, Chang, & Li, 2003; Warner, 1996).

After the implementation of the 2008 LCL, China had witnessed growing labor disputes involving informal employment, and many were caused by the confusion embedded in the triangular employment relationship of labor dispatch (Harper Ho & Huang, 2014; Li, 2015). The discrepancy between the stated law and the enforced law complicated evaluating the extent of protection the LCL provides for dispatch employees compared to regular employees in China, and less clear is the extent to which regular and

dispatch employees are discriminatively treated at the workplace. Are dispatched workers in China continuously disadvantaged in the workplace in most aspects? In what respects, such as basic wage, fringe benefits, work intensity, workplace health and safety, and voice and representation, are they disadvantaged? To what extent are they worse off than regular employees? The dearth of studies with respect to the extent of differentiated treatments between regular and dispatch employees leaves us with accumulated uncertainty and concern about their well-being.

Drawing on the data from the Seventh Survey of Chinese employees conducted by the All-China Federation of Trade Unions in 2012, covering 44828 individuals, this research explored the differences in welfare, voice, and management-labor relations between dispatch employees and regular employees, and further examines the effect of firm ownership, firm size, unionization, GDP, and industry on divergence in rights and interests. Specifically, this study demonstrated the effects of the identity of dispatch employees on their compensation, benefits, working conditions, and other welfare, as well as their voice and participation, and labor-manager relations. It further showed the moderating effect of workers' position, firm ownership, firm size, unionization, GDP, and industry on these relationships.

This study was the first attempt to make a comprehensive comparison between regular and dispatch employees in China using nationwide sampled data. It demonstrated the extent to which dispatch employees are worse off than regular employees. The results

are more reliable due to the size and representativeness of the sample. I argue that dispatch employees are disadvantageous in most rights protections compared to those of regular employees, and the extent varies in different contexts. The results revealed the unequal treatments among workers with different employment arrangements, which, at least partially, substantiated the rationale for amending the 2008 Labor Contract Law (LCL), stipulating the provision of an equal legal environment for workers.

Dispatch employees are exposed to essentially different working conditions from workers on the payroll. A strand of literature described the inferior welfare and work conditions of dispatch employees compared to those of regular employees (Chan, 2016; So, 2014) at the workplace. Informal employees generally suffer from low wages, lack of social protection, and other problems (International Labor Organization, 2002).

According to Chan's (2016) study of five auto assembly companies in China, the contract term of dispatch employees was slightly shorter than for regular employees. The difference in take-home pay of regular and agency workers was non-negligible, but not large either. In 2010, agency workers' take-home wage ranged from 75.9% to 90.7% of regular employees. In terms of working hours, agency workers worked 9.5 hours and regular employees worked 9.4 hours a day on average, slightly longer.

So (2014) conducted a preliminary survey of 120 employees in 2011. Although the author speculated that few factories surveyed paid very low wages to dispatch employees because of recruiting problems, the results showed that the average monthly

income of dispatch employees was still 88% of the income of regular employees. In addition, there was a clear gap between regular and dispatch employees in terms of welfare benefits (including housing funds, holiday payments, and enterprise annuities). Besides, dispatch employees' occupational health and safety were not taken seriously; only 8% of dispatch employees prior to the job and 15% on the job received training concerning safely operating machinery and preventing occupational hazards. While a plethora of qualitative evidence has demonstrated the inferior conditions of dispatch employees, only a few studies have showed the specific degree of the differences between dispatch and regular employees in some regions and industries in China (Chan, 2016; So, 2014).

Because of the small sample size or concentration on certain provinces or industries, these conclusions are not nationally representative. The only national surveys were conducted by ACFTU in 2010 and 2011, but the analysis was limited to the general descriptions of dispatch employees. Besides, most current studies just focused on the salary gaps between dispatch and regular employees, but other labor rights, such as working environment and democratic rights, are not well documented. A nation-wide comprehensive comparison between dispatch employees and regular employees is needed.

Differentiated Treatments Between Regular and Dispatch Employees in China

With the extensive use of labor dispatch, the problem of the dispatch employees' deprivation of rights is becoming increasingly prominent (ACFTU, 2012; Chang Kai, Li Kungang, 2006; Biggs & Swailes, 2006; Fuller & Stecy-Hildebrandt, 2014; Kalleberg et al., 2000). Because of separation of "employment" and "utilization" in the triangular relationship of a labor dispatch arrangement, dispatch employees are different from regular employees in terms of rights-and-interest protections, including payment, social security benefits, occupation safety, work environment, and democratic rights.

Compensation and benefits. The precarious employment identity of dispatch employees accounts for a large portion of income inequality compared with that of regular employees. Empirical results indicated that differences between the characteristics of formal and informal employment, such as lack of regulations and protection of informal employment by existing legal or regulatory frameworks, explained a much higher percentage of the hourly income differential than does discrimination in the labor market (Chen & Hamori, 2014). Cappeli (1997) argued that the precariousness of temporary work increase the penalty for such employment (p. 182). For example, people who have been displaced from their jobs are much less likely to find jobs that pay as much as their previous jobs, if they are fortunate enough to find jobs at all. Such displacement shifts people to the lower end of income distribution, contributing further to the increase in income inequality. Besides, a triangular employment relationship enables

client firms to use their relationship with agencies to manage wage reduction (Bidwell & Fernandez-Mateo, 2008).

Generally, the workers do not get to know how much the agency is billing the client for its service, and they rarely have a chance to negotiate wages. Further, some argue that dispatch employees are paid less because firms would lower their wages to compensate for the administrative fees they pay to the agency. However, the triadic arrangement does not necessarily lead to lower payments to dispatch employees. In some cases, employees of temporary help agencies are paid wages similar to those of regular employees. Chen and Chan (2018) investigated the pay gap between these two categories of workers in Chinese auto joint ventures and found that companies use bonuses to narrow the compensation gap to more easily gain the compliance of agency workers to work overtime during busy seasons, presumably to reduce labor turn-over. In other cases, workers might choose to work through an agency because of the increased security from ties to a firm that would find them work and provide them with secure pay. Agency workers' preference (especially those with special skills) for a secure job supply from the agency accredits more bargaining power on agency workers' wages to the agency with the client firm.

Empirical evidence has shown that dispatch employees are generally paid less on average than permanent employees, even for the same work (Biggs & Swailes, 2006; Fuller & Stecy-Hildebrandt, 2014; Kalleberg et al., 2000). Temporary workers earn about

14% less than permanent employees and account for almost 60% of the bottom decile of wage distribution in the United States; that is, of the working poor (Cappelli, 1999). Even when temporary workers are in a more favorable position in the labor market, they describe their poor pay and benefits as commonplace because the controlling mechanisms used by agencies “mold” temporary workers’ behavior to tolerate low pay and make them unaware of their power position (Davy, 2010). Plenty of empirical evidence in China has also demonstrated similar results, based on the interviews of 71 workers from Guangdong (49 dispatch employees and 22 regular factory workers).

So (2014) found that the total compensation of dispatch employees was lower than that of regular employees. According to an investigation of the Henan Provincial Federation of trade unions, the salary gap between dispatch employees and regular employees with the same or similar job or performance ranged from 30% to four or five times (ACFTU, 2012). In 2010, the Shanghai Federation of Trade Unions surveyed 363 dispatch agencies. The results showed that the monthly salary of dispatch employees was only 80 to 90% of regular employees’ wages (Li Yulin, 2012). Zhang Liya (2011) found that the salary of dispatch employees in Beijing was at a relatively low level, and only 15% of respondents said that their employers could pay dispatch employees equal salaries for the same work as regular employees. The problem of “equal pay for equal work” between dispatch and regular employees has been outstanding and is especially serious in

some state-owned companies (Human Resources and Social Security Department of Labor Science Research Institute and the Department of Labor Relations, 2009).

In terms of other forms of remuneration, there are widespread concerns in academia that dispatch employees are commonly less likely to receive employer-provided benefits or social welfare or receive less in terms of types and amount compared to their counterparts in permanent positions (Carre, Durivage, & Tilly 1994; Houseman, 1997; Huang, 2017, p. 2). Cohany et al. (1998), for example, showed that contingent workers are less likely than regular employees to be eligible for health insurance and pensions and argued that this is an important indicator of low job quality. Also, temporary workers are about half as likely to receive any employer-provided health care (Cappelli, 1999). A study tracking the career path of many employees showed that a worker's welfare for the first 40 years of his or her life was 6.4% lower if he or she began in a contingent job than if he or she started in a regular job (Esteban-Pretel, Nakajima, & Tanaka, 2011). Yet, few empirical studies have been conducted about the inferior benefits and social welfare of dispatch workers in China.

In countries with weak legislation compliance, dispatch employees are most likely to be treated with lower social welfare standards in practice even when social protection is compulsory (ILO, 2000; Rodgers, 2002; Wu & Cai, 2006). In China, a principal social security system has emerged to cover workers in both formal and informal employment (Zhang, 2008). However, the implementation of the social security regulations issued by

the state, covering health insurance, pension, work injury insurance, unemployment insurance and maternity insurance, remains problematic.

First, the implementation with regard to insurance coverage is heavily biased towards urban residents. In the non-state-owned sector in Guangdong Province, over 80% of the rural migrant workers did not participate in any form of insurance. Given that two-thirds of the dispatch employees are rural migrants, who seek employment in cities through temporary employment agencies, quite a few dispatch employees have limited access to social insurance (Cooke, 2011). Second, the local enforcement of social insurance regulations in practice varies between regular and dispatch employees. For example, Guangzhou city allows firms to pay pension contributions for their dispatch employees at a lower rate and to use a smaller contribution base than their regular employees have.

While firms could use 60% of the “average wage in society” as the contribution base and 12% as the contribution percentage to calculate pension contributions for dispatch employees, the firms will have to contribute 20% of the “average wage in society” for their regular employees.⁹⁵ Further, in some regions where monthly salary is used as contribution base, firms use only the basic wage (excluding post wages and merit pay) to calculate insurance contributions. Dispatch employees, who usually have lower basic wages, are granted significantly lower insurance contributions. In addition, some

⁹⁵ <http://news.sina.com.cn/c/sd/2011-05-23/115022513817.shtml>

firms are allowed to only pay one or two types of insurance contributions (the law requires firms pay for all five types of social insurance) for dispatch employees by the local authorities, and some can get away with the housing funds. Third, given the tendency of the courts to consider social insurance disputes to be outside the purview of their jurisdiction, workers under dispatch work contracts have a hard time asserting claims for social insurance lapses (Huang, 2017). As a result, firms save a bulk of money on social insurance and housing funds by employing dispatch employees. Therefore, I hypothesize the following:

Hypothesis 1a (H1a): Dispatch employees have lower salaries than have regular employees.

Hypothesis 1b (H1b): Dispatch employees have lower basic salaries than have regular employees.

Hypothesis 1c (H1c): Dispatch employees will be less satisfied with wages than will regular employees.

Hypothesis 1d (H1d): Dispatch employees will have lower basic social security coverage than have regular employees.

Hypothesis 1e (H1e): Dispatch employees will have lower full social security coverage than have regular employees.

Hypothesis 1f (H1f): Dispatch workers will have lower benefits than have regular workers.

Employment protection and employability. Regarding the differences in rights protection between dispatch employees and regular employees, prior studies have reached consistent conclusions based on experience and quantitative evidence using small samples: dispatch employees are in inferior positions in terms of dismissal protection (Esteban-Pretel et al., 2011) and career prospects (Cobb, 2015; Soltani, Lai, Phillips, & Liao, 2009) compared to those of regular employees. One of the key reasons as cited by host companies that extensively use dispatch employees is that they are easy to lay off. Vosko (2000) argued that by signing the dispatch agreement, agency workers relinquish their rights on notice of determination. Based on the provisions in the Chinese LCL, firms are not liable for severance pay in the event of unilateral termination of a dispatch employee because a dispatch work relationship is “not a (regular) labor relationship” (Huang, 2017).

By contracting its employees under the dispatch agency, a host company would rid itself of the legal risks related to labor disputes cases by unilateral employment termination, and a host firm is sometimes willing to pay high administrative fees for an agency’s service of handling termination issues. For instance, Beijing FESCO, a renowned dispatch agency, charges its client 40% of dispatch employees’ compensation for its service, including taking full responsibility for dispatch employee severance compensation. That being said, dispatch employees experience higher job insecurity than do regular employees.

The precarious nature of dispatch employment discourages host companies from committing to invest in dispatch employees and to promote their employability. Although some argue for the port-of-entry effect of dispatch work employment (Bertoni, Devicienti, & Pacelli, 2011), very few agency workers are able to transit to a regular position within or across the firm (So, 2014). Besides, little general-purpose training is gained on a temporary position. As a result, the majority of temporary workers receive fewer training opportunities and poorer training quality, and fewer promotion opportunities compared to those of regular employees (Finegold, Levenson, & Buren, 2005; Kalleberg et al., 2000; Hall, 2006). Therefore,

Hypothesis 2a (H2a): Dispatch employees will have less job stability than have regular employees.

Hypothesis 2b (H2b): Dispatch employees will receive less training than will regular employees.

Hypothesis 2c (H2c): The promotion opportunities of dispatch employees will be lower than those of regular employees.

Work intensity and workloads. Dispatch employees are faced with inferior working conditions in term of workloads and work intensity (Giunchi, Emanuel, Chambel, & Ghislieri, 2016; Sharon, Griffin, Sprigg, & Wall, 2002). Compared to regular employees, dispatch employees often have less control over the content of their work (Connelly & Gallagher, 2004). Furthermore, they have little control concerning the

duration of an assignment (Aronsson et al., 2002; Beard & Edwards, 1995)), which has, per se, limited their control over and workloads and work intensity (Feldman, 2006; Pfeffer & Baron, 1988; Sullivan, 1999).

Generally, dispatch employees are mainly assigned to low-complexity jobs (Davis-Blake & Uzzi, 1993; Kalleberg & Rognes, 2000), and they often feel the pressure to work more quickly than do other workers at the work site, due to the insecure nature of their work. Dispatch employees usually work efficiently, because they generally try a little harder to show themselves deserving to be brought on payroll and to get higher benefits, so that they could be kept at work. Host firms are often aware that dispatch employees tend to work harder, and they take advantage of the insecure nature of the TER (Vosko, 2000). Therefore, dispatch employees would be expected to endure more intense work, to experience higher labor quotas, and to have less predictable working hours (Felstead & Gallie, 2004); dispatch employees would also be in an inferior position in terms of working hours (Esteban-Pretel et al., 2011; Jones & Urasawa, 2011),

Hypothesis 3a (H3a): Dispatch employees will work longer hours than will regular employees.

Hypothesis 3b (H3b): Dispatch employees will have higher labor quota than have regular employees.

Hypothesis 3c (H3c): Dispatch employees will be more likely to work overtime than will regular employees.

Occupational health and safety. The precariousness of employment, a lack of workplace voice, and pervasive regulatory failure contribute to the temporary agency workers' poor occupational health and safety (OHS) outcomes (Johnstone & Quinlan, 2006; Vosko, 2010). Because 1990s researchers found that job insecurity and precarious employment are associated with significantly worse OHS outcomes (Kochan, Smith, Wells, & Rebitzer, 1994; Quinlan & Bohle, 2009; Quinlan, Mayhew, & Bohle, 2001; Underhill & Quinlan, 2011). Studies of temporary agency workers' OHS outcomes have produced similar results. For instance, international studies indicate temporary agency workers are more likely to be injured at work than are other types of employees (Hébert, Duguay and Massicotte, 2003; Kochan, et al., 1994; Silverstein et al., 1998, 2002; Underhill & Quinlan, 2011).

Based on the interviews of 71 workers from Guangdong (49 dispatch employees and 22 regular factory workers) conducted in China, So (2014) found that dispatch employees' occupational health and safety was not taken seriously; only 8% of dispatch employees prior to the job and 15% on the job received training concerning safe operation of machinery and prevention of occupational hazards. In addition, agency workers are also less involved in unions (Pulignano, Meardi, & Doerflinger, 2015), the workers' congress, and democratic management in enterprises (So, 2014), compared to the higher involvement of regular employees. As a result, agency workers are less likely to exert any impact on improving their working environment at the workplace.

The failure in regulatory protections for precarious workers also strengthens the inferior working conditions facing dispatch employees. Host companies often play on dispatch employees' confusion over who is the boss to avoid paying for equipment such as safety boots, hard hats, and uniforms. Sometimes they shift the burden of these costs directly to the dispatch employee, eliminating any investment on the companies' part beyond the payment of wages and the service fee. Consequently, the greater likelihood of agency workers' being exposed to serious occupational safety and health hazards impairs their health and productivity as well as the general well-being and quality of life (Rodgers, 2002, p. 54; Underhill & Quinlan, 2011).

Hypothesis 4a (H4a): Dispatch employees will be exposed to more occupational hazards than will regular employees.

Hypothesis 4b (H4b): Dispatch employees will be less likely to be protected from occupational hazards than will regular employees.

Minimum wage. Dispatch employees are more likely to receive lower minimum wages than are direct hires. Pulignano et al.'s (2015) analysis of German labor policies suggests that a sectoral minimum wage for agency workers is lower than regular employees (2015). Even in counties with universal minimum wages, dispatch employees are more likely to receive below minimum wages in contrast to regular employees.

According to Underhill and Quinlan (2011), the non-compliance issues in dispatch

employment extended beyond occupational health and safety (OHS) to basic rights such as receiving the minimum wage for all hours worked.

They explained that the culture of non-compliance with statutory obligation was arguably facilitated by the regulators' failure in enforcing legal obligations across the agency industry. For example, the smaller agency employers, with minimal fixed capital, would easily close when threatened with prosecution, and re-open under another legal identity, based on their interview with a manager from WorkSafe Victoria. In Chinese context, although dispatch workers are legally covered by the minimum wage protection articulated in each province, even when they are not assigned to any host company, it is unclear whether they receive below the minimum wage due to their inferior employment status. Therefore,

Hypothesis 5a (H5a): Dispatch employees will be less likely to receive above the minimum wages than regular employees.

Hypothesis 5b (H5b): Dispatch employees will be more likely to have below-average wages in the city than regular employees.

Union representation and workplace participation. Disorganization is one of the characteristic features of the relationship between dispatch employees and their employers (Quinlan and Bohle, 2004). Dispatch employees are generally less involved in unions, the workers' congress, democratic management and other forms of workplace participation in enterprises than regular employees are (Pulignano, Meardi, &

Doerflinger, 2015; So, 2014), which “undermines the capacity of workers to act collectively” and “hinders the capacity of labor to assert claims to wages, even in tight labor markets” (Vosko, 2000).

Vosko (2000) argued that the work-site based model of unionization dominant in Canada was conducive to temporary agency workers’ not having the option to join or form unions under the type of employment relationship to which they are subject. I believe a similar logic applies in China’s case. With insufficient occupational unionism and decentralized collective bargaining at China’s workplace, the capacity of dispatch employees to use their collective voice is extremely limited for lack of union representation, unless covered by the collective agreement negotiated by a firm’s union (with some exceptions of extreme collective representation cases, such as Volkswagen dispatch employee strikes in 2017).

Although dispatch employees are granted the right to join or form the union in either the host company or the dispatch agency base on the 2012 Labor Contract Law, few *de facto* exercise their rights due to the precariousness feature of their employment and the fear of dismissal for seeking union membership or union support. Even if they join the union of their dispatch agency as encouraged by All-China Federation of Trade Union (ACFTU, 2009),⁹⁶ the deficiency in making connections between dispatch

⁹⁶ The Regulation of Organizing Dispatch Worker join the Trade Union issued by the All-China Federation of Trade Unions (ACFTU) provides: “The labor dispatch unit and employer should establish trade union according to law and absorb dispatch workers, no organizations or individuals shall obstruct or restrict them. Dispatch workers should first join the trade union of the labor dispatch unit, and the trade union committee should have a corresponding ratio of dispatch workers as the members of the committee. When

employees in similar situations disempower them to resist their poor working conditions.

Further, many believe that the enterprise unions in China are incapable of making substantial improvements in workers' working conditions, and, if they were to make any, dispatch employees would be the last on the list or the first to sacrifice if compromises must be made. Therefore,

Hypothesis 6a (H6a): Dispatch employees will be less likely to join the union than will regular employees.

Hypothesis 6c (H6b): Dispatch employees will have lower level of workplace participation than will regular employees.

Hypothesis 6d (H6c): Dispatch employees will have fewer opportunities to voice than will regular employees.

Labor-management relations. Dispatch employees are more likely to be marginalized in the workplace and develop a less favorable relationship with their supervisors. Temporary agency employment is characterized by short employment terms, job insecurity, lack of participation and discretion at the workplace, and few opportunities for advancement. Increasing temporary employment's share of the total headcount is usually a personnel management strategy used by the management to boost competition

a labor dispatch unit doesn't have its trade union, the dispatch worker joins the employer's trade union" (The Regulation of Organizing Dispatch Worker join the Trade Union, 2009 : No. Hao). The abovementioned law provides that the labor dispatch unit and employer must establish a trade union. Dispatch workers have the right to attend and organize a trade union whether they are with the labor dispatch unit or employer. <https://zhidao.baidu.com/question/585324823.html>

among the workforce, or as a buffer for dismissal of permanent employees. On the one hand, the supervisor has little incentive to commit to dispatch employees in the long-term because unfair treatment of dispatch employees will not violate the internal equity standards for permanent workers (Abraham, 1990).

For dispatch employees that do not qualify as the proper reference of comparison for regular employees, efforts to ensure equality are irrelevant. On the other hand, dispatch employees are discouraged by the assigned “bad job,” featuring increased monitoring and work intensity, and decreased discretion (Doellgast, Holtgrewe, & Deery, 2009; Kalleberg, 2011). They are usually assigned tasks that the regular employees are less willing to do, which leads a high number of complaints. A search of court judgments in the Supreme People’s Courts’ excellent database showed that the number of labor dispute cases concerning dispatch work amounts to 6,267 over the last decade (from 2007 to 2016; Huang, 2017, p. 201). Therefore,

Hypothesis 7 (H7): Dispatch employees will be less likely to develop a favorable relationship with the management than will regular employees

Moderating effect of economic development level, industry, firm size, firm ownership, and employee representation institutions. Dispatch employees and regular employees generally face different treatments at the workplace. However, there may be variations in differential treatments under various contexts, namely economic development level, ownership, industry, firm size, establishment of the work council,

holding of the collective contract, and unionization. Level of economic development may account for some variations in treatments between regular and dispatch workers.

Given that GDP is a key index for evaluating local governments' performance in China, in the provinces with low GDP, local governments facing great economic evaluation pressure tend to be guided by market-oriented logic, and have always passed regulations to enhance local competitiveness (Kuruvilla, Lee, & Gallagher, 2011). They might selectively not enforce regulations in favor of dispatch employees such as "equal pay for equal work" to help local business cut labor costs (Gallagher, 2016). Conversely, in the provinces with high GDP, the local governments are more likely to follow the legitimacy-driven logic and prioritize social stability by enforcing labor regulations protecting dispatch workers. Thus, employers in the provinces with low GDP would have more opportunities to take advantage of dispatch employees.

Hypothesis 8 (H8): GDP would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in provinces with high GDP than in provinces with low GDP.

The bifurcated treatments of regular and dispatch employees may also vary by industry. In agricultural enterprises, dispatch workers usually fill seasonal positions in times of labor shortages. This kind of work is usually time-pressured and physically

demanding, so a wage premium is attached to compensate for the disamenity of the job. In addition, providing benefits such as basic health insurance, housing funds, and paid vacation are generally rare, even for regular workers, in the agriculture industry because the workforce is largely composed of rural residents who are not covered by the urban social security system. Therefore, it is not surprising to see little difference in treatment between dispatch and regular workers in agricultural enterprises. Comparably, dispatch workers are hired in manufacturing and service enterprises largely to save costs, to maintain flexibility in hiring/firing, and to obtain cooperation and loyalty from the formal workers (Kuruvilla et al., 2011, p. 108). Manufacturing and service are more competitive in the market than agriculture, and competition may force firms to cut workers' benefits. Thus, employers in the manufacturing and service industry in China have introduced labor force dualism and may subject dispatch workers to different treatment (Gamble & Huang, 2009; Zhang, 2011). Thus,

Hypothesis 9a (H9a): Industry would moderate the relationship between dispatch employment status and compensation, working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatment between dispatch and regular employees is less prominent in agricultural enterprises than in manufacturing enterprises.

Hypothesis 9b (H9b): Industry would moderate the relationship between dispatch employment status and compensation, working conditions, voice and participation, and

labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in agricultural enterprises than in service enterprises.

My interviews with dispatch employees in some SEOs show that the differences in working conditions, opportunities to have a voice, and labor-management relations between dispatch and regular employees are not so prominent, because workers are recruited in the form of a dispatch arrangement due to the “regular employment quota limit” assigned by the government (Wu & Sun, 2014). Private enterprises, on the other hand, recruit dispatch employees mainly for cost reasons. Therefore,

Hypothesis 10a (H10a): Firm ownership would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in state-owned enterprises than in private enterprises.

Hypothesis 10b (H10b): Firm ownership would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in state-owned enterprises than in foreign enterprises.

Firm size may be another contextual factor that influences differential treatment.

Prior research has shown that large firms have less need than small firms to use temporary employment to meet temporary needs because they have more employees (Davis-Blake & Uzzi, 1993). Therefore, larger firms may have less incentives to elevate the treatments of dispatch employees to keep them. Therefore,

Hypothesis 11a (H11a): Firm size would moderate the relationship between dispatch employment status and compensation, working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is more prominent in big enterprises than in medium enterprises.

Hypothesis 11b (H11b): Firm size would moderate the relationship between dispatch employment status and compensation, working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is more prominent in big enterprises than in small enterprises.

There is a growing body of evidence that unions do play a positive role in improving workers' welfare in China (Ge, 2007; Lu, Tao, & Wang, 2010; Yao & Zhong, 2013). Yao and Zhong (2013) argued that unions improve workers' welfare through individual written contracts and collective wage contracts because they increase firms' expected costs in cases where firms have violated the contracts. Unlike unions in

developed economies that avoid externalization (Davis-Blake & Uzzi, 1993) because temps are difficult to organize and often have different objectives than have permanent workers (Pfeffer & Baron, 1988), Chinese unions, as an arm of the state bureaucracy (Taylor et al., 2003), are directed to protect all employees indistinctively by ensuing law compliance (Cooney, 2007). Other evidence shows that companies more aware of corporate social responsibilities (CSRs) are more likely to set up unions (Shen & Yao, 2009). And those firms caring about their public image would also be more likely to treat their employees fairly, including dispatch employees. Therefore, unionization may narrow the differential treatments between regular and dispatch workers.

The establishment of the work council, also known as the “Staff and Workers’ Congress,” may also narrow treatment differences by giving dispatch workers a say on workers’ welfare to some degree. According to Article 9 of the Provisions on the Democratic Management of Enterprise, a certain proportion of the workers’ representatives of the work council shall be the workers dispatched for labor. Although the work council has been considered to play an extremely limited role in reality (Li, 2014), it exerts some positive influence on the enforcement of the laws and regulations protecting dispatch employees’ basic labor rights. Following a similar logic, firms holding a collective contract may also have fairer treatments of dispatch employees because the collective contract could at least protect dispatch workers from infringement of their benefits already prescribed by laws and regulations. Therefore,

Hypothesis 12a (H12a): Unionization would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in unionized enterprises than in non-unionized enterprises.

Hypothesis 12b (H12b): The establishment of work councils would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in enterprises with the work council than in ones without the work council.

Hypothesis 12c (H12c): The holding of collective contracts would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is less prominent in enterprises with a collective contract than in ones without one.

Moderating effect of technician position and managerial position. Variation in differential treatments between dispatch and regular employees may also vary among various occupational groups. The differential compensation between dispatch and regular employees among technicians may be more prominent compared to rank-and file workers, because technicians may be recruited in the form of a dispatch arrangement for

a short period of time to tackle an emergent technical issue, and they are usually paid less than regular technicians because the firm has little intention to keep them as valuable assets to the firm. Thus,

Hypothesis 13 (H13): Technician positions would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments between dispatch and regular employees is more prominent among technicians than among rank-and-file workers.

The differential treatments between dispatch and regular employees may be less prominent among managers than among rank-and-file workers. In State-owned firms, managers who sign employment contracts with dispatch agencies instead of their employers may be due to the “regular employment quota limit” assigned by the government. And in Foreign-invested firms, the managers expatriated from the foreign host companies may sign employment contracts with the dispatch agencies because their overseas expatriation may be temporary and their compensation packages may be different from others. Thus,

Hypothesis 14 (H14): Managerial position would moderate the relationship between dispatch employment status and working conditions, voice and participation, and labor-management relations, respectively, such that the difference in treatments

between dispatch and regular employees is less prominent among managers than among rank-and-file workers.

Methodology

Data

I tested the hypotheses using a nationwide individual-level employee survey conducted by the All-China Federation of Trade Unions (ACFTU) in 2012. Using random sampling techniques, 44,828 employees were selected by ACFTU from 15 provinces, namely Beijing, Inner Mongolia, Liaoning, Jiangsu, Zhejiang, Anhui, Fujian, Shandong, Henan, Hubei, Guangdong, Chongqing, Sichuan, Shanxi, and Gansu. In each of the 15 provinces, 40 establishments were selected in each provincial city, 40 establishments in each prefecture-level city, and 10 establishments in each suburb (county). Ten employees were in principle selected in each establishment. The valid response rate was 99.6%. Among 4502 establishments in the sample, I intentionally selected those with sampled dispatch employees⁹⁷ for the purpose of comparing differentiated treatments between dispatch and regular employees at the workplace.

Limiting the sample to establishments with both employment forms enhances comparability and reduces extraneous sources of variation (Osterman, 1994). The final

⁹⁷ In this study, dispatch employees are defined as employees who have an employment contract with a temporary agency. Independent contractors, those who have job-based contracts with the company in which they work, are not regarded as dispatch employees. Besides, employees who have an employment contract with one company (not a temporary agency) but work in a different business unit are not considered dispatch employees in this study.

sample is comprised of 259 establishments and 2631 employees. Men accounted for 47.83% and women accounted for 52.17% of the sample. Dispatch employees made up 21.19% of the final sample. Based on the total sample of 44,828 observations, dispatch employees accounted for 1.32% of the total population. The final data set over sampled the minority class (Chawla, Bowyer, Hall, & Kegelmeyer, 2002), namely dispatch employees, which could give a better demonstration of the class of employees of concern.

Variables and Definitions

The independent variable in the analyses is whether employees are dispatch employees or a regular employees. Data on their employment status is gathered from the question asking for their employment contract type. Dispatch employees hold a contract signed with a dispatch agency, while regular employees holding a three-year or longer-term contract with the firm surveyed are regarded as regular employees in this study.⁹⁸ Control variables are respectively selected from four aspects: Individual, occupational, organizational, and industrial characteristics. To control for the human capital and demographic characteristics that may influence employee welfare, I include: gender, education, experience, residence status (whether the employee is a rural or urban resident), and skill level. Binary variables for two occupational categories were created, including managerial and technical categories.

⁹⁸ According Chinese Labor Law, dispatch employees should sign a minimum of a two-year employment contract with the dispatch agency. For a meaningful comparison of dispatch employees and regular employees, I excluded regular employees with an employment contract no longer than two years in this study.

Previous research (Chen, Démurger, & Fournier, 2005; Démurger, Li, & Yang, 2012; Rebick, 1993; Söderbom, Teal, & Wambugu, 2005) has suggested that workers' welfare varies by ownership and firm size. Controls for ownership include whether the establishment is private-owned, foreign-owned or state-owned (omitted category). Binary variables for firm size were created: small firm, medium firm, and large firm (omitted category). I control for industry (agricultural, manufacturing and service) because industry has an effect on workers' welfare (Chi, Li, & Yu, 2011). The dependent variables are workers' labor rights and interests and the indicators mainly cover eight aspects including compensation, benefits, job security, labor safety, and employability, working quota and hours, minimum wage, union representation and workplace participation, and labor-management relations. The concrete operational definitions of indicators are shown in **Table 3** in the Appendix.

Data Analytic Strategy

The data were analyzed at the individual level. I did a series of multiple regressions using the pooled national data set and robust standard errors, which provide a Huber correction for establishment effect that takes into account the non-independence of observations within each establishment (Huber, 1967). I also included the organizational, industrial, and regional variables to control for their effects on workers' welfare.

Results

Compensation

Table 4 provides means, standard deviations, and correlations for the main compensation dependent variables and independent variables. An individual is the unit of analysis. **Table 5** examines the determinants of log salary and log basic pay using OLS regression. I controlled for the indicators of general human capital variables (years of education and experience) because they are strong predictors of compensation.

The results provide substantial support for H1a and H1b. Dispatch employees received significantly lower salaries than did regular employees ($B = -0.093, p < .05$; see Model 1). Dispatch employees also received lower basic pay than regular employees when looking across all observations ($B = -0.104, p < .05$; see Model 4). The overall magnitudes of the effects are also large. The dispatch employees received salaries that are around 9% lower than regular employees and received basic pay that is about 10% lower than did regular employees. Among the controls, I found higher salaries for men, managers, and technicians. I also find that workers with more education and experience had better basic pay.

In addition to the main effect of dispatch employment, I also examined whether the differences in compensation between dispatch employees and regular employees were conditional on the firm size, industry, management position, and technical position. Model 2 tested for the moderating impact of firm size on the relationship between

dispatch employment and salary. Hypothesis 11b proposed that the negative impact of dispatch employment status on compensation would be more prominent in large as opposed to small organizations, which was supported by the positive and significant interaction effect of employment and small size ($B = 0.221, p < .05$; Model 2). However, H11a was not supported ($B = -0.184$, n.s.; Model 2), indicating that the differences between large and medium firms were not significant.

I did not detect a moderating effect of firm size on the relationship between dispatch employment and basic pay. To evaluate effect sizes, I calculated the impact of dispatch employment on salary for small and large firms separately by using the estimated coefficients of the constant and both the direct effects and interaction effect of firm size and dispatch employment. Dispatch employees have a 23.4% lower salary than have regular employees in large firms, but only a 4.5% lower salary in small firms. Figure 1 illustrates this moderation, clearly showing that the decrease in salary with dispatch employment is more pronounced in large than in small firms, supporting Hypothesis 11b.

Models 3 and 7 tested for the moderating impact of technician position on the relationship between dispatch employment and compensation. Hypothesis 14 proposed that the negative impact of dispatch employment status on compensation (salary and basic pay) would be more prominent among technicians as opposed to rank-and-file workers, which was supported by the negative and significant interaction effect of

dispatch employment and technician position ($B = -0.203, p < .05$ in Model 3; $B = -0.209, p < .05$ in Model 7). Dispatch employees have a 24.4% lower salary than have regular employees among technicians, but only a 7.3% lower salary among rank-and-file employees. As for basic pay, dispatch employees have a 25.7% salary lower than have regular employees among technicians, but only 8.4% lower among rank-and-file employees. Figure 2 illustrates this moderation, clearly showing that the decrease in salary and basic pay with dispatch employment is more pronounced among technicians than among rank-and-file employees, supporting Hypothesis 13.

Model 5 tested for the moderating impact of industry on the relationship between dispatch employment and basic pay. Hypothesis 9 proposed that the negative impact of dispatch employment status on compensation would be less prominent in the agricultural industry as opposed to in the manufacturing and service industries. My analysis showed that dispatch employees have 29.3% higher basic pay than regular employees in agriculture, but 7.2% lower pay in manufacturing and 12.5% lower pay in the service industry. Figure 3 illustrates this moderation, showing an increase in basic pay with dispatch employment in agriculture, a decrease in basic pay with dispatch employment in manufacturing, and a steeper decrease in the service industry. Although the analysis supported the moderating effect of industry on the relationship between dispatch employment and basic pay, the result confirmed a significantly positive relationship between dispatch employment and basic pay, and the negative impact of dispatch

employment on basic pay showed no significant differences between manufacturing and the service industry, thus H9a and H9b are not supported.

Model 6 tested for the moderating impact of management position on the relationship between dispatch employment and basic pay. Hypothesis 13 was supported by the positive and significant interaction effect of dispatch employment and management position ($B = 0.251, p < .05$ in Model 6). While dispatch employees have 11.4% higher basic pay than regular employees among managers, they have 13.3% lower pay among rank-and-file employees. Figure 4 illustrates this moderation, showing the opposite relationship between dispatch employment and basic pay among managers as compared to among rank-and-file employees.

Table 6 presents analyses of income satisfaction. I additionally controlled for the union establishment because it is strong predictor of wage satisfaction. In model 1, I tested for the main effects of dispatch employment on wage satisfaction. The coefficient of dispatch employment was negative and significant ($B = -0.221, p < .05$; see Model 1), supporting my proposition that dispatch employees are less satisfied with wages than are regular employees (Hypothesis 1c). Model 2 tested for the moderating impact of union establishment on the relationship between dispatch employment and wage satisfaction. The result showed that union establishment had a positive interaction with dispatch employment ($B = 0.422, p < .05$), supporting Hypothesis 12a. Figure 5 represents this moderation. The results of the simple slopes analysis (Aiken & West, 1991) showed that

when the firm had a union, dispatch employment did not have a significant effect on wage satisfaction ($B = -0.128, p = .26$). However, when the firm did not have a union, dispatch employment had a strong effect on wage satisfaction ($B = -0.550, p < .01$).

Benefits

Table 7 provides means, standard deviations, and correlations for the main benefits dependent variables and independent variables. **Table 8** examines the determinants of the insurance coverage for employees using an OLS regression model with clustered standard errors, and **Tables 9** and **10** analyze the provision of each of the six mandatory benefits and other benefits using a logit model with clustered standard errors. Because paid vacation in **Table 17** is a discrete, ordinal measure, I used ordered logit analyses with clustered standard errors.

The results in **Table 8** provide substantial support for H1d. I additionally controlled for the establishment of work council in the model because work council has a positive impact on the implementation of mandatory social insurances. Dispatch employees had significantly lower basic social security coverage than had regular employees ($B = -1.05, p < .01$; see Model 1). However, dispatch employees did not have significantly lower full social security coverage than regular employees ($B = -0.104, \text{n.s.}$; see Model 5). Model 2 tested for the moderating impact of ownership on the relationship between dispatch employment and basic social security coverage. Hypothesis 10 was supported by the negative and significant interaction effect of dispatch employment and

private firm ($B = -2.075, p < .05$ in Model 2). Figure 6 represents this moderation. The results of the simple slopes analysis (Aiken & West, 1991) showed that dispatch employment did not a significant effect on basic social security coverage in state-owned firms ($B = -.029, p = 0.70$) or foreign firms ($B = -.072, p = 0.69$). However, dispatch employment had a strong negative effect on basic social security coverage in private firms ($B = -.324, p < .05$).

The result of Model 3 showed that work council had a positive interaction with dispatch employment ($B = 0.563, p < .05$), supporting Hypothesis 12b. As presented in Figure 7, dispatch employment did not a significant effect on basic social security coverage in firms with a work council ($B = -.061, p = 0.41$) but a significant negative effect on basic social security coverage in firms without a work council ($B = -.623, p < .05$). The result of Model 4 showed that technician position had a negative interaction with dispatch employment ($B = -1.123, p < .05$), supporting Hypothesis 13. As presented in Figure 8, dispatch employment did not have a significant effect on basic social security coverage of a technician ($B = -.061, p = 0.41$) but a significant negative effect on basic social security coverage of rank-and-file workers ($B = -.623, p < .05$).

H1f is partially supported by the results in **Tables 9, 10, and 17**. I estimate the effects of dispatch employment on the provision of benefits using a logit model with clustered standard errors and an ordered logit model with clustered standard errors. I utilize separate models for each of the six mandatory benefits (medical insurance,

pension, work-related injury insurance, unemployment insurance, maternity insurance, and housing funds) and other benefits (annuity, physical examination, and paid vacation).

The chi-square statistic indicates strong significance ($p < 0.001$) for each of these models. The goodness of fit for each of the models can be assessed through the McFadden pseudo R-square measure, which in our models ranges from 0.051 to 0.292. The models thus have good predictive ability for the benefits.

Table 9 presents the analyses of mandatory benefits. As shown in Models 1, 4, 6, and 9, the coefficients for basic medical insurance ($b = -1.05, p < 0.01$), basic pension ($b = -0.98, p < 0.01$), injury insurance ($b = -0.657, p < 0.05$) and housing fund ($b = -0.93, p < 0.01$) are negative and significant, while in models 7 and 8, the coefficients for unemployment insurance ($b = 0.315, \text{n.s.}$) and maternity insurance ($b = -0.427, \text{n.s.}$) are not significant (**Table 9**). **Table 10** shows the results of other benefits. As shown in Models 1 and 2, the coefficients for basic annuity ($b = -0.518, p < 0.1$) and physical examination ($b = -0.419, p < 0.1$), are negative and only marginally significant (**Table 12**). The coefficient for paid vacation in **Table 17** is negative and significant ($b = -0.764, p < 0.01$).

Basic annuity is usually seen as a benefit rewarding tenure, so regular employees with a short time on the job may also be less likely to have it. Physical examination may be provided to all employees because it is used to predict unintended turnover. Employers may feel obligated to provide paid vacation to regular employees because it is a

mandatory benefit based on LCL. On the other hand, the dispatch agency is legally responsible for providing this benefit to the dispatch employees. Thus, Hypothesis 1f, which proposes that dispatch employees have lower benefits than regular employees is only partially supported.

To test the moderating hypotheses that the differences between dispatch and regular employees on benefits vary with ownership and industry (Hypotheses 9a, 9b, 10a, 10b), I add interaction terms that are the product of dispatch employment and firm ownership, and the product of dispatch employment and the industry (**Tables 9 and 17**). As shown in **Table 9** model 2, the interaction term of dispatch employment and private firm is negative and significant ($B = -2.075, p < 0.05$). As shown in model 3, the interaction term of dispatch employment and the manufacturing industry is negative and significant ($B = -4.03, p < 0.01$), and the interaction term of dispatch employment and the service industry is negative and significant ($B = -3.287, p < 0.05$).

As shown in model 10, the interaction term of dispatch employment and the private firm is positive and significant ($B = 1.518, p < 0.05$). As shown in model 11, the interaction term of dispatch employment and the manufacturing industry is negative and significant ($B = -2.973, p < 0.01$), and the interaction term of dispatch employment and the service industry is negative and significant ($B = -2.893, p < 0.05$). A moderator hypothesis in a limited dependent variable model is tested by examining the sign (positive or negative) and statistical significance of the values of the moderator variable's

marginal effect on the relationship between dispatch employment and benefits overall sample values of the model variables (Wiersema & Bowen, 2009).

The marginal effect of dispatch employment on basic medical insurance is positive in a state-owned firm ($B = .036$, n.s.), and is negative in a private firm ($B = -.143$, $p < 0.01$), supporting Hypothesis 9a. The negative marginal effect of dispatch employment on housing funds is greater in a state-owned firm ($B = -.356$, $p < 0.01$) than it is in a private firm ($B = -.101$, $p < 0.1$), not supporting Hypothesis 9a, which proposes that the negative effect of dispatch employment on the probability of the provision of benefits is smaller in state-owned firms than in private firms. The marginal effect of dispatch employment on basic medical insurance is positive in the agricultural industry ($B = .336$, n.s.), is negative in the manufacturing industry ($B = -.147$, $p < 0.01$), and negative in the service industry ($B = -.058$, n.s.) supporting Hypotheses 10a and 10b.

The marginal effect of dispatch employment on housing funds is positive in the agricultural industry ($B = .316$, $p < 0.1$), is negative in the manufacturing industry ($B = -.194$, $p < 0.01$), and negative in the service industry ($B = -.175$, $p < 0.01$) supporting Hypotheses 10a and 10b. As shown in **Table 15** model 2, the interaction term of dispatch employment and the manufacturing industry is negative and significant ($B = -4.001$, $p < 0.01$), and the interaction term of dispatch employment and the service industry is negative and significant ($B = -3.707$, $p < 0.05$). The interaction between dispatch employment and industry suggests that the disadvantages regarding paid vacation (model

2) received by dispatch employees are significantly more in the manufacturing industry and the service industry than in the agriculture industry (Hypotheses 9a and 9b).

To test the moderating hypotheses that the differences between dispatch and regular employees on benefits are more prominent among technicians than among rank-and-file workers (Hypotheses 13), I add interaction terms that are the product of dispatch employment and a technician position (**Table 9**). As shown in model 4, the interaction term of dispatch employment and a technician position is negative and significant ($B = -1.762, p < 0.05$). The negative marginal effect of dispatch employment on basic pension is greater among technicians ($B = -.210, p < 0.01$) than it is among rank-and-file workers ($B = -.081, p < 0.01$), supporting Hypothesis 13.

Employment Protection and Employability

Table 11 provides an analysis of the determinants of job stability using a logit model with clustered standard errors. The coefficient of dispatch employment for laid-off experience in model 1 is positive and significant ($b = 0.700, p < 0.01$), showing that dispatch employees are more likely to have laid-off experiences than have regular employees. Thus, hypothesis 2a is supported.

Table 12 presents analyses of other measures of job stability and employability. Because these are discrete, ordinal measures, I used ordered logit analyses. I clustered the errors by firm to account for non-independence among the errors. I additionally controlled for the establishment of the union and holding collective contracts. The

measures for employment protection and employability are scaled so that higher values always indicate higher employment protection and employability. The main coefficients in models 1 and 4 indicate that dispatch employees have less job stability and promotion opportunities than have regular employees, but the coefficient in model 3 indicates that there is little difference between the two groups of employees with regard to training. Thus, the results offer support for H2a and H2c, which argued that dispatch employees would have lower job stability than have regular employees and that dispatch employees would have less promotion opportunities than have regular employees. However, my analysis of the firm-provided training showed that the chance of receiving firm-provided training was not significantly larger for regular employees than for dispatch employees.

The interaction between dispatch employment and holding a collective contract suggests that the disadvantages regarding job stability (model 2) received by dispatch employees are significantly less in a firm with a collective contract than in one without (Hypothesis 12c). The interaction between dispatch employment and the establishment of the union suggests that the disadvantages regarding promotion opportunities (model 5) received by dispatch employees are significantly less in a unionized firm than in a non-unionized firm (Hypothesis 12b). The interaction between dispatch employment and a technician position suggests that the disadvantages regarding promotion opportunities (model 6) received by dispatch employees are significantly more prominent among technicians than among rank-and-file employees (Hypothesis 13).

Work Intensity and Workloads

Table 6 examines the determinants of weekly work days and weekly work hours using OLS regression with clustered standard errors. The results in **Table 4** provide mixed support for H3a. Dispatch employees had significantly longer weekly work days than had regular employees ($B = 0.140, p < .04$; see Model 3). However, dispatch employees had longer but did not have significantly longer weekly work hours than had regular employees ($B = 1.23$, n.s.; see Model 4).

Table 11 analyzes the likelihood of having labor quotas using a logit model with clustered standard errors. Labor quota is the number of workloads employees have to finish in a day. Having labor quotas means employees are paid based on whether they could finish their workloads. As shown in Model 2 **Table 11**, the coefficient for labor quotas is positive and significant ($B = 0.638, p < 0.01$), showing that dispatch employees are more likely to have labor quotas than have regular employees. Thus, hypothesis 3b is supported.

Because workload properness and overtime frequency in **Table 13** is a discrete, ordinal measure, I used ordered logit analyses with clustered standard errors. The main coefficients in models 1 and 3 indicate that dispatch employees finish their labor quotas within 8 hours less frequently and work overtime more frequently than do regular employees. Thus, the results offer support for H3b and H3c, which argued that dispatch

employees would have higher labor quotas than have regular employees and that dispatch employees would be more likely to work overtime than do regular employees.

To test the moderating hypotheses that the differences between dispatch and regular employees on workload and work intensity vary with the industry and the firm size (Hypotheses 9a, 9b, 11a, 11b), I added interaction terms that are the product of dispatch employment and the industry, and the product of dispatch employment and the firm size (**Tables 11 and 13**). As shown in **Table 11** model 3, the interaction term of dispatch employment and the manufacture industry is positive and significant ($B = 3.633$, $p < 0.05$) and the interaction term of dispatch employment and the service industry is positive and significant ($B = 3.789$, $p < 0.05$).

The marginal effect of dispatch employment on the likelihood of having labor quotas is negative in the agriculture industry ($B = -0.572$, $p < 0.01$), is positive in the manufacturing industry ($B = .128$, $p < 0.1$), and positive in the service industry ($B = .159$, $p < 0.01$) supporting Hypotheses 9a and 9b. As shown in **Table 13** model 2, the interaction term of dispatch employment and the small firm is positive and significant ($B = 1.803$, $p < 0.05$). The interaction between dispatch employment and firm size suggests that the disadvantages regarding workload properness received by dispatch employees are significantly more in small firms than in large ones (Hypothesis 11b).

Occupational Health and Safety

With regard to occupational health and safety, I ran a series of analyses on the exposure to six types of occupational hazards, including extreme temperature, dust pollution, noise pollution, intoxicate gas, radiation pollution, and mechanic injury risks, and the provision of protection from these hazards. Using a logit regression with standard errors clustered by firm, I found that dispatch employees are in general insignificantly more likely to be exposed to most occupational hazards and significantly more likely to be exposed to mechanic injury risks ($B = 0.469, p < 0.05$) than are regular employees, partially supporting H4a. However, dispatch employees are significantly less protected from most occupational hazards but intoxicate gas pollution ($B = -0.492, \text{n.s.}$), and are less likely to be provided with protective equipment than are regular employees ($B = -0.878, p < 0.01$), supporting H4b.

Minimum Wage

I tested for differences in minimum wage between dispatch and regular workers using logit analysis, in which the dependent variables were the likelihood of the employee to receive above minimum wage and the likelihood of the employee to receive below the city-average income. I also included controls for GDP and the union establishment to account for the union and economic development's impact on employees' wages. The results are shown in **Table 15**. Inconsistent with H5a, dispatch employees will be insignificantly less likely to receive above the minimum wage than are regular employees ($B = -0.240, \text{n.s.}$). However, dispatch employees are significantly more

likely to have below-average wages in the city than have regular employees ($B = 0.538, p < 0.01$), supporting H5b.

To test the moderating hypotheses that the differences between dispatch and regular employees on wage level vary with the union establishment and the economic development level (Hypotheses 8 and 12a), I add interaction terms that are the product of dispatch employment and the union establishment, and the product of dispatch employment and GDP. As shown in model 3, the interaction term of dispatch employment and the GDP is negative and significant ($B = -0.0000246, p < 0.05$). The positive marginal effect of dispatch employment on the likelihood of the employee to receive below the city-average income is greater when GDP is low ($B = .235, p < 0.01$) than when it is high ($B = .012, \text{n.s.}$), supporting Hypothesis 8, which proposes that difference in treatments between dispatch and regular employees is less prominent in provinces with high GDP than in provinces with low GDP. As shown in model 4, the interaction term of dispatch employment and the union establishment is negative and significant ($B = -1.044, p < 0.05$). The positive marginal effect of dispatch employment on the likelihood of the employee to receive below the city-average income is greater in non-unionized firms ($B = .294, p < 0.01$) than in unionized firm ($B = .076, \text{n.s.}$), supporting Hypothesis 12a, which proposes that difference in treatments between dispatch and regular employees is less prominent in unionized enterprises than in non-unionized enterprises.

Union Representation and Workplace Participation

Table 12 presents the analyses of union representation and workplace participation. As shown in Models 1, 3, 4 and 6, the coefficients for union membership ($B = -0.724, p < 0.01$), participation in worker representative elections ($B = -0.608, p < 0.05$), evaluation on employee participation ($B = -2.26, p < 0.01$) and voice opportunities ($B = -0.482, p < 0.05$) are negative and significant, supporting hypotheses 6a, 6b, and 6c.

To test the moderating hypotheses that the differences between dispatch and regular employees on union representation vary with the industry (Hypotheses 9a and 9b), I added interaction terms that are the product of dispatch employment and the industry. As shown in **Table 14** model 2, the interaction term of dispatch employment and the manufacturing industry is negative and significant ($B = -4.57, p < 0.01$) and the interaction terms of dispatch employment and the service industry is negative and significant ($B = -4.126, p < 0.01$). The marginal effect of dispatch employment on union membership is positive in the agriculture industry ($B = .639, p < 0.01$), is negative in the manufacturing industry ($B = -.229, p < 0.01$), and negative in the service industry ($B = -.134, p < 0.1$), supporting Hypotheses 9a and 9b.

Labor-Management Relations

Table 16 examines the determinants of the number of labor disputes and employees evaluations on labor relations using OLS regression. **Table 17** investigates the

labor management relations using ordered logit regression with clustered standard errors.

The results provide substantial support for H7. Dispatch employees have experienced significantly more labor disputes than have regular employees ($B = 0.097, p < .05$; see Table 14 Model 1). Also, dispatch employees had significantly lower evaluations on labor relations than had regular employees ($B = -4.687, p < .05$; see **Table 16** Model 4). The main coefficient in model 3 of **Table 15** indicates that dispatch employees have worse labor management relations than have regular employees.

In addition to the main effect of dispatch employment, I also examine whether the differences in labor management relations between dispatch employees and regular employees are conditional on the ownership, industry, and firm size. Model 2 tested for the moderating impact of the industry on the relationship between dispatch employment and the number of labor disputes (**Table 16**). Hypothesis 9a proposed that the positive impact of dispatch employment status on the number of labor disputes would be more prominent in the manufacturing industry as opposed to the agriculture industry, which was supported by the positive and significant interaction effect of dispatch employment and the manufacturing industry ($B = 0.338, p < .01$; Model 2). And H9b was also supported ($B = 0.212, p < .05$; Model 3), indicating that the difference between the agriculture and service industry was significant. Figure 9 illustrates this moderation, clearly showing that the increase in the number of labor disputes with dispatch

employment is more pronounced in the manufacturing industry and the service industry than in the agriculture industry, supporting Hypothesis 9a and 9b.

Models 3 and 6 tested for the moderating impact of the firm size on the relationship between dispatch employment and labor management relations (**Table 16**). Hypothesis 11b proposed that the positive impact of dispatch employment status on the number of labor disputes would be more prominent in small firms as opposed to large firms, which was supported by the positive and significant interaction effect of dispatch employment and small firms ($B = 0.223, p < .01$; Model 3). Figure 10 illustrates this moderation, clearly showing that the increase in the number of labor disputes with dispatch employment in small firms is more prominent than in large firms, supporting Hypothesis 11b. On the other hand, model 6 showed that the interaction between dispatch employment and small firms is positive and significant ($B = 8.983, p < .01$; Model 6), indicating that the negative impact of dispatch employment on employee evaluations on labor relations was less prominent in small firms compared to large firms. Figure 11 illustrates this moderation, clearly showing that the decrease in the likelihood of a positive employee evaluation of labor management relations with dispatch employment in small firms is less prominent than in large firms, not supporting Hypothesis 11b.

The results in model 5 do not provide support for H10b. Model 5 tested for the moderating impact of ownership on the relationship between dispatch employment and employee evaluation on labor relations. The interaction between dispatch employment

and the foreign firm was positive and significant ($B = 12.091, p < .05$). Figure 12 represents this moderation. The results of the simple slopes analysis (Aiken & West, 1991) showed that dispatch employment had a significant negative effect on employee evaluations on labor relations in state-owned firms ($B = -10.987, p < 0.01$). However, dispatch employment had an insignificant positive effect on employee evaluations on labor relations in foreign firms ($B = 1.104, p = 0.770$).

Discussion and Conclusion

This study examined the shape of temporary employment relationship in China, drawing on statistical data detailing the conditions of employment associated with temporary help work, and further makes critical comparisons of the differences between dispatch and regular employees based on data from the Seventh Surveys of Chinese Employees in 2012. Based on the investigation, I argue that dispatch employees are disadvantaged in most welfare and rights protections compared to regular employees, and the extent varies in different contexts.

Through the comprehensive examination of treatment of dispatch workers, this study unravels some critical facts about the working conditions of dispatch workers in China. First, the pay gap between regular employees and dispatch employees is significant yet limited to a certain magnitude. Dispatch employees' basic wage was 90% of regular employees' basic wage, which inadequately supports the common understanding about the cost-saving purpose of using dispatch employment considering

that firms have to pay administrative fees to dispatch agencies on top of wages. Consistent with Chen and Chan's (2018) finding that bonuses narrowed down the pay gap between regular and dispatch employees in auto factories, this national sample also showed that the take-home pay differences became narrower compared to those of base pay.

It is possible that dispatch employees got extra money for working more overtime hours than regular workers, which was supported by the results of this study. However, the finding more likely reflects employers' intention to keep up dispatch employees' motivation by paying them almost equal to regular employees, which fits into Rousseau's (1995) description of the financial exchange between employers and employees in short-term employment. Second, contrary to my expectation that dispatch employees are worse off in all aspects of fringe benefits, this study showed that dispatch and regular employees received similar treatment with regard to unemployment and maternity insurance, annuity, and firm-sponsored physical examinations. Further, dispatch employees were not statistically significantly worse off compared to regular employees on full mandatory social security coverage.

A deeper investigation of the finding showed that the similar treatments did not reflect benevolence of employers towards dispatch employees, but rather a reflection of employers' indiscriminate avoidance of paying employees beyond the law. In fact, dispatch employees were less likely than regular employees to receive statutory welfare

(basic social insurance, housing funds, and paid vacations). Third, this research reveals that although dispatch employees were not statistically significantly more likely to be exposed to workplace occupational hazards, they were significantly under protected from these hazards. To make matters worse, they were less covered by the social security system in China, which provides bottom line protection against hazards at the workplace. Fourth, the empirical findings that emerged from this study go against the popular assumption that Chinese unions are ineffective in protecting employees' rights (Chan, 2009; Nichols & Zhao, 2010).

This study showed that the union played a critical role in moderating the differentiated treatments between regular and dispatch employees. In firms with union representation, dispatch employees are better off in terms of compensation level, social security coverage, promotion opportunities, and job stability. Based on the quantitative analysis of the bulk of data across the country, I drew a more reliable conclusion concerning workplace inequality based on employment status than had previous small sample and qualitative analysis. Second, by controlling the individual and organizational variables that influence laborers' welfare and rights protection, the study more accurately demonstrated whether there are differences in laborers' rights protection, and the extent of such differences. Third, this study specified the conditional impact of firm ownership, firm size, industry, unionization, GDP, and technician position on differentiated rights protection between people with these two categories of identities.

Understanding the extent of differentiated treatments between dispatch and regular employees enriches our knowledge of the sustainability of triadic arrangements at the workplace infused with dyadic working relationships. The extent of differentiated treatments in the workplace in China speaks to growing literature on militant actions that dispatch employees tend to take (Chen & Chan, 2018; Huang, 2017). Future researchers could look into the impacts of the differentiated treatments on dispatch employees' attitudes and outcomes, which has further implications on inequality within the labor market.

Appendix

Table 3
Variable and Definition

Variable	Measurement	Operation
Independent Variable		
Dispatch Worker	whether the employee is a dispatch employee or regular employee. Dispatch employees hold a contract signed with dispatch agency, while regular employees holding a three-year or longer-term contract with the firm are regarded as regular employees in this study.	1 = "dispatch employee," 0 = "regular employee"
Dependent Variables		
<i>Compensation</i>		
Log Salary	Total take-home income last month	I used the logarithm of the salary because it is highly skewed
Log Basic Pay	Base pay last month	I used the logarithm of the base pay because it is highly skewed
Income Satisfaction	To what extent is the employee satisfied with his or her monthly income	Five-point Likert scales, 1="not satisfied at all," 5="very satisfied"
<i>Benefits</i>		
Basic Social Security Coverage	Number of basic social insurances an employee has, namely basic health insurance, basic pension and injury insurance	0-3
Full Social Security Coverage	Number of all social insurances an employee has, namely basic health insurance, basic pension, injury insurance, unemployment insurance and maternity insurance	0-5
Basic Health Insurance	whether the employee has the basic health insurance	1 = "yes," 0 = "no"
Basic Pension	whether the employee has the Basic Pension	1 = "yes," 0 = "no"
Injury Insurance	whether the employee has the Injury Insurance	1 = "yes," 0 = "no"

(table continues)

Variable	Measurement	Operation
Unemployment Insurance	whether the employee has the Unemployment Insurance	1 = "yes," 0 = "no"
Maternity Insurance	whether the employee has the Maternity Insurance	1 = "yes," 0 = "no"
Annuity	whether the employee has the corporate sponsored annuity	1 = "yes," 0 = "no"
Physical Examination	whether the employee has the corporate-sponsored physical examination	1 = "yes," 0 = "no"
Contract Provision on Social Insurance	whether provisions on social insurance are covered in the employment contract	1 = "yes," 0 = "no"
Paid Vacation	does the employee take the paid vacation last year	1= take no paid vacation, 2= take inadequate paid vacation, 3= take adequate paid vacation
<i>Job Security & Employability</i>		
Laid-off Experience	whether the employee had laid-off experience	1 = "yes," 0 = "no"
Not Worrying about Job Loss	to what extent are you not worried about job loss	1= worried 2=somehow worried 3= not worried at all
Training in Firm	how many times did the employee attend work-related training in this company in the last 5 years	1=never, 2 = once, 3=twice, 4=three times, 5=more than three times
Promotion Opportunities	Does the employee think he or she have promotion opportunities in this company?	1 = "yes," 0 = "no"
<i>Labor Safety</i>		
Provision of Protection Equipment	whether the protection equipment is sufficiently provided on time.	1 = "yes," 0 = "no"
Exposure to High/Low Temperature	whether the employee is exposed to working environment with extreme high temperature or extreme low temperature.	1 = "yes," 0 = "no"
Exposure to Dust Pollution	whether the employee is exposed to working environment with dust pollution.	1 = "yes," 0 = "no"
Exposure to Noise Pollution	whether the employee is exposed to working environment with noise pollution.	1 = "yes," 0 = "no"

(table continues)

Variable	Measurement	Operation
Exposure to Intoxicant Gas Pollution	whether the employee is exposed to working environment with intoxicant gas pollution.	1 = "yes," 0 = "no"
Exposure to Radiation Pollution	whether the employee is exposed to working environment with radiation pollution.	1 = "yes," 0 = "no"
Exposure to Mechanic Injury Risk	whether the employee is exposed to working environment with mechanic injury risk.	1 = "yes," 0 = "no"
Protection from Dust Pollution	to what extent is the employee protected from dust pollution in the working environment.	1 = no protection, 2=somewhat protected, 3=effectively protected
Protection from Noise Pollution	to what extent is the employee protected from noise pollution in the working environment.	1 = no protection, 2=somewhat protected, 3=effectively protected
Protection from Intoxicant Gas Pollution	to what extent is the employee protected from intoxicant gas pollution in the working environment.	1 = no protection, 2=somewhat protected, 3=effectively protected
Protection from Radiation Pollution	to what extent is the employee protected from radiation pollution in the working environment.	1 = no protection, 2=somewhat protected, 3=effectively protected
Protection from Mechanic Injury Risk	to what extent is the employee protected from mechanic injury risk in the working environment.	1 = no protection, 2=somewhat protected, 3=effectively protected
<i>Working Quota and Hours</i>		
Weekly Work Days	number of work days in a week	
Weekly Work Hours	number of work hours in a week	
Labor Quota	Does the employee have labor quota in the company?	1 = "yes," 0 = "no"
Workload Properness	In general, is the employee able to complete the labor quota of the day within 8 hours?	1= could complete, 2=could complete most of the time, 3= could complete sometimes, 4= could not complete at all
Overtime	Based on firm's policy, does the employee work overtime?	1= almost every day, 2= often, 3= sometimes, 4=never

(table continues)

Variable	Measurement	Operation
<i>Union representation and workplace participation</i>		
Union Membership	is the employee a union member	1 = "yes," 0 = "no"
Worker Representative Election	has the employee ever participated in the election for worker representatives?	1 = "yes," 0 = "no"
Evaluation on Participation	whether the employee has positive opinions on employee participation	1 = "yes," 0 = "no"
Voice Opportunities	whether the employee has the opportunities to voice opinions on company management and his or her rights and interests	1 = "yes," 0 = "no"
<i>Minimum Wage</i>		
Above Minimum Wage	whether the employee's income last month is above the local minimum wage after deducting overtime pay, night shift allowance, high temperature, underground, toxic and harmful operation allowance.	1 = "yes," 0 = "no"
Below-average Wages in the City	Whether the monthly income is below the city average	1= "below-average wages in the city," 0 = "others"
<i>Labor-management relations</i>		
No. Labor Disputes	how many labor disputes then employee had with his or her company in the last five years	
Evaluation on LR	employee's evaluation on the company's labor relations	0-100
Labor Management Relations	what do you think of the relationship between regular employees and the management in your company?	1= very bad, 2= bad, 3=average, 4= good, 5= very good
<i>Controls</i>		
Male	the gender of the employee	1= male, 0= female
Residence Status	whether the employee is rural resident or city resident	1= rural resident, 0= city resident
Tenure	tenure was measured by counting the years that the employee had a job	
Years of Education	years of education is measured by counting the years the employees received education	

(table continues)

Variable	Measurement	Operation
Years in the Job	tenure was measured by counting the years the employee help his or her current posit	
Management	whether the employee is a manager	1 = "yes," 0 = "no"
Technician	whether the employee is e technician	1 = "yes," 0 = "no"
Ownership	whether the firm is a state-owned, foreign or private firm	1= stated-owned firm, 2= private firm, 3= foreign firm
Rank	rank indicates the professional skill level of the employee	1=no professional title, 2=junior professional title, 3= senior professional title, 4=advanced professional title
Industry	whether the company is in agriculture, manufacture, or service industry	1= agriculture industry, 2= manufacture industry, 3= service industry
Firm Size	the firm size is measured as a function of revenue, total asset and the number of employees, and it varies with industries. firms are categorized into: large firm, medium-sized firm, small and micro firm. The specific standards are set by the Bureau of Statistics. http://www.stats.gov.cn/statsinfo/auto2073/201310/t20131031_450691.html	1= large firms, 2= medium-sized firm, 3= small firm
Moderators		
GDP	GDP is measured by the annual gross domestic product of the province in the year 2011.	
Union Establishment	whether the company established a union or not	1 = "yes," 0 = "no"
Work Council	whether the company established a work council or not	1 = "yes," 0 = "no"
Collective Bargaining	whether the company held collective bargaining or not	1 = "yes," 0 = "no"
Collective Contract	whether the company have a collective contract or not	1 = "yes," 0 = "no"

Table 4
Summary Statistics for Key Compensation Variables

	Variable	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11
1	Dispatch Worker	0.36	0.48											
2	Male	0.49	0.50	-0.01										
3	Residence Status	0.24	0.43	0.02*	0.03*									
4	Tenure	12.72	9.51	-0.07*	0.13*	-0.22*								
5	Years of Education	13.85	2.53	-0.01	-0.08*	-0.39*	-0.16*							
6	Years in the Job	7.82	7.83	-0.07*	0.08*	-0.23*	0.62*	0.00						
7	Management	0.21	0.41	-0.05*	0.03*	-0.09*	0.09*	0.16*	0.07*					
8	Technician	0.13	0.34	-0.03*	0.06*	-0.13*	0.09*	0.21*	0.16*	-0.22*				
9	Union Establishment	0.82	0.38	-0.02*	0.01*	-0.08*	0.13*	0.02*	0.18*	0.01	0.06*			
10	Log Salary	7.74	0.48	-0.04*	0.15*	-0.11*	0.07*	0.27*	0.09*	0.23*	0.18*	0.03*		
11	Log Basic Pay	7.33	0.52	-0.04*	0.09*	0.02*	0.03*	0.07*	-0.01*	0.167*	0.01*	-0.05*	0.53*	
12	Income Satisfaction	2.85	1.02	-0.06*	0.05*	0.10*	-0.00	-0.12*	-0.06*	0.06*	-0.03*	-0.00	0.21*	0.16*

Dummies for rank, ownership, industry, and firm size are omitted.

*p < .01

Table 5
OLS Regressions for Compensation

	Log Salary			Log Basic Pay			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Individual Controls							
Male	0.104*** (0.034)	0.104*** 0.033	0.103** • 0.034	0.051 (0.043)	0.050 0.043	0.058 0.041	0.049 0.043
Residential Status	0.025 (0.040)	0.022 0.040	0.024 0.040	0.009 (0.043)	0.008 0.043	0.000 0.042	0.008 0.043
Experience (Total work years)	0.001 (0.002)	0.001 0.002	0.001 0.002	0.006** (0.002)	0.006** 0.002	0.006** 0.002	0.005** 0.002
Year of Education	0.029*** (0.008)	0.029*** 0.009	0.028** • 0.009	0.030** • (0.010)	0.029** • 0.010	0.029** • 0.010	0.029** • 0.010
Time in Job	0.004 (0.003)	0.004 0.004	0.004 0.003	-0.002 (0.004)	-0.002 0.004	-0.002 0.004	-0.002 0.004
Manager	0.255*** (0.050)	0.248*** 0.049	0.260** • 0.050	0.294** • (0.057)	0.296** • 0.058	0.234** • 0.066	0.299** • 0.057
Technician	0.114** (0.052)	0.108** 0.053	0.157** • 0.062	0.143** • (0.054)	0.147** • 0.054	0.129** • 0.054	0.185** • 0.062
Rank	0.020 (0.018)	0.021 0.017	0.019 0.018	0.001 (0.019)	0.000 0.020	0.002 0.019	0.000 0.019
Organizational Controls							
Private Firm	-0.121* (0.064)	-0.122* 0.064	-0.119* 0.064	0.010 (0.063)	0.003 0.064	0.020 0.062	0.011 0.063
Foreign-invested Firm	0.054 (0.115)	0.057 0.140	0.054 0.114	0.227* (0.127)	0.224* 0.126	0.242* 0.127	0.229* 0.127
Manufacturing	0.554*** (0.138)	0.542*** 0.139***	0.550** • 0.135	0.445** • (0.091)	0.518** • 0.080	0.420** • 0.091	0.441** • 0.089
Industry	0.593*** (0.141)	0.580 0.140	0.595** • 0.138	0.381** • (0.093)	0.474** • 0.082	0.356** • 0.093	0.383** • 0.091
Service Industry	0.008 (0.095)	-0.015 0.099	0.009 0.095	0.139 (0.085)	0.142* 0.085	0.135 0.085	0.141* 0.085
Medium-sized Firm	-0.110 (0.080)	-0.165* 0.087	-0.108 0.080	-0.052 (0.085)	-0.047 0.085	-0.062 0.085	-0.049 0.086
Independent Variable							
Dispatch	-0.093** (0.043)	-0.266*** 0.090	-0.076* 0.044	-0.104** (0.044)	0.257 0.124	-0.14*** 0.043	0.088** 0.045

(table continues)

	Log Salary			Log Basic Pay			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Dispatch Employment x			0.127				
Medium-sized Firm			0.109				
Dispatch Employment x			0.221**				
Small Firm			0.103				
Dispatch Employment x					-	0.332**	
Manufacturing Industry					0.137		
Dispatch Employment x					-0.39***		
Service Industry					0.142		
Dispatch Employment x						0.251**	
Management						0.125	
Dispatch Employment x				-			-
Technician				0.203**			0.209**
Technician				0.089			0.084
Number of Observations	878	878	878	825	825	825	825
R-squared	0.261	0.266	0.264	0.177	0.178	0.183	0.179

*p < .10; **p < .05; ***p < .01.

* Standard errors are clustered by firms.

Table 6
OLS Regressions for Wage Satisfaction and Work Time

	Wage Satisfaction		Weekly Work Days	Weekly Work Hours
	Model 1	Model 2	Model 3	Model 4
Individual Controls				
Male	.0112	0.025	0.048	1.842**
	.0801	0.081	0.057	0.763
Residential Status	.0136	0.016	0.166**	0.197
	.118	0.119	0.073	1.173
Experience (Total work year)	-.002	-0.001	0.007	0.091
	.006	0.006	0.005	0.058
Year of Education	-.055**	-0.058***	-0.049**	-0.251
	.022	0.022	0.021	0.229
Time in Job	-.009	-0.007	-0.005	-0.059
	.007	0.007	0.006	0.070
Manager	.287***	0.295***	0.113	-1.429
	.104	0.103	0.084	0.877
Technician	.128	0.140	-0.026	-1.562
	.118	0.117	0.091	1.111
Rank	.035	0.032	-0.004	0.293
	.043	0.044	0.029	0.409
Organizational Controls				
Private Firm	-.080	-0.080	0.017	1.380
	.133	0.132	0.085	1.235
Foreign-invested Firm	-.088	-0.090	-0.099	-0.438
	.150	0.150	0.12	1.254

(table continues)

	Wage Satisfaction		Weekly Work Days	Weekly Work Hours
	Model 1	Model 2	Model 3	Model 4
Manufacturing Industry	-.938** .389	-0.892** 0.366	0.422 0.288	8.045 5.787
Service Industry	-1.025*** .390	-0.974*** 0.368	0.395 0.284	7.036 5.759
Medium-sized Firm	-.269 .170	-0.277 0.170	-0.092 0.087	-0.840 1.209
Small Firm	-.119 .172	-0.131 0.171	0.044 0.093	0.169 1.267
Independent Variable				
Dispatch Employment	-.221** .098	-0.550*** 0.171	0.140** 0.069	1.230 .882
Union Establishment	.178 .119	0.004 0.155		
Dispatch Employment x Union		0.422**		
Establishment		0.198		
Number of Observations	898	898	887	899
R-squared	0.069	0.075	0.0926	0.0557

*p < .10; **p < .05; ***p < .01. * Standard errors are clustered by firms.

Table 7
Summary Statistics for Key Benefit Variables

Variable		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1	Dispatch Worker	0.25	0.44									
2	Male	0.43	0.50	-0.01								
3	Residence Status	0.17	0.38	0.02*	0.03*							
4	Tenure	13.22	9.30	-0.07*	0.13*	-0.22*						
5	Years of Education	14.28	2.23	-0.01	-0.08*	-0.39*	-0.16*					
6	Years in the Job	8.88	8.04	-0.07*	0.08*	-0.23*	0.62*	0.00				
7	Management	0.24	0.43	-0.05*	0.03*	-0.09*	0.09*	0.16*	0.07*			
8	Technician	0.12	0.33	-0.03*	0.06*	-0.13*	0.09*	0.21*	0.16*	-0.22*		
9	Union Establishment	0.90	0.30	-0.02*	0.01*	-0.08*	0.13*	0.02*	0.18*	0.0085	0.06*	
10	Work Council	0.78	0.42	-0.07*	0.01	-0.14*	0.13*	0.11*	0.18*	0.03*	0.11*	0.35*
11	Basic Insurance Coverage	2.83	0.51	-0.17*	0.03*	-0.33*	0.16*	0.31*	0.22*	0.12*	0.09*	0.09*

(table continues)

	Variable	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
12	Full Insurance Coverage	4.54	0.99	-0.14*	-0.00	-0.31*	0.12*	0.34*	0.22*	0.14*	0.08*	0.09*
13	Basic Health Insurance	0.95	0.22	-0.18*	0.02	-0.36*	0.18*	0.32*	0.28*	0.08*	0.16*	0.13*
14	Basic Pension	0.94	0.23	-0.21*	0.0	-0.38*	0.22*	0.30*	0.25*	0.11*	0.11*	0.09*
15	Injury Insurance	0.93	0.25	-0.09*	0.09*	-0.09*	0.01	0.15*	0.05*	0.09*	0.02	0.02
16	Unemployment Insurance	0.88	0.33	-0.10*	-0.01	-0.27*	0.08*	0.32*	0.18*	0.12*	0.11*	0.07*
17	Maternity Insurance	0.84	0.37	-0.12*	-0.05*	-0.22*	0.03*	0.27*	0.12*	0.11*	0.02	0.06*
18	Housing Fund	0.67	0.47	-0.24*	0.04*	-0.34*	0.14*	0.37*	0.35*	0.06*	0.23*	0.11*
19	Annuity	0.37	0.48	-0.15*	0.04*	-0.06*	-0.01	0.06*	0.04*	0.07*	-0.04*	0.04*
20	Physical Examination	0.69	0.46	-0.18*	-0.01	-0.13*	0.07*	0.15*	0.16*	0.06*	0.08*	0.06*
21	Contract Provision on Social Insurance	0.90	0.30	-0.15*	0.05*	-0.05*	0.01	0.07*	0.05*	0.02	0.03	0.07*

(table continues)

Variable	10	11	12	13	14	15	16	17	18	19	20
11 Basic Insurance Coverage		0.29*									
12 Full Insurance Coverage	0.31*	0.96*									
13 Basic Health Insurance	0.26*	0.86*	0.82*								
14 Basic Pension	0.23*	0.84*	0.80*	0.67*							
15 Injury Insurance	0.23*	0.77*	0.81*	0.48*	0.41*						
16 Unemployment Insurance	0.270*	0.74*	0.87*	0.62*	0.59*	0.65*					
17 Maternity Insurance	0.22*	0.70*	0.84*	0.57	0.53*	0.64*	0.71*				
18 Housing Fund	0.30*	0.46*	0.49*	0.52*	0.37*	0.28*	0.45*	0.40*			
19 Annuity	0.21*	0.22*	0.25*	0.19*	0.09*	0.25*	0.22*	0.22*	0.24*		
20 Physical Examination	0.24*	0.28*	0.30*	0.27*	0.22*	0.23*	0.27*	0.26*	0.34*	0.21*	
21 Contract Provision on Social Insurance	0.19*	0.37*	0.41*	0.30*	0.25*	0.32*	0.33*	0.30*	0.17*	0.10*	0.16*

Dummies for rank, ownership, industry, and firm size are omitted.

*p < .01

Table 8
Regressions for Insurance Coverage

	Basic Insurance Coverage				Insurance Coverage
	Model 1	Model 2	Model 3	Model 4	Model 5
Individual Controls					
Male	0.054	0.045	0.056	0.042	0.022
	0.056	0.056	0.056	0.054	0.105
Residential Status	-0.278***	-0.273***	-0.27***	-0.281***	-0.400•
	0.099	0.101	0.096	0.097	0.208
Experience (Total work yr)	0.004	0.005	0.004	0.005	0.003
	0.004	0.004	0.004	0.004	0.009
Year of Education	-0.007	0.029	0.025	0.024	0.089••
	0.022	0.022	0.021	0.021	0.036
Time in Job	-0.001	-0.006	-0.004	-0.007•	-0.002
	0.004	0.004	0.004	0.004	0.009
Manager	0.011	0.010	0.024	0.036	0.136
	0.063	0.062	0.063	0.062	0.119
Technician	-0.107	-0.096	-0.073	0.026	-0.142
	0.105	0.102	0.092	0.074	0.203
Rank	-0.024	-0.032	-0.022	-0.029	-0.020
	0.031	0.031	0.03	0.032	0.064
Organizational Controls					
Private Firm	-0.159••	-0.073	-0.162••	-0.164••	-0.248
	0.073	0.082	0.073	0.072	0.157
Foreign-invested Firm	0.107	0.132	0.085	0.108	0.283
	0.094	0.088	0.097	0.090	0.173
Manufacturing Industry	0.455••	0.403••	0.475••	0.484••	1.181
	0.198	0.197	0.200	0.198	0.820
Service Industry	0.458••	0.395••	0.461••	0.497••	1.178
	0.198	0.194	0.198	0.197	0.815
Medium-sized Firm	0.087	0.081	0.068	0.087	0.138
	0.071	0.070	0.070	0.070	0.142
Small Firm	0.002	-0.002	-0.032	0.007	0.007
	0.076	0.075	0.074	0.074	0.152
Independent Variable					
Dispatch Employment	-0.196••	-0.029	-0.623••	-0.143•	-0.184
	0.087	0.075	0.264	0.081	0.173
Work Council	0.216•	0.218•	.038	0.187•	0.406•
	0.120	0.119	.110	0.114	0.226
Dispatch Employment x Private Firm		-0.295••			
		0.139			

(table continues)

	Basic Insurance Coverage				Insurance Coverage
	<i>Model 1</i>	<i>Model 2</i>	<i>Model</i> <i>3</i>	<i>Model</i> <i>4</i>	<i>Model 5</i>
Dispatch Employment x Foreign Firm		-0.043			
		0.154			
Dispatch Employment x Work Council			0.563**		
			0.271		
Dispatch Employment x Technician				-1.123**	
				0.436	
Number of Observations	583	583	583	583	485
R-squared	0.194	0.203	0.2175	0.219	0.206

*p < .10; **p < .05; ***p < .01.

* Standard errors are clustered by firms.

Table 9

Logit Analyses of Mandatory Benefits

	Basic Health Insurance			Basic Pension		Injury Insurance	Unemployment Insurance	Maternity Insurance	Housing Fund		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Individual Controls											
Male	0.249 (0.319)	0.220 (0.308)	0.132 0.295	-0.130 0.277	-0.155 0.275	0.721*** 0.275	0.186 0.249	-0.67*** 0.223	-0.012 0.190	0.034 0.190	-0.060 0.191
Residential Status	-0.99*** (0.322)	-1.01*** 0.330	-1.06*** 0.324	-1.27*** 0.279	-1.29*** 0.281	-0.526 0.342	-1.009*** 0.283	-0.71*** 0.252	-0.416* 0.245	-0.437* 0.241	-0.447* 0.246
Experience (Total work year)	-0.002 (0.019)	-0.003 0.019	0.006 0.021	0.026 0.022	0.025 0.023	0.013 0.028	0.012 0.018	0.001 0.016	-0.025* 0.014	-0.026* 0.014	-0.021 0.014
Year of Education	0.129** (0.064)	0.125** 0.064	0.139*** 0.085	0.201*** 0.063	0.187*** 0.064	0.013 0.070	0.251*** 0.059	0.134*** 0.047	0.193*** 0.053	0.195*** 0.054	0.200*** 0.054
Time in Job	0.051* (0.029)	0.059** 0.030	0.040 0.029	-0.011 0.027	-0.013 0.027	-0.014 0.030	0.032 0.027	0.017 0.020	0.075*** 0.021	0.069*** 0.021	0.071*** 0.021
Manager	-0.411 (0.352)	-0.410 0.350	-0.343 0.376	0.088 0.372	0.150 0.372	-0.424 0.400	-0.226 0.308	0.212 0.280	-0.142 0.272	-0.111 0.289	-0.112 0.272
Technician	-0.435 (0.467)	-0.367 0.466	-0.457 0.481	0.117 0.398	0.969 0.601	-0.149 0.475	-0.222 0.381	-0.329 0.354	0.308 0.340	0.263 0.348	0.312 0.343
Rank	-0.096 (0.163)	-0.107 0.166	-0.073 0.160	-0.125 0.145	-0.127 0.145	-0.39*** 0.140	-0.299** 0.140	-0.31*** 0.117	0.010 0.132	0.026 0.124	0.019 0.131

(table continues)

	Basic Health Insurance			Basic Pension		Injury Insurance	Unemployment Insurance	Maternity Insurance	Housing Fund		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Organizational Control											
Private Firm	-0.873•	0.001	-1.012••	-1.112••	-1.106••	-1.39•••	-0.912••	-0.559	-0.952••	-1.64•••	-1.018••
	(0.484)	0.561	0.471	0.522	0.521	0.387	0.453	0.349	0.395	0.522	0.399
Foreign-invested Firm	0.232	0.355	0.127	-0.397	-0.417	0.290	0.491	0.210	0.176	-0.405	0.145
Manufacturing Industry	-0.056	-0.183	2.705•	0.300	0.327	0.863	-0.244	1.716	-1.145	-0.896	0.553
Service Industry	(1.129)	1.046	1.414	0.922	0.912	0.553	1.156	0.828••	1.221	1.296	0.923
	0.432	0.284	2.733•	-0.660	0.762	0.368	-0.102	1.624	-0.722	-0.434	0.932
	(1.168)	1.082	1.397	0.929	0.917	0.582	1.186	0.822••	1.216	1.263	0.879
Medium-sized Firm	-0.604	-0.655	-0.647	-0.190	-0.134	0.878	0.078	0.251	-0.189	-0.185	-0.187
	(0.605)	0.589	0.597	0.673	0.661	0.568	0.595	0.378	0.475	0.488	0.483
Small Firm	-0.915•	-0.94•	-0.951•	-0.737	-0.691	0.226	-0.372	-0.300	-0.555	-0.547	-0.534
	(0.507)	0.517	0.502	0.543	0.533	0.403	0.542	0.310	0.454	0.470	0.460
Dispatch Employment	-1.05•••	0.695	2.543	-0.98•••	-0.83•••	-0.657••	0.015	-0.427	-0.93•••	-2.007••	1.931•
	(0.352)	0.921	1.416	0.293	0.298	0.310	0.315	0.262	0.243	0.538	1.057
Dispatch Employment x		-2.075••								1.518••	
Private Firm		0.986								0.594	
Dispatch Employment x		-0.250								1.181	
Foreign Firm		1.095								1.019	

(table continues)

	Basic Health Insurance			Basic Pension		Injury Insurance	Unemployment Insurance	Maternity Insurance	Housing Fund		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Dispatch Employment x			-4.03***								-2.97***
Manufacturing Industry			1.536								1.141
Dispatch Employment x			-3.287**								-2.89***
Service Industry			1.458								1.087
Dispatch Employment x					-1.762**						
Technician					0.767						
Number of Observations	844	844	844	812	812	749	768	683	813	813	813
Log likelihood	-234.53	-230.25	-229.97	-253.99	-251.74	-227.92	-298.479	-319.472	-422.46	-415.79	-419.59
Pseudo R-square	0.226	0.24	0.241	0.286	0.292	0.133	0.227	0.144	0.232	0.244	0.237
Wald Chi-squared	71.84***	85.15***	70.88***	91.70***	94.55***	54.63***	84.69***	90***	113***	101.8***	115***

*p < .10; **p < .05; ***p < .01. * Standard errors are clustered by firms.

Table 10
Logit Analyses of Other Benefits

	Annuity	Physical Examination		Contract Provision on Social Insurance		
		Model 1	Model 2	Model 3	Model 4	Model 5
Individual Controls						
Male	0.508**	0.210	0.380	0.297	0.446*	0.375
	0.214	0.176	0.260	0.260	0.258	0.260
Residential Status	0.315	-0.084	-0.178	-0.245	-0.149	-0.197
	0.300	0.223	0.295	0.291	0.303	0.292
Experience (Total work year)	0.019	-0.011	0.021	0.029	0.024	0.020
	0.018	0.013	0.020	0.022	0.021	0.021
Year of Education	-0.120*	0.023	0.021	0.026	0.015	0.002
	0.065	0.043	0.585	0.056	0.063	0.061
Time in Job	0.010	0.024	-0.021	-0.031	-0.016	-0.022
	0.023	0.017	0.025	0.026	0.025	0.026
Manager	-0.177	-0.292	0.123	0.191	0.145	0.193
	0.249	0.228	0.361	0.344	0.371	0.377
Technician	-0.225	-0.320	0.587	0.672**	0.635*	1.746**
	0.315	0.301	0.363	0.341	0.348	0.675
Rank	0.303***	0.043	-0.306***	-0.3***	-0.318***	-0.310***
	0.112	0.115	0.113	0.110	0.114	0.112
Organizational Controls						
Private Firm	-1.14***	-0.935***	-.720**	0.967**	-0.725**	-0.704*
	0.390	0.334	0.364	0.367	0.361	0.360
Foreign-invested Firm	-1.31***	0.171	-0.126	-0.319	-0.173	-0.155
	0.481	0.575	0.572	0.565	0.553	0.556
Manufacturing Industry	-0.195	-0.606	1.273	3.238**	1.457	1.297
	1.096	0.687	1.076	0.817	0.944	0.991

(table continues)

	Annuity	Physical Examination		Contract Provision on Social Insurance		
		Model 1	Model 2	Model 3	Model 4	Model 5
Service Industry	-0.327	-0.523	0.807	3.114***	1.027	0.900
	1.092	0.694	1.094	0.765	0.966	1.012
Medium-sized Firm	-0.985**	-0.360	-0.601	-0.530	-0.617	-0.611
	0.418	0.484	0.439	0.446	0.440	0.430
Small Firm	-1.12***	-0.669	-0.417	-0.302	-0.447	-0.432
	0.432	0.433	0.414	0.415	0.421	0.405
Dispatch Employment	-0.518*	-0.419*	-0.750***	3.342***	-1.668***	-0.545***
	0.302	0.225	0.271	0.854	0.496	0.277
Union Establishment			.790***	.726**	0.137	0.743**
			0.305	0.300	0.441	0.304
Dispatch Employment x				3.682***		
Manufacturing Industry					0.936	
Dispatch Employment x				4.564***		
Service Industry					0.925	
Dispatch Employment x						1.309**
Union Establishment						0.597
Dispatch Employment x						-2.373***
Technician						0.811
Number of Observations	608	882	780	780	780	780
Log pseudolikelihood	-334.34	540.98	-317.89	-310.36	-314.00	-312.58
Pseudo R-square	0.144	0.092	0.1	0.121	0.111	0.1146
Wald Chi-squared	54.87***	32.94**	42.52***	64.19***	56.02***	54.33***

•p < .10; **p < .05; ***p < .01.

Table 11
Logit Analyses of Employment Protection and Labor Quota

	Laid-off Experience	Labor Quota	
	Model 1	Model 2	Model 3
Individual Controls			
Male	0.263	0.486***	0.548***
	0.189	0.17	0.171
Residential Status	-0.287	-0.153	-0.114
	0.240	0.226	0.227
Experience (Total work yr)	0.101***	0.015	0.012
	0.017	0.012	0.012
Year of Education	-0.056	-0.105***	-0.107***
	0.049	0.04	0.040
Time in Job	-0.124***	-0.021	-0.015
	0.025	0.017	0.017
Manager	-0.192	0.052	0.017
	0.304	0.242	0.241
Technician	-0.654**	0.050	0.040
	0.314	0.278	0.278
Rank	0.191*	0.227**	0.220***
	0.108	0.095	0.094
Organizational Controls			
Private Firm	1.066***	-0.490**	-0.404
	0.298	0.248	0.251
Foreign-invested Firm	1.000**	-1.060**	-1.007**
	0.498	0.417	0.422
Manufacturing Industry	0.366	-0.166	-1.936***
	0.842	0.982	0.336
Service Industry	0.650	-0.212	-2.018***
	0.843	0.976	0.312
Medium-sized Firm	-0.155	-0.122	-0.140
	0.398	0.306	0.307
Small Firm	0.417	-0.082	-0.133
	0.333	0.260	0.261
Dispatch Employment	0.700***	0.638***	-3.007**
	0.233	0.223	1.462
Dispatch Employment x Manufacturing Industry			3.633**
			1.492
Dispatch Employment x Service Industry			3.789**
			1.489
Number of Observations	881	869	869
Log likelihood	-386.454	-498.097	-493.401
Pseudo R-square	0.1974	0.0606	0.0695
Wald Chi-squared	85.78***	49.55***	141.47**

*p < .10; **p < .05; ***p < .01. * Standard errors, in parentheses, are clustered by firms.

Table 12

Ordered Logit Analyses of Employment Protection and Employability

	Not Worrying about Job Loss		Training in Firm	Promotion Opportunities		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Individual Controls						
Male	-.244	-0.252	-0.015	0.066	0.074	0.067
	.173	0.170	0.148	0.171	0.170	0.173
Residential Status	.051	0.027	-0.307•	0.911	0.067	0.082
	.267	0.268	0.176	0.258	0.263	0.261
Experience (Total work year)	.007	0.007	-0.012	-0.064***	-0.065***	-0.066***
	.015	0.015	0.010	0.014	0.05	0.014
Year of Education	.012	0.009	0.041	-0.073	-0.079	-0.087•
	.048	0.048	0.037	0.048	0.049	0.049
Time in Job	-.042••	'-0.042••	0.029•	-0.011	-0.009	-0.011
	.019	0.019	0.015	0.016	0.016	0.016
Manager	.540••	0.531••	0.478••	0.873***	0.919	.930***
	.248	0.249	0.192	0.244	0.249	0.254
Technician	.576••	0.563••	-0.175	0.390	0.484***	.730••
	.236	0.238	0.245	0.348	0.328	0.368
Rank	.118	0.135	0.076	-0.010	-0.003	-0.024
	.093	0.094	0.066	0.105	0.106	0.105
Organizational Controls						
Private Firm	-.167	-0.179	-0.601***	-0.370	-0.387	-0.383
	.284	0.275	0.233	0.277	0.267	0.275

(table continues)

	Not Worrying about Job Loss		Training in Firm	Promotion Opportunities		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Foreign-invested Firm	.320	0.280	-0.061	-0.83***	-.830***	-.838***
Manufacturing Industry	-1.988	-1.918	0.168	-2.08***	-1.95***	-2.05***
Service Industry	-2.087	-2.049	0.113	-2.07***	-1.943***	-1.99***
	1.890	1.839	1.060	0.667	0.626	0.662
Medium-sized Firm	.121	0.086	-0.016	-0.355	-0.386	-0.347
	.392	0.386	0.295	0.274	0.275	0.277
Small Firm	-.190	-0.231	-0.400	-0.105	0.278	-0.097
	.329	0.326	0.276	0.284	0.239	0.285
Dispatch Employment	-.619***	-1.163***	-0.183	-0.65***	-2.020***	-.524**
Union	.221	0.313	0.194	0.220	0.547	0.220
Establishment	.273	0.334		0.392	-0.199	0.286
Collective Contract	.252	0.272		0.325	0.337	0.300
	-.439**	-0.759***		0.201	0.250	0.240
	0.215	0.27		0.222	0.210	0.214
Dispatch Employment x Union Establishment				1.662***		
				0.607		

(table continues)

	Not Worrying about Job Loss		Training in Firm	Promotion Opportunities		
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
Dispatch Employment x		0.835**				
Collective Contract		0.405				
Dispatch Employment x						-1.537**
Technician						0.689
cut 1	-3.745	-3.938	-1.639	-5.946	-6.3807	-6.162
	2.036	1.978	1.235	1.142	1.116	1.159
cut 2	-1.833	-2.015	-0.858	-3.044	-3.4269	-3.235
	1.999	1.944	1.242	1.119	1.099	1.129
cut 3			-0.181			
			1.244			
cut 4			0.262			
			1.244			
Number of Observations	607	607	896	608	608	608
Log likelihood	-607.1294	-604.40776	-1189.6593	-543.367	-537.50	-540.39
Pseudo R-square	0.0445	0.0488	0.0441	0.072	0.0822	0.0773
Wald Chi-squared	36.03***	42.49***	68.31***	70.43***	86.64**	72.04***

*p < .10; **p < .05; ***p < .01.

* Standard errors, in parentheses, are clustered by firms.

Table 13
Ordered Logit Analyses of Workload

	Workload Properness		Overtime
	Model 1	Model 2	Model 3
Individual Controls			
Male	0.114	0.125	0.164
	0.306	0.302	0.151
Residential Status	0.619•	0.526	0.115
	0.362	0.361	0.196
Experience (Total work)	-0.024	-0.027	-0.019
	0.02	0.021	0.012
Year of Education	0.118•	0.117•	-0.013
	0.065	0.066	0.043
Time in Job	0.051	0.046	0.045***
	0.032	0.033	0.016
Manager	-0.179	-0.223	0.271
	0.37	0.390	0.234
Technician	-0.421	-0.513	0.034
	0.342	0.332	0.227
Rank	0.177	0.182	0.139•
	0.141	0.139	0.083
Organizational Controls			
Private Firm	0.203	0.309	0.065
	0.453	0.455	0.277
Foreign-invested Firm	-0.806	-0.798	-0.109
	0.584	0.551	0.306
Manufacturing Industry	0.327	0.160	0.96***
	1.404	1.361	0.306
Service Industry	0.468	0.357	0.894**
	1.359	1.315	0.363
Medium-sized Firm	0.204	-0.145	-0.45
	0.576	0.664	0.324
Small Firm	0.498	-0.227	-0.309
	0.573	0.567	0.298
Dispatch Employment	1.125***	-0.242	0.661***
	0.328	0.661	0.203
Dispatch Employment x Medium		1.075	
		.9512	
Dispatch Employment x Small		1.803**	

			.785
cut 1	3.568	1.075	-1.021
	1.707	1.683	0.827
cut 2	5.886	5.272	2.592
	1.736	1.699	0.821
cut 3	7.786	7.188	4.302
	1.766	1.722	0.840
Number of Observations	278	278	897
Log likelihood	-253.179	-250.082	-819.166
Pseudo R-square	0.074	0.085	0.025
Wald Chi-squared	28.9**	32.91**	44.73***

*p < .10; **p < .05; ***p < .01.

* Standard errors are clustered by firms.

Table 14
Logit Analyses of Voice and Participation

	Union Membership		Worker Representative Election	Evaluation on Participation	Voice Opportunities
	Model 1	Model 2	Model 3	Model 4	Model 5
Dispatch	-	3.508***	-0.608**	-2.258***	-0.482**
Employment	0.233	1.046	0.290	0.654	0.238
Individual Controls					
Male	0.168	0.098	0.230	-0.418	-0.167
	0.172	0.172	0.195	0.679	0.183
Residential	-0.268	-0.322	-0.051	0.795	0.015
Status	0.247	0.254	0.278**	0.713	0.248
Experience	0.011	0.015	0.045	-0.041	-0.008
(Total work	0.012	0.012	0.02	0.026	0.015
Year of	0.005	0.012	-0.044	-0.037	-0.049
Education	0.049	0.050	0.053	0.118	0.051
Time in Job	0.076***	0.070***	0.022	0.064	0.021
	0.022	0.022	0.025	0.051	0.018
Manager	0.378	0.413	0.485*	-0.324	0.529
	0.271	0.268	0.283	0.745	0.264
Technician	0.168	0.150	1.246***	-1.178*	0.404
	0.276	0.275	0.421	0.697	0.306
Rank	0.032	0.056	-0.038	-0.011	0.060
	0.095	0.095	0.122	0.298	0.107

(table continues)

	Union Membership	Worker Representative Election	Evaluation on Participation	Voice Opportunities	
	Model 1	Model 2	Model 3	Model 4	Model 5
Organizational Controls					
Private Firm	-0.473	-0.534	-0.072	0.049	-0.840***
	0.329	0.334	0.315	0.675	0.290
Foreign-invested Firm	-0.238	-0.288	-0.992***	-0.307	-0.676*
Manufacturing Industry	0.544	0.556	0.359	0.956	0.383
	-0.264	2.130**	-0.272	1.266	-1.277
	1.006	0.994	0.292	1.199	1.14
Service Industry	-0.745	1.460	-	1.156	-1.466
Medium-sized Firm	1.004	0.978	-	1.182	1.147
Small Firm	0.398	0.380	0.698**	-0.727	0.65**
	0.41	0.414	0.344	1.050	0.318
	0.318	0.334	0.475	-0.820	0.374
	0.421	0.425	0.315	1.014	0.323
Dispatch Employment x		-4.57***			
Manufacturing Industry		1.074			
Dispatch Employment x		-4.126***			
Service Industry		1.088			
Number of Observations	872	872	533	603	720
Log likelihood	-528.59	0.000	-303.121	-73.168	-427.756
Pseudo R-square	0.122	0.1338	0.1223	0.1665	0.0516
Wald Chi-squared	66.49***	110.77***	80.42***	72.49***	33.81***

*p < .10; **p < .05; ***p < .01.*Standard errors are clustered by firms

Table 15
Logit Analysis of Minimum Wage

	Above Minimum Wage	Below the City Average Income		
	Model 1	Model 2	Model 3	Model 4
Individual Controls				
Male	0.624	-0.105	-0.079	-0.136
	0.516	0.169	0.170	0.171
Residential Status	0.413	-0.197	-0.190	-0.197
	0.566	0.230	0.230	0.233
Experience (Total work year)	0.033	-0.007	-0.007	-0.008
	0.027	0.013	0.013	0.013
Year of Education	0.085	0.018	0.021	0.023
	0.102	0.044	0.044	0.046
Time in Job	-0.040	0.018	0.015	0.016
	0.045	0.017	0.017	0.017
Manager	2.047	-0.620***	-0.634***	-0.641***
	1.086	0.223	0.214	0.229
Technician	0.531	-0.531**	-0.586**	-0.566**
	0.805	0.249	0.255	0.253
Rank	-0.733***	-0.156*	-0.147	-0.143
	0.238	0.089	0.089	0.090
Organizational Controls				
Private Firm	0.497	0.313	0.295	0.314
	0.771	0.314	0.315	0.314
Foreign-invested Firm	0.858	0.179	0.197	0.189
	1.07	0.442	0.443	0.443
Manufacturing Industry	0.267	1.555**	1.547***	1.436**
	0.511	0.624	0.603	0.615
Service Industry	-	1.648***	1.654***	1.523***
	-	0.628	0.605	0.621
Medium-sized Firm	-0.844	0.211	0.194	0.221
	1.193	0.350	0.351	0.350
Small Firm	-2.185*	0.125	0.173	0.155
	1.14	0.354	0.350	0.352

(table continues)

	Above Minimum Wage	Below the City Average Income		
	Model 1	Model 2	Model 3	Model 4
Dispatch Employment	-0.240	0.538***	1.740***	1.368***
	0.53	0.202	0.551	0.369
Union Establishment		-0.347	-0.289	0.028
		0.261	0.264	0.300
GDP		0.0000088	0.0000182**	0.00001
		0.00000659	0.00000722	0.00000661
Dispatch Employment x Union				-1.044**
Establishment				0.425
Dispatch Employment x GDP			-0.0000246**	
			0.0000105	
Number of Observations	751	865	865	865
Log likelihood	-88.872	-569.042	-564.633	-565.578
Pseudo R-square	0.1636	0.0508	0.0582	0.0566
Wald Chi-squared	42.08 ***	37.65 ***	43.5 ***	46.1 ***

*p < .10; **p < .05; ***p < .01.

* Standard errors are clustered by firms.

Table 16
OLS Regressions for Labor Management Relations

	No. Labor Disputes			Evaluation on LR		
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
Individual Controls						
Male	-0.048	-0.043	-0.049	-1.471	-1.276	-1.360
	0.040	0.038	0.039	1.470	1.443	1.448
Residential Status	-0.001	0.001	-0.004	0.041	-0.215	-0.249
	0.027	0.027	0.026	1.906	1.889	1.901
Experience (Total work year)	-0.003	-0.004	-0.003	-0.046	-0.049	-0.050
	0.002	0.002	0.002	0.112	0.111	0.110
Year of Education	-0.007	-0.008	-0.007	-0.211	-0.191	-0.195
	0.007	0.007	0.007	0.352	0.355	0.356
Time in Job	0.002	0.003	0.002	0.077	0.033	0.031
	0.003	0.003	0.003	0.142	0.140	0.142
Manager	-0.017	-0.018	-0.023	2.484	2.574	2.041
	0.040	0.041	0.040	1.936	1.972	1.915
Technician	0.057	0.063	0.052	-2.215	-2.524	-2.603
	0.053	0.052	0.052	2.185	2.157	2.195
Rank	0.072***	0.069***	0.073***	-0.503	-0.412	-0.508
	0.025	0.024	0.025	0.796	0.762	0.759
Organizational Controls						
Private Firm	0.017	0.016	0.017	-4.385•	-7.208***	-4.355•
	0.036	0.034	0.036	2.473	2.751	2.453

(table continues)

	No. Labor Disputes			Evaluation on LR		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Foreign-invested	-0.074**	-0.072**	-0.070**	-5.208•	-8.662**	-4.898
Firm	0.031	0.031	0.032	3.140	3.458	3.168
Manufacturing	0.085	-0.093	0.088	-2.640	-1.583	-2.238
Industry	0.089	0.080	0.096	10.799	10.944	10.044
Service Industry	-0.013	-0.145•	-0.010	-5.869	-4.589	-5.567
	0.079	0.077	0.087	10.743	10.882	9.998
Medium-sized	-0.023	-0.019	-0.058	-5.241**	-5.097**	-3.914
	0.037	0.037	0.041	2.611	2.585	2.919
Small Firm	0.011	0.016	-0.042	2.554	-0.789	-4.011
	0.032	0.033	0.036	-1.171	2.539	2.945
Dispatch	0.097**	-0.163 •	-0.087**	-4.687**	-10.987***	-9.660***
Employment	0.047	0.084	0.044	1.986	3.985	3.836
Dispatch					8.446•	
Private Firm					4.475	
Dispatch					12.091**	
Foreign Firm					5.389	
Dispatch Employment x		0.338***				
Manufacturing		0.125				

(table continues)

	No. Labor Disputes			Evaluation on LR		
	<i>Model</i> <i>1</i>	<i>Model</i> <i>2</i>	<i>Model 3</i>	<i>Model</i> <i>4</i>	<i>Model 5</i>	<i>Model</i> <i>6</i>
	Dispatch Employment x		0.212••			
Service Industry		0.092				
Dispatch Employment x			0.174•			-4.208
Medium Firm			0.095			6.182
Dispatch Employment x			0.223•••			8.983••
Small Firm			0.076			4.491
R-squared	0.0837	0.0914	0.0915	0.0431	0.0523	0.0606

*p < .10; **p < .05; ***p < .01. N = 901

* Standard errors are clustered by firms.

Table 17

Ordered Logit Analyses of Paid Vacations and Labor Management Relations

	Paid Vacation		Labor Management Relations
	Model 1	Model 2	Model 3
Dispatch Employment	-0.764*** 0.212	2.996** 1.450	-0.598*** 0.169
Individual Controls			
Male	-0.119 0.15	-0.184 0.148	-0.114 0.143
Residential Status	-0.07 0.215	-0.115 0.216	-0.194 0.203
Experience (Total work yr)	-0.017 0.012	-0.013 0.012	-0.003 0.011
Year of Education	0.027 0.038	0.029 0.039	-0.033 0.040
Time in Job	0.016 0.016	0.010 0.016	0.000 0.014
Manager	0.053 0.217	0.093* 0.215	0.049 0.214
Technician	0.401* 0.235	0.398 0.239	0.116 0.223
Rank	0.035 0.08	0.048 0.080	-0.203** 0.092
Organizational Controls			
Private Firm	-0.56* 0.288	-0.622** 0.289	-0.356 0.223
Foreign-invested Firm	0.188 0.475	0.145 0.477	-0.569 0.368
Manufacturing Industry	-0.706 1.371	1.467*** 0.478	-1.326** 0.522
Service Industry	-0.955 1.371	1.087** 0.491	-1.495*** 0.53
Medium-sized Firm	-0.088 0.337	-0.095 0.343	-0.276 0.277
Small Firm	-0.161 0.341	-0.149 0.346	-0.359 0.229
Dispatch Employment x Manufacturing Industry		-4.001*** 1.473	
Dispatch Employment x Service Industry		-3.707** 1.473	

(table continues)

	Paid Vacation		Labor Management Relations
	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>
cut 1	-1.642 1.519	0.408 0.826	-7.080 0.851
cut 2	-1.141 1.517	0.916 0.819	-5.628 0.846
cut 3			-3.780 0.820
cut 4			-2.048 0.811
Number of Observations	895	895	889
Log likelihood	-817.443	-810.417	-1143.662
Pseudo R-square	0.051	0.0591	0.0246
Wald Chi-squared	44.22***	55.40 ***	41.96 ***

*p < .10; **p < .05; ***p < .01.

* Standard errors are clustered by firms.

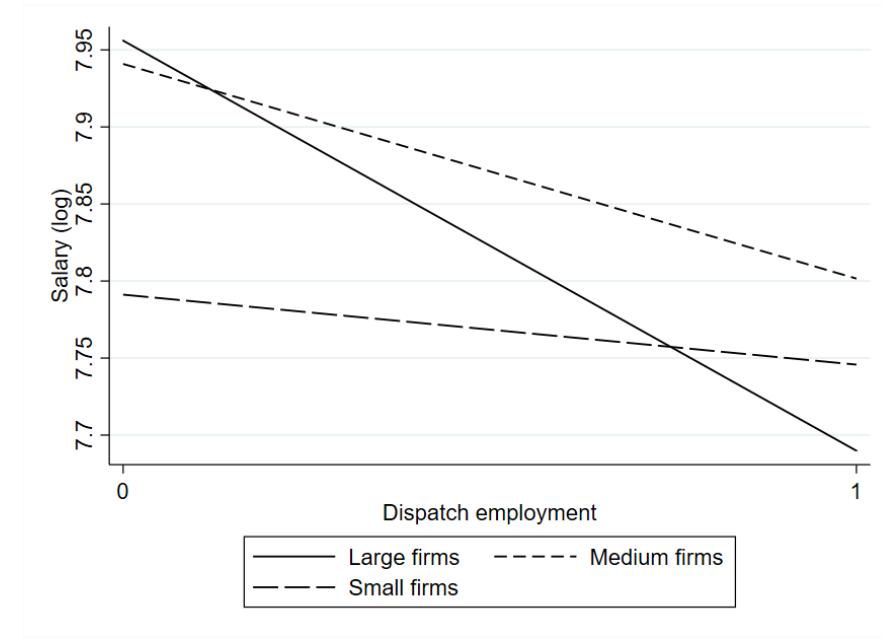


Figure 1. The moderating impact of firm size on the marginal effect of dispatch employment on (log) salary (based on unstandardized regression coefficients).zz

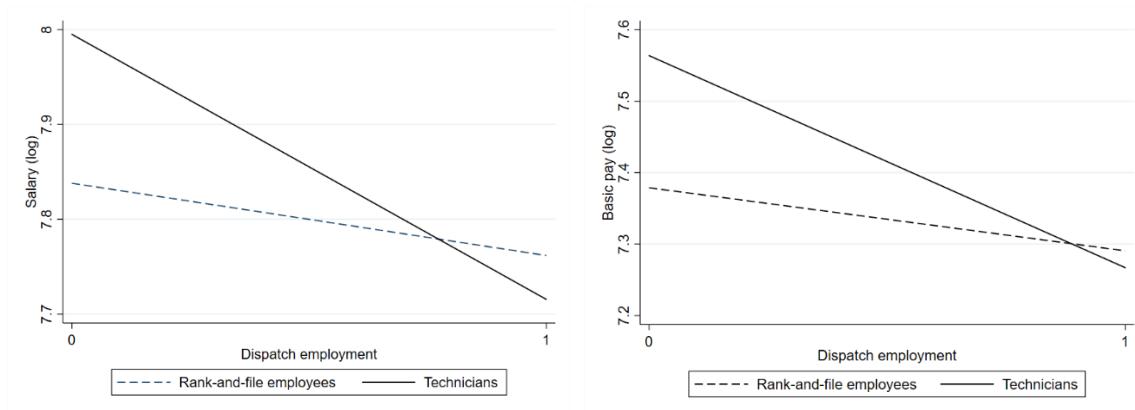


Figure 2. (a) The moderating impact of technician position on the marginal effect of dispatch employment on (log) salary (based on unstandardized regression coefficients); (b) The moderating impact of technician position on the marginal effect of dispatch employment on (log) basic pay (based on unstandardized regression coefficients).

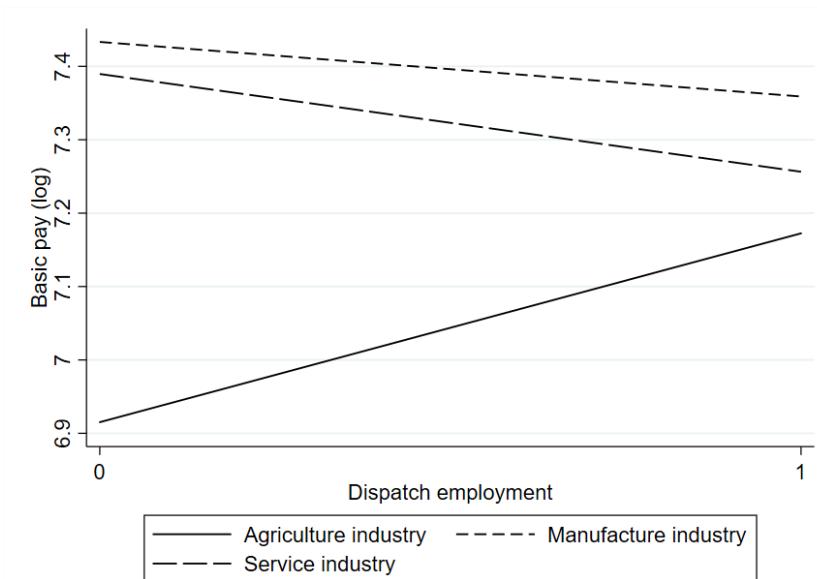


Figure 3. The moderating impact of industry on the marginal effect of dispatch employment on (log) basic pay (based on unstandardized regression coefficients).

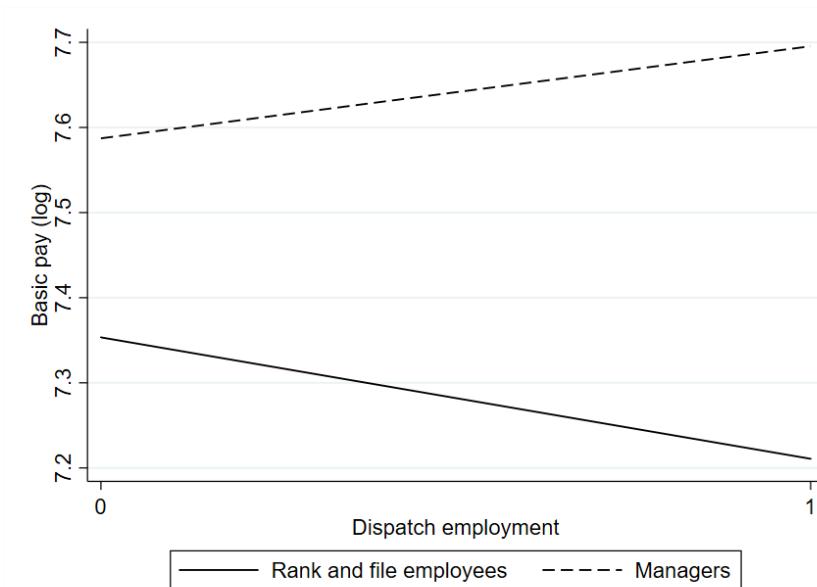


Figure 4. The moderating impact of management position on the marginal effect of dispatch employment on (log) basic pay (based on unstandardized regression coefficients).

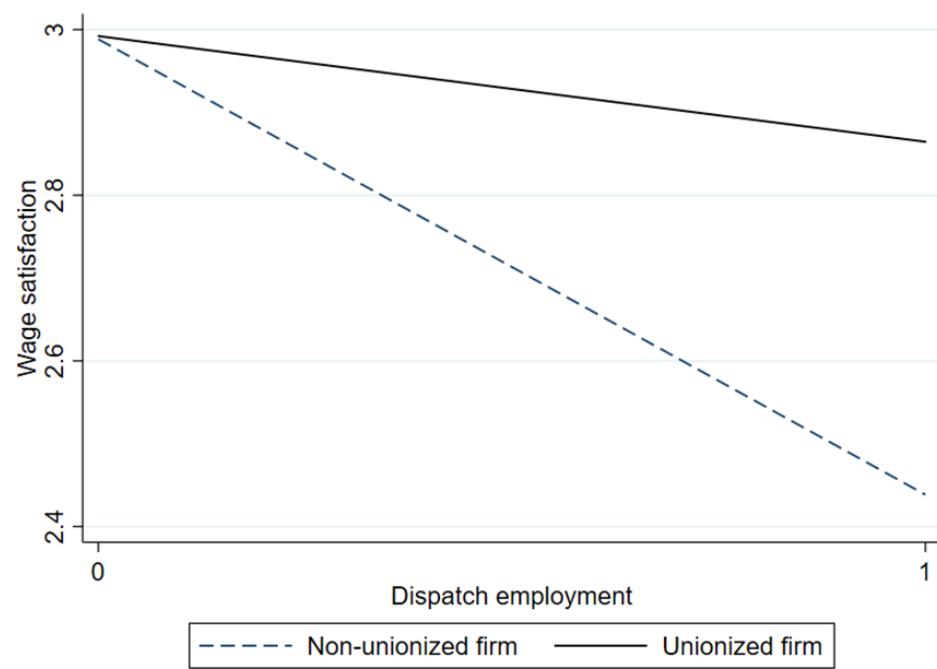


Figure 5. The moderating impact of union establishment on the marginal effect of dispatch employment on wage satisfaction (based on unstandardized regression coefficients)

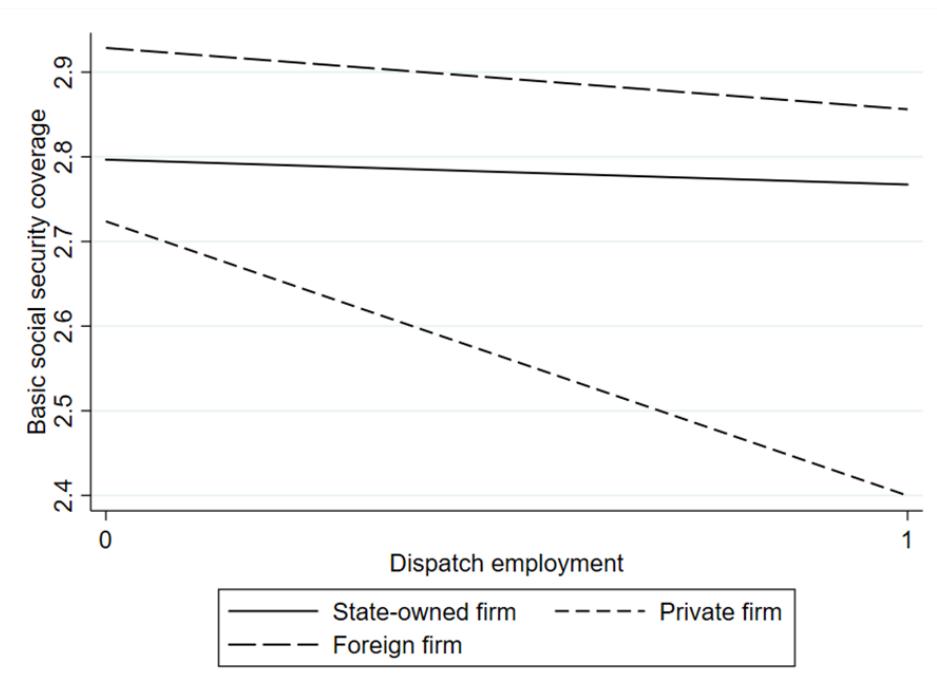


Figure 6. The moderating impact of ownership on the marginal effect of dispatch employment on basic social security coverage (based on unstandardized regression coefficients)

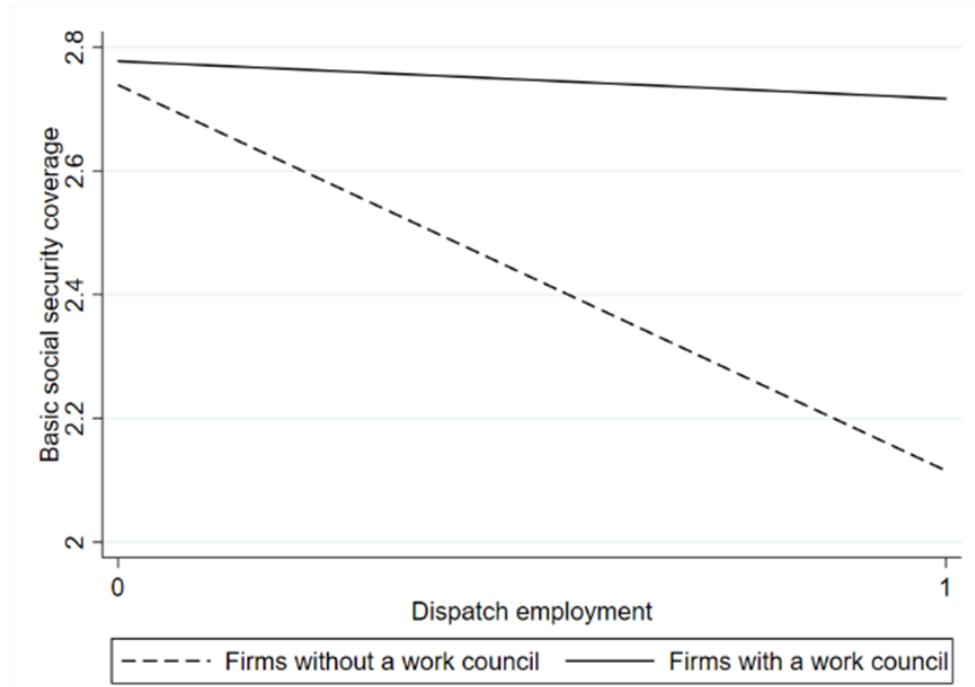


Figure 7. The moderating impact of the establishment of work council on the marginal effect of dispatch employment on basic social security coverage (based on unstandardized regression coefficients).

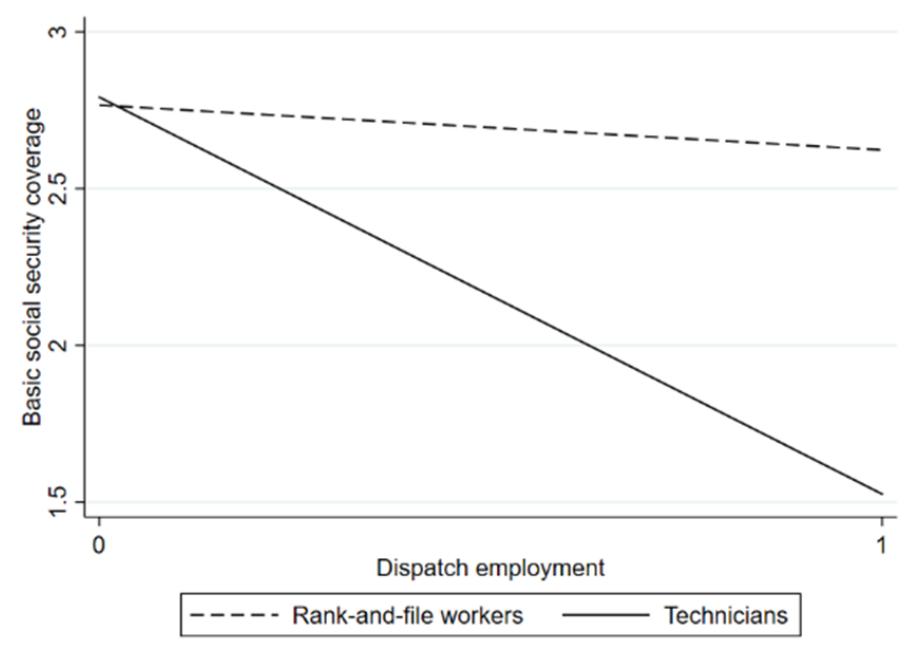


Figure 8. The moderating impact of the technician position on the marginal effect of dispatch employment on the basic social security coverage (based on unstandardized regression coefficients).

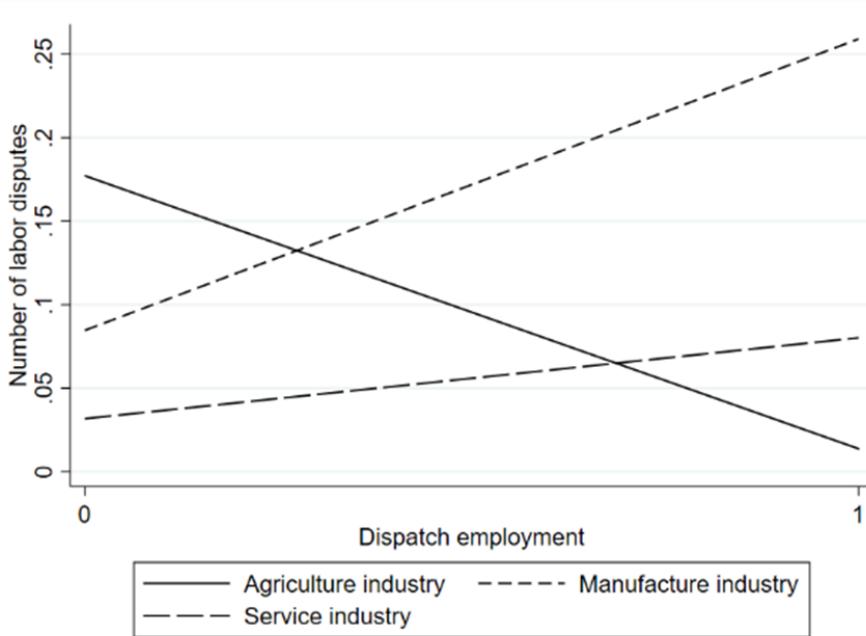


Figure 9. The moderating impact of the industry on the marginal effect of dispatch employment on the number of labor disputes (based on unstandardized regression coefficients).

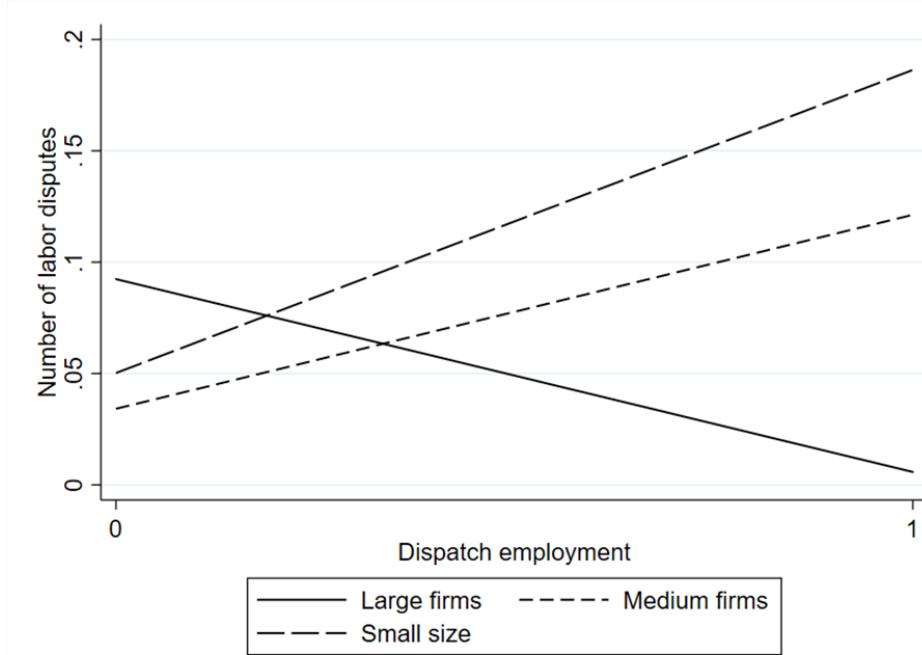


Figure 10. The moderating impact of the firm size on the marginal effect of dispatch employment on the number of labor disputes (based on unstandardized regression coefficients).

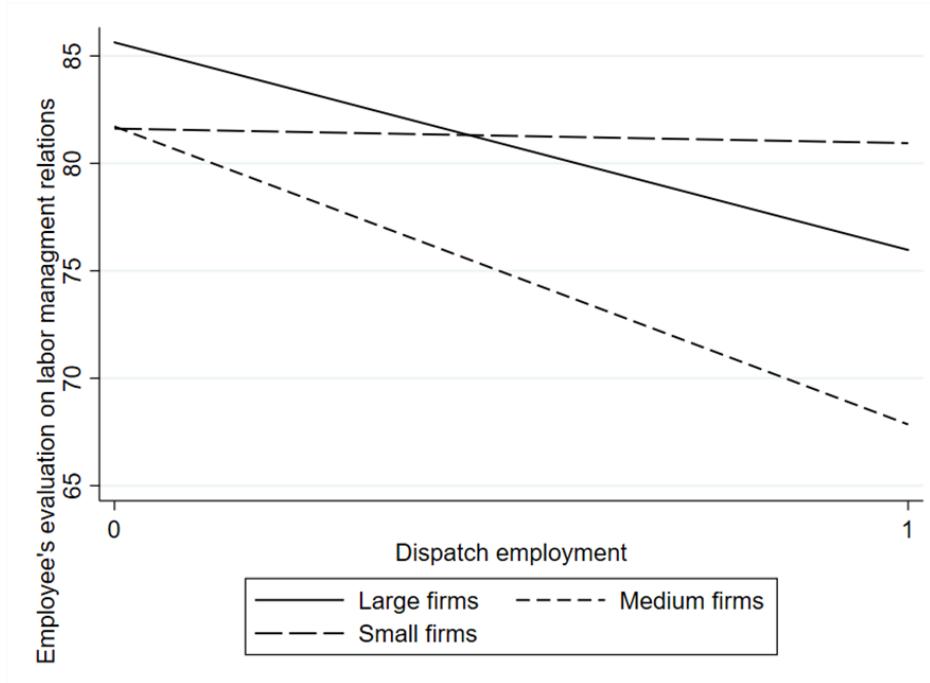


Figure 11. The moderating impact of the firm size on the marginal effect of the dispatch employment on the employee's evaluation on labor relations (based on unstandardized regression coefficients).

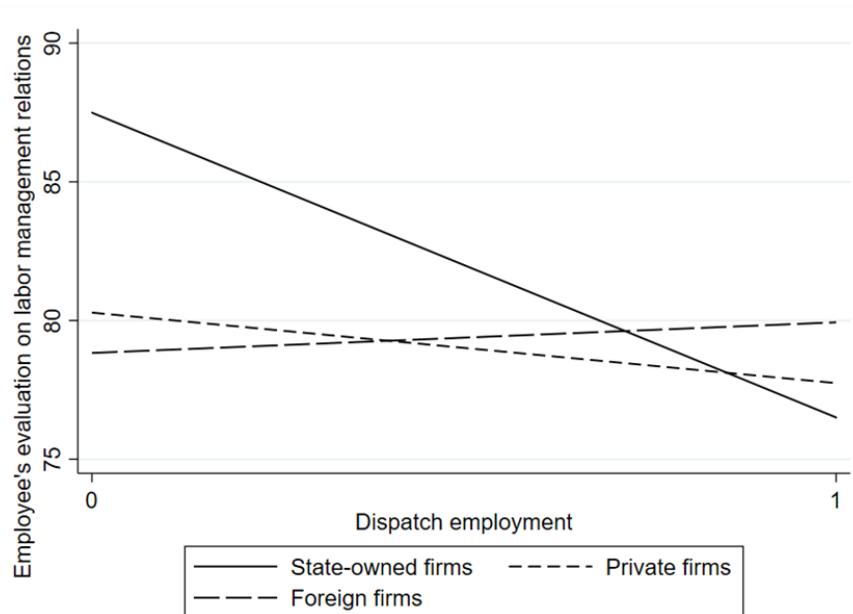


Figure 12. The moderating impact of the foreign firms on the marginal effect of the dispatch employment on the employee's evaluation on labor relations (based on unstandardized regression coefficient).

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Chapter 4

Essay Three: When Injustice Does not Hurt Performance: A Multilevel Investigation of Impact of Differentiated Treatments of Agency Workers on Individual Outcomes and the Moderating Role of Climate for Inclusion

Introduction

The trend of employing temporary agency workers to maintain flexibility, to keep costs at low levels, and to broaden access to skills has been more prevalent in firms than ever (Cappelli & Keller, 2013; Davis-Blake & Uzzi, 1993; Houseman, 2001; Kalleberg, 2012; Purcell, Purcell, & Tailby, 2004). However, increased use of temporary agency work, often called a “triangular employment relationship” (Druker & Stanworth, 2004; Purcell et al., 2004) among the workers, the staffing agency, and the client companies, has prompted concerns about how agency workers have been treated in the workplace and the consequences of these treatments for their effective use (Connelly & Gallagher, 2004).

Temporary workers are inevitably treated differently from regular employees due to their employment status within organizations. Prior studies have shown that they were paid less, received different benefits package, and worked on unfavorable schedules and under unfavorable working conditions. They have also been faced with different work environments and may have different psychological conditions from regular workers. Managing this group of employees is challenging because it is critical to ensure that the expected financial gains through the use of temporary workers are not offset by any negative consequences that result from these workers being treated in a stigmatized manner on the job (Boyce et al., 2007).

How should temporary agency workers be managed under a relatively unfair environment to instigate their outputs? What are the intervening mechanisms of differentiated treatments – performance links above and over perceived fairness? Will a more inclusive environment counteract the negative psychological impacts of treatment divergences? Although temporary agency workers may not see regular workers as proper referees, the differentiated treatments based on their employment status do affect cognitive assessment of their value, ability, and loyalty to their firms. This study proposes a justice framework of temporary workers based on organization justice theory (Colquitt, Conlon, Wesson, Porter, & Ng, 2001), and differentiates the disparate treatments between agency and regular workers into distributive treatments, procedural treatments, and interpersonal treatments, to contribute to developing a full picture of temporary workers' psychological experience and management. I argue that perceived fairness and organization identity would mediate the relations between differentiated treatments between regular workers and dispatch workers and behavioral outcomes of temporary

agency workers. Moreover, the climate for inclusion moderates the negative psychological impacts of stigma and differentiated treatments on temporary workers' performance.

New theories and frameworks specifically aimed at non-standard workers is required for better understanding of work and workers (Ashford, George, & Blatt, 2007b). The proposed model in this study is an important contribution to management theory and practice in many ways: First, this study would focus less on the rather static and symbolic construct of employment status (Chambel & Alcover, 2011; Chiu, Lin, & Han, 2015; De Cuyper & De Witte, 2007; Galais & Moser, 2009; Johnson & Ashforth, 2008), which is based on the hierarchical nature of organizations (Katz & Kahn, 1978), but rather on specific treatments, which encompass practices, rules, and social interactions embedded in the inherently dynamic social relations of temporary agency workers in the workplace. The differentiated treatments between agency and regular workers would punctuate the work experience of temporary agency workers and the process towards their behavioral outcomes. Relatively little research has examined agency workers' response to these experiences.

Second, temporary agency work provides an attractive context to study the divergence in treatments and perceived fairness in the working environment. Due to the inferior employment status of temporary agency workers within the organization, regular workers and agency workers are inevitably subject to differentiated treatments. This feature of the population provides an ideal context for organizational justice study because the conditions for perceived unfairness are barely rhetoric but reality. Third, this multilevel model responds to calls for understanding the boundary conditions for high

levels of performance and other positive outcomes among temporary agency workers, as well as how one could make the experience of temporary work more positive by introducing a climate for inclusion at the team level (Ashford, George, & Blatt, 2007a; Lepak & Snell, 1999).

Theory and Arguments

The justice framework of temporary workers I proposed is founded on two main theoretical arguments: social exchange theory (Blau, 1964) and social identity theory (Knippenberg & Hogg, 2001; Tajfel & Turner, 2004). Social exchange theory (Blau, 1964), and reciprocity norms (Gouldner, 1960) suggest that contingent workers will have less positive exchange relationships than regular employees with organizations because of the different inducements they receive (Rousseau, 1995, p.199; Sherer, 1996). For example, when individuals feel they are treated well by their organizations, they reciprocate and exceed the minimum requirements of their jobs by helping others and the organizations themselves. In contrast, when individuals like contingent workers feel that organizations view them as short-term, temporary, or dispensable, they reciprocate by performing only required duties and minimizing citizenship behaviors (Van Dyne & Ang, 1998).

Social comparison and social identity theories suggest that derogating out-groups, such as agency workers, creates a downward comparison target that is worse off than the self or one's group (Festinger, 1954; Tajfel, 1974; Tajfel & Turner, 2004). This downward comparison strengthened by the perceived differences allows regular workers to feel superior to agent workers and thus devalues the output and worth of contingent workers because they simply do not believe they have comparable skills and abilities (Wills,

1981). Such circumstances created difficult conditions for agency workers to feel accepted and embedded in the organization. Their lack of loyalty and identification towards the organization would result in minimum performance and helping behaviors and high propensity to leave and engage in sabotage.

In the following section, I first demonstrate the justice and identification mechanisms used to explain the impacts of differentiated treatments on temporary workers' task performance, OCB and turnover intention based the three aforementioned theories, and then introduce the boundary condition of climate for inclusion in restraining the negative impact of divergent treatments. In sum, I propose and test the cross-level model shown in Figure 13.

Differentiated Treatments: Consequences for Agency Workers

The negative impact of temporary agency employment comes from both inferior social and power status within the organization and difference in treatments associated with the status (Ashford et al., 2007a). Drawing on theories of organizational justice, which is at least evaluated in three aspects including distributive, procedural, and interactive justice, I differentiate between content and process in assessing divergent treatments between regular and agency workers (Crawshaw, Cropanzano, Bell, & Nadisic, 2013). Content theory suggests evaluating the underlying human needs met through fair treatment. I therefore propose that the differentiated distributive treatment refers to how different agency workers are rewarded compared to regular workers (e.g., income, fringe benefits and training opportunities).⁹⁹ Judging from the cognitive process

⁹⁹ Information regarding pay, fringe benefits, training and promotions usually openly shared in firms in Chinese companies. In samples we choose, pay information is commonly shared, and the compensation differences within dispatch workers are limited.

of agency workers, differentiated procedural treatment refers to the differences in process and practices that affect the gains of temporary agency workers (e.g., employee participation, performance appraisal, etc.). Differentiated interactive treatment refers to the different social interpersonal exchange agency workers have with co-workers and the management that occur during work compared to what regular workers experience (e.g., whether or not one is treated respectfully). Therefore,

Hypothesis 1 (H1): Differentiated treatment between agency and permanent employees at the team level is negatively associated with the agency workers' task performance and OCB and is positively associated with turnover intention.

Justice mechanism. Differentiated treatment may work as negative stimuli that influence perceptions of fairness, which in turn, have profound implications for individuals through the social exchange process (Colquitt et al., 2001). According to the social exchange theory, organizational justice facilitates the formation of social exchange relationships, characterized by emotional attachments, a shared identity, and a sense of loyalty (Masterson, Lewis, Goldman, & Taylor, 2000), and these relationships in turn spur employees' higher commitment, superior performance, and more OCB (Ball, Trevino, & Sims, 1994; Camerman, Cropanzano, & Vandenberghe, 2007; Cropanzano, Prehar, & Chen, 2002; Konovsky & Pugh, 1994; Moorman, Blakely, & Niehoff, 1998; Pillai, 1999; Scandura, 1999). Studies that compare pay arrangements between temporary and permanent workers have shown a difference in benefits and pay for performance (Allan & Sienko, 1997; Hipple & Stewart, 1996; Lautsch, 2003).

Agency workers' experience with distributive treatment difference in terms of income and benefits serves as salient and persistent justice-relevant information that

revises and reforms agency workers' overall fairness judgment. The distributive treatments are composed of tangible monetary rewards granted to the employees, such as compensation, fringe benefits, and pay raise (Clay-Warner, Hegtvedt, & Roman, 2005; Folger & Konovsky, 1989), and more broadly defined rewards, including training opportunities and promotion opportunities, which reflect praise and recognition (Cheung, Wu, Chan, & Wong, 2009; McFarlin & Sweeney, 1992; Warner & Rowley, 2013).¹⁰⁰ A negative evaluation of how they are compensated for their efforts would result in unfavorable attitudes and performance. Employees' OCB and task performance would be negatively affected when employees felt that their inputs do not match their rewards. In addition, they are more easily engaged in such counter-productive behaviors as dishonesty, volitional absenteeism, and stealing to maintain their input-output balance. If such balance cannot be met, they are more likely to leave the position and search for another job.

HR system and HR practices play a critical role in determining shared perceptions (Bowen & Ostroff, 2004). The differentiated procedural treatments, including employment participation programs, performance appraisal, grievance procedures, and so on can be viewed as a signal that sends messages which temporary employees use to make sense of the psychological meaning of their work environment (Rousseau, 1995). The shared perception of the inferior treatments and lack of influence among temporary workers, in turn, would affect agency workers' self-evaluation and permanent workers' attitudes towards them. Agency workers are likely to feel that they, as a group, do not

¹⁰⁰ In Chinese contexts, training opportunities are often regarded as rewards for employees' good performance and may increase the chance of promotion.

have equal influence on their compensation and other benefits as permanent employees due to differences in performance appraisal standards and access to participation programs. They may also attribute the lack of power to redress inferiority to the absence of grievance channels through which they could file complaints about working conditions and benefit distribution and make their demands. This perceived unfairness would in turn affect their behavioral outcomes. Besides, applying a different set of HR practices to temporary employees might result in negative ramifications for the organization. Temporary agency workers would be facing ambiguous career paths, promotion ceilings, and dim career prospects based on the HR system designed for their insignificant jobs that require non-unique skills (e.g., control-based HR system), despite the increased organizational-level performance a differentiated HR system may bring to firms (Lepak & Snell, 1999; Lepak, Takeuchi, & Snell, 2003). It is difficult to imagine agency workers would make extra efforts to reciprocate with superior work performance and extra-role behaviors to firms that do not provide benefits to them in the long-term.

It is possible that temporary workers would interpret difference in pay and HRM practices idiosyncratically, leading to a variety in fairness perception among them (Ashford et al., 2007a). Nevertheless, the divergent interpersonal treatment received by agency workers compared to that of permanent workers may exert a more direct and consistent impact on their sense of fairness. The agency workers' daily encounters with others within the organization give them direct sense of how they are "seen" in the eyes of co-workers and supervisors. If they are treated without respect or justification, they are more likely to feel unfairly treated, leading to deprivation of self-worth (Brockner, Wiesenfeld, & Raskas, 1993; Tyler & Lind, 1992). The negative attitudes may

compromise agency workers' positive performance and raise their chance of leaving.

Accordingly,

Hypothesis 2a (H2a): Perceived overall fairness mediates the relationship of differentiated treatment between agency and permanent employees at the team level to the agency employees' performance, OCB, and turnover intention, respectively.

Identification mechanism. According to the organizational identification literature, individuals who strongly identify with their organization not only define themselves based on the reference group, but also tend to view the interests of the collective as being in their own self-interest (Ashforth & Mael, 1989; Dutton, Dukerich, & Harquail, 1994; van Leeuwen, van Knippenberg, & Ellemers, 2003). Therefore, I suggest that organizational identification (OID) can also explain why differentiated treatments may translate into low job performance and negative behavioral outcomes of agency workers. Organizational identification is commonly defined as perceived "oneness" with the organization and the experience of the organization's successes and failures as one's own (Mael & Ashforth, 1992). The degree to which an employee identifies with the organization has been shown to be associated with job performance. Employees with higher levels of OID would internalize the goals and values of the organization and are therefore more motivated to direct efforts toward organizational goals (Efraty & Wolfe, 1988). On the contrary, employees who could not identify themselves with the organization in which they work would be more likely to be directed by self-interests and less likely to consider the collective good of the organization (Knippenberg & Hogg, 2001).

Social comparison theory suggests that social comparison drives self-evaluation and the need to compare one's own personal ability and skills against others in a similar environment (Festinger, 1954). A divergent treatment in terms of pay strengthens permanent workers' downward comparison with temporary workers. With the ability and skills of agency workers devalued, they would hardly feel accepted and supported by the organization and find it hard to identify with it. Moreover, a lack of profit-based compensation and training compared to that of regular workers makes agency workers feel further isolation, a sense of fragmentation, and identity confusion due to the weakened long-term employment prospect, leading to minimum identification with the organization. When individuals do not identify with an organization, they would not experience organizational interests and goals as their own (Dutton et al., 1994; Mael & Ashforth, 1995). The identification deprivation caused by differentiated distributive treatment is expected to decrease agency workers' performance and their willingness to help others, and to produce a tendency to engage in exploitative behaviors and to develop an intention to leave.

The differentiated procedural treatments facing agency workers would also negatively influence their behavioral outcomes by shaping their identification with the organization. Working as an agency employee is often accompanied by a sense of marginalization, fragmentation, discontinuity, and confusion about one's identity and the meaning of one's work due to the short duration of an assignment (Brocklehurst, 2001; Guevara & Ord, 1996; Kallinikos, 2003). Differences in treatment, such as participation programs, can act as a barrier to the knowledge sharing between standard and contingent workers in the organization, which in turn would jeopardize the communication of a

firm's value and objectives to agency workers, leading to lower identification with the firm (Zimmerman, Gavrilova-Aguilar, & Cullum, 2013). In line with expectancy theory, agency workers who lack identification with the organization are likely to have few instrumentalities with respect to effort, and few positive valence weights from performing well and helping others (Vroom, 1964).

Differentiated interpersonal treatments have psychological consequences on agency workers' behaviors through identification as well. George and Chattopadhyay (2005) found that positive interpersonal relationships predict contractors' identification with the client organization. Forming identification with a firm requires "making sense of the self through one's relationship with members, non-members, or both" (Pratt, 2000). When agency workers are treated with less courtesy and respect compared to their permanent counterparts, it is likely that they would hold weaker perceptions of belongingness to the organization, and according to social identity theory, they are intrinsically less motivated to contribute to the collective good (Knippenberg & Hogg, 2001).

Hypothesis 2b (H2b): Organizational identification mediates the relationship of differentiated treatment between agency and permanent employees at the team level to the agency employees' performance, OCB, and turnover intention, respectively.

Commitment mechanism. In the triangular employment relationship, there is a kind of double affective commitment, which is not only a commitment to the employer, but also a commitment to the dispatching unit (Coyle-Shapiro & Shore, 2006; George & Chattopadhyay, 2005). Employees who feel loved and cared for report a better sense of well-being, which positively improves commitment, especially affective commitment.

The agency workers see it not only in how they are treated, but also how diligent and caring the employees are, and what the work environment is like because they need to be noticed in the same way. When dispatching workers perceive their identity is lower than their colleagues, especially compared with the permanent employees, which shows the official status are being "taken care of," then there will be some negative reactions. For example, the dispatching workers tend to avoid touching others in office spaces, and even break away from the present situation and the environment. This logic is consistent with the theory of social exchange. For one, social exchange theory argues that individuals exchange their contributions as collateral to obtain a certain incentive from the organization, such as equal pay, promotion, welfare, etc. For another, it is believed that employees' perceptions of the organization would help reduce negative emotions caused by layoffs and would increase the organizational commitment of employees.

Gouldner (1960) pointed out that the social exchange process is a form of reciprocity, and employees will have a positive reaction to the treatment they like and may provide reciprocal help or support beyond the scope of their duties. On the contrary, the feeling of poor treatment will trigger a negative exchange and strengthen the negative reciprocity paradigm (Fehr & Gächter, 2000), and may produce responses that conceal positive exchanges, like a psychological commitment. This reaction shows that the labor dispatch staff is unlikely to establish positive reciprocal links with those who underestimate their own value, or which organization they did not ever gain concern from. The identity perception in the labor units in low level positions will corrode commitment.

In addition, the employment unit and the dispatching unit will jointly assume responsibility for the management of dispatched employees, and the experience of the dispatching workers in the employing unit must affect their attitudes towards both units. Services to send the operating mechanism of labor relations is the division of operations, labor relations, rather than run double. That predicts an employee response to the employer may spill over to the dispatching unit, so the dispatching employee stands a good chance to explain the positive or negative experiences they experienced from the service unit, which is consistent with the Heider equilibrium theory (1946). This theory seeks to maintain consistency in the mood of three party relationships in the experience. In the three labor relationship of dispatching, like an Isosceles triangle, the dispatching workers experience positive or negative emotions and their emotional adjustments are consistent towards the labor units and the dispatching units and have reached equilibrium.

Liden et al. (2003) established a dual organizational commitment model of labor dispatch employees, depending on the theory of social exchange. Liden et al. found that the labor dispatching employees had a commitment both to the labor unit and to the dispatch unit, and commitment for the employment services unit indirectly impacted performance. Jiang (2012) believed that the formation of dual commitment from labor dispatching employees stems from the support of the employer and the dispatching unit, finally demonstrating the influence of the dual commitment on the performance. Boswell (2012) found that the contract of employment unit identity perception of affective commitment and continuance commitment has a positive effect on employers and labor units. The employers' affective commitment and continuance commitment have negative effects on employee turnover and play a partial mediating role between employees'

identity perceptions and turnover intentions. Therefore, the perception and attitude of the dispatching employees towards the labor dispatching unit will affect the perception and attitude towards the dispatching unit, especially in psychological exchange, such as organizational commitment.

As the dispatched staff members, working in the employment unit and communicating with the employers as well as the peers are the main part of their whole work life, especially for the longer labor dispatch employees. They play the role as the employment unit' regular employees, working hard and creating benefits for the company. However, different modes of employment lead to different treatment: a poor treatment towards agency workers than toward formal employees obviously. That must be bound to a signal of low identity, which will inevitably reduce their emotional attachment level, and then influence their job embeddedness. Besides, the dispatching employees in the employment unit are to work with the dispatch unit. They signed a labor contract, which points out to a certain extent that the dispatching unit should bear the responsibility of the labor dispatching staff in identity and emotional commitment. If labor dispatch employees perceive that the treatment in the employment unit is poorer than for the formal staff, the emotional attachment to the dispatching unit will also be weakened. At this time, employees will also engage in negative reciprocity behavior, by reducing the degree of embeddedness of the work to enact revenge on the employer, then destroying the cooperation between the labor units and the dispatching units. So I put forward hypothesis 2c:

Hypothesis 2c (H2c): Organizational commitment mediates the relationship of differentiated treatment between agency and permanent employees at the team level to the agency employees' performance, OCB, and turnover intention, respectively.

The Moderating Role of Climate for Inclusivity

Climate for inclusion refers to an environment in which “individuals of all backgrounds—not just members of historically powerful identity groups—are fairly treated, valued for who they are, and included in core decision making” (Nishii, 2013). Three dimensions that constitute climate for inclusion include the following: *fairly implemented employment practices, integration of differences, and inclusion in decision making*. Inclusive environments are characterized by a collective commitment to integrate diverse cultural identities as a source of insights and skills (Ely & Thomas, 2001). Shore et al. (2011) purported that an inclusive work environment is featured by feelings of high belongingness and, simultaneously, by a high value placed on uniqueness. Climate for inclusion focuses more broadly on the engagement of whole selves and on learning from divergent perspectives, compared to a diverse climate, which tends to focus on the fairness of HR practices and the treatment of minority employees.

The two explanations previously discussed for the association of differentiated treatments with agency workers’ behavioral outcomes are that differentiated treatments between agency and permanent workers in terms of distribution, procedure, and interpersonal interaction lead to decreased perceived fairness and organizational identification that trigger unfavorable behaviors of agency workers. To attenuate this effect, a contextual moderator would have to reduce the propensity for differentiated treatments to lead to decreased perceived fairness and organizational identification.

Central to her operationalization of inclusive climates is the integration of differences (i.e., the integration of diverse employees in the social life at work), inclusion in decision-making (i.e., the extent to which diverse perspectives of all employees are actively sought and integrated), and fairly implemented employment practices (e.g., fair and unbiased recruitment, performance appraisal, and promotion practices).

In respect to the linkage between differentiated treatments and perceived fairness, it is critical to ensure that that “differential treatment of temporary workers is justified by clarifying boundaries of necessary differentiation versus acts of differentiation rooted in stereotypes that have no business justification” (Ashford et al., 2007a). In a more inclusive climate, uniqueness is appreciated and members are able to develop complex perceptions of others, including the variability among members of other identity groups (Brewer & Miller, 1988; Brewer & Norman, 1984). Personalized contact has been shown to disconfirm the negative stereotypes or bias of agency workers, and therefore justify the differentiated treatments as necessary differentiation serving the business purpose (Ensari, 2005; Ensari & Miller, 2001, 2002).

It is expected that a climate for inclusion would also attenuate the negative impact of differentiated treatments on organizational identification. A strong climate for inclusion should help all unit members, including agency workers, feel safe to express themselves and their identity (Ragins, 2008), to accept each other’s differences (Larkey, 1996), and to develop interpersonal trust (Polzer, Milton, & Swann, 2002). In units with a salient climate for inclusion that provide psychological safety for everyone, dispatching workers are more likely to reveal their “true selves,” which increases the chance that supervisors will overcome outsider stereotypes and see their subordinates for who they

are, and not just as members of a stigmatized minority group (Polzer et al., 2002). Consequently, the likelihood of developing a low-quality LMX relationship in an incongruent dyad, based on self-categorization mechanisms, as well as stereotypes, should be significantly reduced. The value and objectives of the firm would be fully communicated, and it is easier to find the fit between temporary workers' personal identity and company value (Ashford et al., 2007a). Therefore, the differentiated treatments between agency employees and others have insignificant negative effects on their organizational identification when the climate for inclusion is considered.

Accordingly,

Hypothesis 3a (H3a): Inclusive climate moderates the link between differentiated treatment of agency and permanent employees at the team level and perceived overall fairness, such that when the climate for inclusive is high, the negative association between differentiated treatments and perceived overall fairness is weaker.

Hypothesis 3b (H3b): Inclusive climate moderates the link between differentiated treatment of agency and permanent employees at the team level and organizational identification, such that when the climate for inclusive is high, the negative association between differentiated treatments and organizational identification is weaker.

Hypothesis 3c (H3c): Inclusive climate moderates the link between differentiated treatment of agency and permanent employees at the team level and organizational commitment, such that when the climate for inclusive is high, the negative association between differentiated treatments and organizational commitment is weaker.

As described in a preceding section, agency employees who lack perceived overall fairness are less likely to reciprocate with extra efforts in the workplace,

especially when their uniqueness is not justified as serving the business purpose of the firm but as a result of stereotyping. I expect a perceived overall fairness of agency workers to partially mediate the moderated effect of inclusive climate on agency workers' task performance, OCB, and turnover intentional. Extending Hypothesis 2a, I anticipate that team-level differentiated treatment between agency and permanent employees negatively affects individual outcomes of agency workers through perceived overall fairness of agency workers, only when the prevailing level of inclusive climate in the work unit is low, which leads to the following hypothesis.

Hypothesis 4 (H4): Perceived overall fairness will partially mediate the interaction of team-level differentiated treatment between agency and permanent employees and inclusive climate in predicting agency employees' individual outcomes; the indirect effect of team-level differentiated treatment on agency employees' individual outcomes through perceived overall fairness will be significant when inclusive climate is low, but not when it is high.

Because organizational identification is an important component of the motivation of individuals to behave well at work, and to stay with the organization (Kreiner & Ashforth, 2004), I expect it to partially mediate the moderated effect of inclusive climate on agency employees' individual outcomes. Extending Hypothesis 2b, differentiated treatments between agency and permanent workers within the team can negatively affect agency workers' individual outcomes partially through the mediating influence of organizational identification of agency employees who are not members of units in which a high level of inclusive climate prevails.

Hypothesis 5 (H5): Organizational identification will partially mediate the interaction of team-level differentiated treatment between agency and permanent employees and inclusive climate in predicting agency employees' individual outcomes; the indirect effect of team-level differentiated treatment on agency employees' individual outcomes through organizational identification will be significant when inclusive climate is low, but not when it is high.

The operation mechanism of labor dispatch is the division of labor relations, rather than the double deck movement of labor relations. Psychological attachment is a kind of stable force that combines the individual with the organization. If the dispatched employees depend on the employment units or the labor dispatching unit, such dependence will produce a series of results in their attitude and behavior (Hunter & Thatcher, 2007; Vandenberg & Lance, 1992). So, I believe that organizational commitment can mediate the moderating of inclusive atmosphere for treatment and dispatched workers results. To extend hypothesis 2c, when the enterprise strengthens an inclusive atmosphere, the discrimination between dispatched workers and formal workers at the organizational level will negatively influence dispatched workers' personal results, through the intermediary role of organizational commitment of dispatched workers.

Hypothesis 6 (H6): Organizational commitment will partially mediate the interaction of team-level differentiated treatment between agency and permanent employees and inclusive climate in predicting agency employees' individual outcomes; the indirect effect of team-level differentiated treatment on agency employees' individual outcomes through organizational commitment will be significant when inclusive climate is low, but not when it is high.

Method

Data and Participants

Our sample consisted of 109 teams from 9 manufacturing enterprises in North China in 2016. Using a company-provided list of all agency workers who are on assignment at the time of this study, I distributed questionnaires at a training occasion and collected them in a boardroom. The research was conducted in teams of 2–7 agency workers, with each team having a department manager who also guides regular employees. Our sample therefore consisted of 585 agency worker-supervisor dyads and 585 agency worker-regular worker dyads.

Procedure

I administered four different versions of the questionnaire, sending them respectively to labor dispatch employees, permanent workers, team leaders, and HR managers. I distributed the questionnaire for dispatch workers with the team leaders' assistance, which contains the measures about dispatch workers' attributes (i.e., overall justice perception, organizational identification, and organizational commitment) and experiences (i.e., perceived differentiated treatment and climate for inclusion) compared with their regular co-workers, as well as demographic information at the beginning of this survey. These questionnaires were handed out to dispatch employees during both shift and weekly meetings (depending on the team's request) and were filled out and returned immediately. The permanent workers evaluated team leaders' treatments towards agency workers and reported on climate for inclusion. In addition, HR managers reported the policies regarding the different treatments between regular and dispatch workers.

Then the survey, which contained the measures of team supervisors' appraisal for dispatch workers, including task performance, OCB and turnover intentions, were gathered after two weeks; while dispatch employees reported their perceived OCB and turnover intention in a time lag design. In conclusion, these surveys were completed over a two-week period. Both employees and supervisors were assured that their responses would be confidential and would not be communicated to the organization or other participants. This procedure separated the measurement of the predictor (i.e., differentiated treatment, POJ, organizational identity, and organizational commitment) and outcome variables (i.e., performance, OCB and turnover intention) temporally and psychologically. Thus, it was beneficial to reduce the biases caused by respondents using prior responses (the first round of the survey) to answer questions in subsequent questionnaires (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Measures

The questionnaires, except for the differentiated treatment, were developed using well-established scales from Western researchers, and were then translated and administered in Chinese. Back translation was conducted where the original English version was translated into Chinese and then translated back into English to ensure proper translation.

Differentiated treatment. I developed for this study the construct of differentiated treatment, measured in three dimensions including distributive treatment, procedure treatment, and interactive treatment. For the purpose of this research, the construct is measured at the team level. At team level, I developed the differentiated treatment based on interviews with human resource managers and team supervisors and

Colquitt's (2001) measurement of interactive and procedural justice. The permanent co-workers in the team would evaluate the differentiated interactive treatment and the differentiated procedural treatment, and the results were aggregated to the team level. An example of an item is "To what extent has the authority figure been candid in (his/her) communications with agency workers as compared to permanent workers in this team?" I believe that permanent employees' reported procedural and interactive difference would be proper because their observations of the procedure and interactive differences are at least as good as agency workers and would avoid high correlation caused by the same source. I asked the HR managers or team supervisors to report the differentiated distributive treatments based on the HR practices of the firm because they have better knowledge of the distributive differences. An example of an item is "What portion is the total compensation received by a typical agency employee over the last 12 months to that of a typical permanent worker in this team?" After merging these three dimensions scales, I got a measurement of the differentiated treatment of dispatch workers at the team level.¹⁰¹

Perceived overall justice (POJ). In this research, overall justice was measured with 6 items that were developed in Ambrose and Schminke's (2009) research (e.g., Overall, I'm treated fairly by my organization). They developed the POJ construct using

¹⁰¹ I also measured *perceived differentiated treatments* reported by agency workers because individual perceptions may matter. At the individual level, I developed the *perceived differentiated treatments* based on Colquitt's (2001) measurement of three dimensions of organizational justice. Sample items include the following: "As compared to permanent workers, has authorities been candid in (his/her) communications with you," "Does your (outcome) reflect the effort you have put into your work in the same way as permanent workers," and "Have you been able to express your views and feelings in the same way as permanent workers during those procedures." I would test both the aggregated construct "differentiated treatment," and each of the three dimensions of the construct, respectively.

a deductive approach. Agency employees rate how much each item described themselves on a 7-point scale with 1 = strongly disagree and 7= strongly agree.

Organizational identification. Organizational identification was assessed with Mael and Ashforth's (1992) six-item scale, rated by agency employees. An example of an item is "I view the organization's successes as my successes." I obtained responses from agency employees on a 5-point dimension from strongly disagree (1) to strongly agree (5).

Organizational commitment. Meyer and Allen's (1997) 3-dimensional measure assessed organizational commitment. To assess overall organizational commitment, an averaged composite of 24 items was used. An example of an item is "I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful." Their alpha reliabilities among the dispatch employees were, respectively: 0.75 for affective commitment, 0.82 for calculative commitment, and .56 for normative commitment.

Climate for inclusion. I used climate for the inclusion scale assessed with 27 items loaded on three factors by Nishii (2013). I deleted 4 items measuring "foundation of equitable employment practices" dimension because the items overlapped with the items measuring differentiated treatment. These items stressed the "fair promotion process," "equal benefit programs" and "fair performance review process," which are either not suitable for the context I was studying, or overlapped with differentiated treatment construct, which might cause a correlation problem. The developing process of climate for inclusive scale reveals that, compared to diversity climate, which tends to focus on the fairness of personnel practices and the treatment of minority employees,

inclusion focuses more broadly on the engagement of whole selves and learning from divergent perspectives. Inclusive climate is distinguished from perceived overall justice and differentiated treatments in personal practices for similar reasons, which discriminates the construct from the rest in the model. The employees, both agency and permanent employees, would respond to these questions, and their answers would be aggregated to the team level. An example of an item is “This [unit] is committed to having diverse employees well-distributed throughout the organization.”

OCB. I adapted the 16-item scale developed by Farh, Podsakoff, and Organ (2007) to measure agency employees’ organizational citizenship behavior, rated by their direct supervisor, which is appropriate to be used in this research. Participants rated how much each item described characteristics of the agency employees on a 5-point scale with 1 = strongly disagree and 5 = strongly agree. An example of an item is “This employee helps others who have been absent.”

Turnover intention. Thoughts of quitting are measured with a 3-item scale developed by Peters et al. (1981) to measure agency employees’ attitudes toward voluntarily leaving their current employment. The scale uses a five-point Likert-format rating scale ranging from strongly disagree to strongly agree. Statements include, “I often think about quitting,” “I will probably look for a new job in the next year,” and “As soon as possible, I will leave the organization.”

Task performance. I used four items developed by Kraimer et al. (2005) to capture task performance: quality of work, quantity of work, technical competence, and overall job performance. Supervisors would rate their agency subordinate(s) on these four items using a scale with responses ranging from 1 (very poor) to 5 (outstanding).

Data Analysis and Results

Analysis of data is about the procedures and results of each proposed hypothesis.

After performing preliminary data screening (i.e., missing value analysis, normality analysis, correlation, and principal component analysis through STATA version 13), I conducted the confirmatory factor analysis through a structural equation modeling (SEM) technique for measurement model of each construct. Moreover, mediation analysis was performed using a structural regression model under bootstrapping technique of Preacher and Hayes (2004). The tables show the means, standard deviation and value of correlation of the constructs.

Descriptive Statistics

The means, standard deviations, and correlations of the main variables are shown in Table 18. Almost all of the bivariate correlations of the nine variables were significant ($p < .05$) except dependent variables' interrelations. These statistics primarily suggested that the following: first, differentiated have positive relationships with both OCB and task performance, and negative relationships with turnover (supporting H1); secondly, the five variables of main effect are discriminable constructs because all the correlations were not high (the distinction of differentiated treatment and three mediated variables: perceived overall justice, organizational identification, and organizational commitment) were particularly important as they are both perception of unfair treatment and predictors of behavior and performance).

CFA

I conducted additional CFA to demonstrate that the differentiated interactive treatment, the differentiated procedural treatment, and the differentiated distribute

treatment were distinguishable constructs. Model fit was assessed using the χ^2 test statistic, the comparative-fit indexes (CFI), the Tucker-Lewis index (TLI), and the root mean square error of approximation (RMSEA; Byrne, 2001). First, all items of these three constructs were assumed to represent a single latent factor ($\chi^2 = 2865.35$, $df = 152$, CFI = 0.751, TLI = 0.719, RMSEA = 0.176). The second model assumed two correlated factors by combining items under the differentiated interactive treatment, the differentiated procedural treatment as one factor and leaving the items under the differentiated distributed treatment as the other factor ($\chi^2 = 2203.04$, $df = 151$, CFI = 0.811, TLI = 0.786, RMSEA = 0.154). Here, I left out the other two factors model with the same model fit. In a CFA, a prior structure was posited and the adequacy of how well the obtained data fit this structure was tested.

The third model assumed the three-factor model, and the correlations among the three factors were freely estimated. The results of the CFA showed that all the factors in model three loadings were significant ($p < .001$), and the goodness-of-fit indexes indicated acceptable fit to the data of the proposed model, $\chi^2 = 901.15$, degrees of freedom (df) = 149, $\Delta\chi^2/\Delta df = 650.95$ ($p < .001$), CFI = 0.931, TLI = 0.921 and RMSEA = 0.094. These indexes all suggest the appropriateness of this three-factor model (Byrne, 2001; Medsker, Williams, & Holahan, 1994). To ensure later analysis accurately, the fourth model assumed the adjusted three-factor model. Thus, a coefficient was calculated for each factor as a test of internal consistency, with the following results: the differentiated interactive treatment, $a = 0.92$; the differentiated procedural treatment, $a = 0.88$; the differentiated distribute treatment, $a = 1.08$. All these results suggested that the scale has good internal consistency ($\chi^2 = 24.02$, $df = 17$, CFI = 0.998, TLI = 0.996,

RMSEA = 0.026). Items on each factor were averaged to give scores for each of the three factors, which referred to the extent to which they would be widely approved from permanent and dispatching employees, as well as supervisors using the differentiated interactive treatment, the differentiated procedural treatment, and the differentiated distributed treatment as criteria of differentiated treatment.

Aggregation of Team-Level Variables

The next step was to check the viability of the team-level variables, including climate for inclusion and differentiated treatment. I computed rwg values using a uniform null distribution for these variables and obtained median values of 1.54 for differentiated treatment and 1.75 for climate for inclusion. These rwg values were above the conventionally acceptable rwg value of 0.70 (James et al. 1993). Additional evidence was collected following the suggestions of Bliese (2000). Given the multilevel nature of the data, I applied hierarchical linear modeling (HLM) analyses with the software HLM 6.08 to test our hypotheses (Raudenbush, Bryk, Cheong, & Congdon, 2004). I first ran null models with no subsequent variables but differentiated treatment as the independent variable or climate for inclusion as the moderation variable. The test results show significant between-team variances in differentiated treatment ($R^2 = 0.30$, $df = 109$, $p < 0.001$; $ICC1 = 0.22$, indicating 22% of variance residing in between teams) and climate for inclusion ($R^2 = 0.29$, $df = 109$, $p < 0.001$; $ICC1 = 0.21$, indicating 21% of variance residing in between teams), justifying HLM as the appropriate analytic technique. All of these values were comparable to the median or recommended ICC values of team-level constructs reported in the literature (Schneider et al. 1998). On the basis of these results, I

concluded that aggregation was justified and shared perceptions of differentiated treatment and climate for inclusion existed at the team level.

Hypotheses Testing

Table 20 provides a summary of the models and results used to test Hypotheses 1-3. The first part and second part are null model of outcomes and mediated variables, respectively, with significant results on level 2. The third part gives the result of direct effects, hypothesis 1a, predicting that differentiated treatment would be significantly related to task performance (M7), turnover (M8) and OCB (M9). HLM revealed that differentiated treatment was significantly related to task performance ($\gamma_{01} = 0.77, p < 0.05$), turnover ($\gamma_{01} = -.62, p < 0.001$), supporting Hypothesis 1a. And the relationship of differentiated treatment and OCB showed failed results.

Hypothesis 1b, 2, and 3 predicted that perceived overall fairness, organizational identification, and organizational commitment would positively mediate the relationship between differentiated treatment and outcomes. HLM analyses in Table 3 first revealed the differentiated treatment is positively on perceived overall fairness ($M10, \gamma_{01} = 0.50, p < 0.01$), organizational identification ($M11, \gamma_{01} = 0.76, p < 0.001$) and organizational commitment ($M12, \gamma_{01} = 1.00, p < 0.001$). What's more, the results of the mediation analysis provided support for Hypothesis 2a, Hypothesis 2b and Hypothesis 2c which predicted that perceived overall fairness, organizational identification and organizational commitment would mediate the relationship between differentiated treatment and task performance ($M13, \gamma_{10} = 0.00, n.s.; \gamma_{20} = 0.00, n.s.; \gamma_{30} = 0.02, p < 0.10$), turnover ($M14, \gamma_{10} = -0.36, p < 0.001; \gamma_{20} = 0.01, n.s.; \gamma_{30} = -0.06, n.s.$) and OCB ($M15, \gamma_{10} = -0.02, n.s.; \gamma_{20} = 0.03, p < 0.10; \gamma_{30} = 0.01, n.s.$). At the same time, the relation between independent

variable (differentiated treatment at organizational level) and dependent variable (task performance, turnover and turnover) was not significant ($M13:\gamma_{01} = 0.00$, n.s.; $M14:\gamma_{01} = -0.22$, n.s.; $M15:\gamma_{01} = 0.19$, n.s.) when taking the three mediators into account. Then, the coefficient was smaller than the first ($M13:\gamma_{01} = 0.00$ vs 0.77 ; $M14:\gamma_{01} = -0.22$ vs -0.62 ; $M15:\gamma_{01} = 0.19$ vs 0.18), demonstrating a partial mediation of liking school. A detailed model can be seen in Table 20.

Hypotheses 3-6 suggested that climate for inclusion would moderate the relationship between the differentiated treatment and mediated variables, as well as the outcomes. These moderated hypotheses constitute cross-level relationships. To investigate this interaction, two models were estimated (see Table 21). First, perceived overall fairness ($M16,\gamma_{03} = 0.46$, $p < 0.10$), organizational identification ($M17,\gamma_{03} = -0.06$, n.s.), and organizational commitment ($M18,\gamma_{03} = 0.53$, $p < 0.05$) were regressed on differentiated treatment, climate for inclusion, and their interactions. These models provided an overall assessment of the moderation effects in the first stage of the mediated regressions. Assuming there is significant variance in this relationship across groups, then the test of Hypotheses 4-9 is the extent to which climate for inclusion explains this variability (Bryk & Raudenbush, 1992; Hofmann, 1997; Hofmann et al., 2000). Also, the results revealed significant variance in the Level 1 slopes relating interaction of differentiated treatment and climate for inclusion to perceived overall fairness ($\Gamma_{00} = 0.08$, $p < 0.001$), organizational identification ($\Gamma_{00} = 0.09$, $p < 0.001$), and organizational commitment ($\Gamma_{00} = 0.18$, $p < 0.001$). From these findings, one can conclude that there is a significant between-group relationship between interaction and all the three mediated

variables and that the magnitude of all the three relationships varies significantly across individuals.

In the second part (see the bottom of Table 21), these models also investigated the possibility of a significant between-group interaction between differentiated treatment and climate for inclusion (i.e., group mean differentiated treatment interacting with climate for inclusion). The results revealed that the between-group interaction was significant [M19: (task performance) $\gamma_{03} = 1.3, p < 0.01$; M20: (turnover) $\gamma_{03} = -0.69, p < 0.10$; M21: (OCB) $\gamma_{03} = 0.67, p < 0.001$]. This significant cross-level interaction is shown in Figures 13 and Figure 14, where the relationship between differentiated treatment and outcomes are plotted for high and low climate for inclusion (defined as 1+ and 1- standard deviation from the mean, respectively; Aiken & West, 1991). In addition to plotting the interaction, I also conducted a simple slopes analysis (Aiken & West, 1991). The simple slope of the regression of task performance onto differentiated treatment within high climate for inclusion was significant (simple slope = 182.171, $t = 1.982, p = 0.05$). As well as the outcomes of turnover (simple slope = 0.6564, $t = 1.9826, p = 0.0499$) and OCB (simple slope = 156.6444, $t = 1.982, p = 0.05$). Alternatively, within high inclusion climates, the relationship between differentiated treatment and perceived fairness, organizational identification and organizational commitment was significant (simple slope = -0.5881, $t = -1.9831, p = 0.0499$; simple slope = 0.0324, $t = 1.9829, p = 0.0499$; simple slope = -2.1622, $t = -1.982, p = 0.05$). Thus, in keeping with our hypothesis, the relationship between differentiated treatment and outcomes was strong and positive in work groups with a positive climate for inclusion, supporting Hypothesis 3.

To clarify the interaction, I plotted climate for inclusion and differentiated treatment at values one standard deviation above and below their means (Aiken et al. 1991). The plot of the interaction is shown in Figures 14 and 15. As the figures show, inclusive climate moderates the link between differentiated treatment of agency and permanent employees at the team level and perceived overall fairness, organizational identification as well as organizational commitment, such that when climate for inclusive is high, the negative association between differentiated treatments and perceived overall fairness, organizational identification, as well as organizational commitment is weaker. As the result of three mediation paths, perceived overall fairness, organizational identification and organizational commitment will partially mediate the interaction of team-level differentiated treatment between agency and permanent employees and inclusive climate in predicting agency employees' individual outcomes, respectively; the indirect effect of team-level differentiated treatment on agency employees' individual outcomes through three mediators will be significant when inclusive climate is low, but not when it is high.

Discussion and Conclusion

With a considerable large sample ($N = 585$) from 109 employment services units, I investigated how dispatching workers' differentiated treatment caused their motivation (perceived overall fairness, organizational identification, and organizational commitment), and then led to damage. I found differentiated treatment for dispatching workers increased their turnover intentions, while decreasing job performance and OCB by the downside of fairness, organizational identification, and organizational commitment. Moreover, there was significant allaying of an interactive effect of

differentiated treatment and climate for inclusion on fairness, organizational identification, and organizational commitment, then acting on dispatching employees' intention, behavior, and performance, which means the inclusion climate will calm differentiated treatment's adverse function.

This multilevel model responds to the calls for understanding the boundary conditions for high levels of performance and other positive outcomes among temporary agency workers, as well as how one could make the experience of temporary work more positive by introducing a climate for inclusion at a team level (Ashford, George, & Blatt, 2007a; Lepak & Snell, 1999).

Conclusions

In summary, the results of the current study have important implications for organizational researchers as well as for researchers and practitioners. With respect to organizational researchers, it appears that organizational climate and the quality of dispatching staff treatment interact to predict their performance and intentions, as well as the degree to which employees view citizenship behaviors as part of their formal role and the degree to which they engage in these citizenship behaviors. With respect to validity, our results suggest that not only do employment services units need to remain the anchor of the staff among distributing, process, and interactive treatment balance, but they also must create a climate within the team that emphasizes and stresses the importance of inclusion. As such, the goal for researchers and practitioners is to impress on organizations that both fairness in working relationships and a continued emphasis on inclusion are necessary to produce the highest levels of efficacy outcomes, with double wins both for enterprises and employees.

Appendix

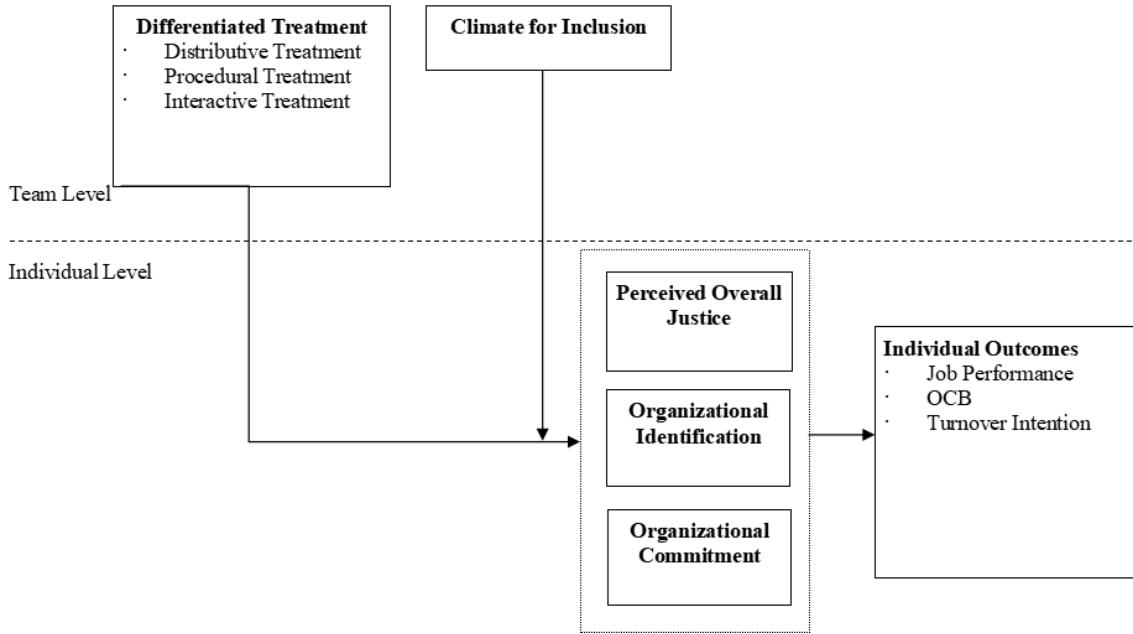


Figure 13. A cross-level model of differentiated treatment to employee performance. $N_{\text{level}1}=585$; $N_{\text{level}2}=109$. Differentiated treatment and climate for inclusion were at team level; perceived overall justice, organizational identification, organizational commitment and individual outcomes were at individual level.

Table 18
Means, Standard Deviations, Correlations for Main Variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10
1.Differentiated Treatment (level-1)	4.08	0.79	0.91									
2.Mean differentiated treatment (level-2)	4.05	0.37	0.54***	0.81								
3.Perceived Overall Justice	5.08	1.13	0.61***	0.44***	0.86							
4.Organizational Identification	4.02	0.80	0.54***	0.22***	0.45***	0.90						
5.Organizational Commitment	4.49	0.73	0.45***	0.20***	0.36***	0.58***	0.78					
6.Climate for Inclusion (level-1)	4.04	0.75	0.80***	0.49***	0.61***	0.47***	0.38***	0.93				
7.Mean climate for inclusion (level-2)	4.05	0.40	0.49***	0.90***	0.40***	0.23***	0.20***	0.54***	0.92			
8.OCB	3.60	0.53	0.08*	0.14***	0.03	0.02	0.10**	0.07*	0.15***	0.77		
9.Turnover intention	2.49	1.21	-0.22***	-0.14***	-0.39***	-0.24***	-0.17***	-0.19***	-0.15***	0.03	0.93	
10.Task Performance	3.87	0.93	0.02	0.07 ^a	0.01	0.03	0.09*	0.02	0.10*	0.49***	-0.01	0.80

N=585. Internal consistency reliabilities are on the diagonal. ¶

***.P<.001; **.P<.01; *.P<.05¶

Table 19
Results of the Confirmatory Factor Analyses

Model	Factors	χ^2	df	$\Delta\chi^2$	CFI	TLI	RMS
1.single dimension of differentiated treatment	Differentiated treatment is consisted by all the 19 items	2865.35***	152	—	0.751	0.719	0.176
2.two dimensions of differentiated treatment	Combine the differentiated interactive treatment and the differentiated procedural treatment as one dimension of differentiated treatment and the other is differentiated distribute treatment dimension	2203.04***	151	662.31***	0.811	0.786	0.154
3.three dimensions of differentiated treatment	Differentiated treatment is consisted by the differentiated interactive treatment , the differentiated procedural treatment and differentiated distribute treatment	901.15***	149	650.95***	0.931	0.921	0.094
4.adjusted three dimensions of differentiated treatment	Adjusted the above three dimensions differentiated treatment	24.02	17	6.64***	0.998	0.996	0.026

N = 585, *** $P < .001$; ** $P < .01$; * $P < .05$

Table 20
Hierarchical Linear Modeling Models and Results for Hypotheses 1-2

Model	γ_{00}	γ_{01}	γ_{10}	γ_{20}	γ_{30}	γ_{40}	σ_{00}	Γ_{00}	Γ_{11}	Γ_{22}	Γ_{33}
Null model of outcomes											
M1: L1: task performance = $\beta_0 + r$; L2: $\beta_0 - \gamma_{00} + \mu_0$							4.68***		.40	.44***	
M2: L1: turnover = $\beta_0 + r$; L2: $\beta_0 - \gamma_{00} + \mu_0$							2.49***		1.32	.20***	
M3: L1: OCB = $\beta_0 + r$; L2: $\beta_0 - \gamma_{00} + \mu_0$							3.53***		.11	.22***	
Null model of mediated variables											
M4: L1: perceived overall fairness = $\beta_0 + r$; L2: $\beta_0 - \gamma_{00} + \mu_0$							5.13***		1.20	.33***	
M5: L1: organizational identification = $\beta_0 + r$; L2: $\beta_0 - \gamma_{00} + \mu_0$							3.81***		.98	.10***	
M6: L1: organizational commitment = $\beta_0 + r$; L2: $\beta_0 - \gamma_{00} + \mu_0$							4.81***		1.12	.30***	
Hypothesis 1: Differentiated treatment → Outcomes											
M7: L1: task performance = $\beta_0 + \beta_1 * (\text{differentiated treatment}) + r$ L2: $\beta_0 - \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \mu_0$, $\beta_1 - \gamma_{10} + \mu_1$							-2.1	.77*	.02	.32	2.63*** .00
M8: L1: turnover = $\beta_0 + \beta_1 * (\text{differentiated treatment}) + r$ L2: $\beta_0 - \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \mu_0$, $\beta_1 - \gamma_{10} + \mu_1$							5.01***	-.62***	-.35***	1.18	.19*** .17*
M9: L1: OCB = $\beta_0 + \beta_1 * (\text{differentiated treatment}) + r$ L2: $\beta_0 - \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \mu_0$, $\beta_1 - \gamma_{10} + \mu_1$							2.85***	.18	.02	.11	.20*.00
Mediating mechanism model:											
Differentiated treatment → Mediated variables											
M10: L1: perceived overall fairness = $\beta_0 + \beta_1 * (\text{differentiated treatment}) + r$ L2: $\beta_0 - \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \mu_0$, $\beta_1 - \gamma_{10}$							-.42	.50**	.87***	.80	1.27** .06**
M11: L1: organizational identification = $\beta_0 + \beta_1 * (\text{differentiated treatment}) + r$ L2: $\beta_0 - \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \mu_0$, $\beta_1 - \gamma_{10}$.75	.76***	.61***	.71	.11*** .13**
M12: L1: organizational commitment = $\beta_0 + \beta_1 * (\text{differentiated treatment}) + r$ L2: $\beta_0 - \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \mu_0$, $\beta_1 - \gamma_{10}$.78	1.00***	.80***	.72	.26*** .19***
Hypothesis 2a, 2b and 2c: Differentiated treatment → Mediated variables → Outcomes											
M13: L1: task performance = $\beta_0 + \beta_1 * (\text{perceived overall fairness}) + \beta_2 * (\text{organizational identification}) + \beta_3 * (\text{organizational commitment}) + \beta_4 * (\text{differentiated treatment}) + r$ $\beta_1 - \gamma_{10} + \mu_1$, $\beta_2 - \gamma_{20} + \mu_2$, $\beta_3 - \gamma_{30} + \mu_3$, $\beta_4 - \gamma_{40}$							1.37***	.04	.00	.00	.02 ^a -.02
M14: L1: turnover = $\beta_0 + \beta_1 * (\text{perceived overall fairness}) + \beta_2 * (\text{organizational identification}) + \beta_3 * (\text{organizational commitment}) + \beta_4 * (\text{differentiated treatment}) + r$ $\beta_1 - \gamma_{10} + \mu_1$, $\beta_2 - \gamma_{20} + \mu_2$, $\beta_3 - \gamma_{30} + \mu_3$, $\beta_4 - \gamma_{40}$							5.54***	-.22	-.36***	.01	-.06 -.03
M15: L1: OCB = $\beta_0 + \beta_1 * (\text{perceived overall fairness}) + \beta_2 * (\text{organizational identification}) + \beta_3 * (\text{organizational commitment}) + \beta_4 * (\text{differentiated treatment}) + r$ $\beta_1 - \gamma_{10} + \mu_1$, $\beta_2 - \gamma_{20} + \mu_2$, $\beta_3 - \gamma_{30} + \mu_3$, $\beta_4 - \gamma_{40}$							2.79***	.19	-.02	.03 ^a	.01 -.02

$N_{\text{level},1} = 585$, $N_{\text{level},2} = 109$, ***P<.001; **P<.01; *P<.05; ^P<.10

Table 21
Hierarchical Linear Modeling Models and Results for Hypotheses 3-6

Model	γ_{00}	γ_{01}	γ_{02}	γ_{03}	γ_{10}	γ_{20}	γ_{30}	γ_{40}	σ_{00}	Γ_{00}	Γ_{11}	Γ_{22}	Γ_{33}
1. Preliminary full model													
M16:L1:perceived overall fairness= $\beta_0 + \beta_1 * (\text{differentiated treatment}) + \beta_2 * (\text{climate for inclusion}) + r$													
L2: $\beta_0 = \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \gamma_{02} * (\text{mean climate for inclusion}) + \gamma_{03} * (\text{mean differentiated treatment} * \text{climate for inclusion}) + \mu_0$; $\beta_1 = \gamma_{10} + \mu_1$	6.48 ^a	-.43	-1.8	.46 ^a	.42 ^{**}	.57 ^{***}			1.18	.08 ^{**}			
M17:L1:organizational identification= $\beta_0 + \beta_1 * (\text{differentiated treatment}) + \beta_2 * (\text{climate for inclusion}) + r$													
L2: $\beta_0 = \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \gamma_{02} * (\text{climate for inclusion}) + \gamma_{03} * (\text{mean differentiated treatment} * \text{climate for inclusion}) + \mu_0$; $\beta_1 = \gamma_{10} + \mu_1$	-.12	-.05	.54	-.06	.32 [*]	.43 ^{**}			.72	.09 [*]			
M18:L1:organizational commitment= $\beta_0 + \beta_1 * (\text{differentiated treatment}) + \beta_2 * (\text{climate for inclusion}) + r$													
L2: $\beta_0 = \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \gamma_{02} * (\text{climate for inclusion}) + \gamma_{03} * (\text{mean differentiated treatment} * \text{climate for inclusion}) + \mu_0$; $\beta_1 = \gamma_{10} + \mu_1$	9.30*	-2.3*	-1.8	.53*	.56 ^{**}	.32 ^{**}			.79	.18 ^{**}			
2. Hypothesis 3-6: climate for inclusion as the moderation													
M19:L1:task performance= $\beta_0 + \beta_1 * (\text{perceived overall fairness}) + \beta_2 * (\text{organizational identification}) + \beta_3 * (\text{organizational commitment}) + \beta_4 * (\text{differentiated treatment}) + r$													
L2: $\beta_0 = \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \gamma_{02} * (\text{climate for inclusion}) + \gamma_{03} * (\text{mean differentiated treatment} * \text{climate for inclusion}) + \mu_0$; $\beta_1 = \gamma_{10} + \mu_1$; $\beta_2 = \gamma_{20} + \mu_2$; $\beta_3 = \gamma_{30} + \mu_3$; $\beta_4 = \gamma_{40}$	1 ^{***}	-5.1 ^{**}	-5.2 ^{**}	1.3 [*]	-.00	.04	.03	-.09	.39	.72 ^{**}	.01	.01	.00
M20:L1:turnover = $\beta_0 + \beta_1 * (\text{perceived overall fairness}) + \beta_2 * (\text{organizational identification}) + \beta_3 * (\text{organizational commitment}) + \beta_4 * (\text{differentiated treatment}) + r$													
L2: $\beta_0 = \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \gamma_{02} * (\text{climate for inclusion}) + \gamma_{03} * (\text{mean differentiated treatment} * \text{climate for inclusion}) + \mu_0$; $\beta_1 = \gamma_{10} + \mu_1$; $\beta_2 = \gamma_{20} + \mu_2$; $\beta_3 = \gamma_{30} + \mu_3$; $\beta_4 = \gamma_{40}$	-5.3	2.18	3.03 ^a	.69 ^a	.02	-.03	-.10	-.18	.99	5.12 ^{***}	.04 ^a	.25 ^a	.19
M21:L1: OCB= $\beta_0 + \beta_1 * (\text{perceived overall fairness}) + \beta_2 * (\text{organizational identification}) + \beta_3 * (\text{organizational commitment}) + \beta_4 * (\text{differentiated treatment}) + r$													
L2: $\beta_0 = \gamma_{00} + \gamma_{01} * (\text{mean differentiated treatment}) + \gamma_{02} * (\text{climate for inclusion}) + \gamma_{03} * (\text{mean differentiated treatment} * \text{climate for inclusion}) + \mu_0$; $\beta_1 = \gamma_{10} + \mu_1$; $\beta_2 = \gamma_{20} + \mu_2$; $\beta_3 = \gamma_{30} + \mu_3$; $\beta_4 = \gamma_{40}$	13.2 ^{***}	-2.5 [*]	-2.6 [*]	.67 ^{**}	-.02	.03 ^a	.01	-.02	.11	.20 ^a	.00	.00	.01 ^a

$N_{\text{level-1}} = 585$, $N_{\text{level-2}} = 109$, ***P<.001; **P<.01; *P<.05; ^aP<.10

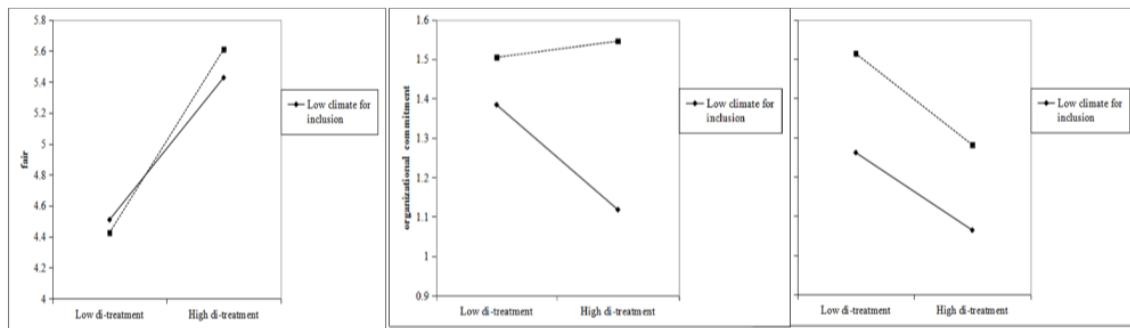


Figure 14. Interactive Effect of differentiated treatment and climate for inclusion on fairness, organizational identification and organizational commitment.

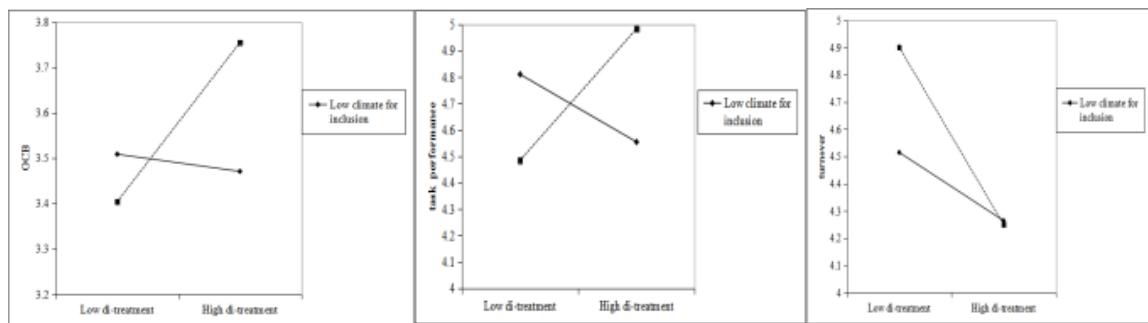


Figure 15. Interactive Effect of differentiated treatment and climate for inclusion on task performance, turnover and OCB.

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