

Labour Power Control and Resistance

Precarious Migrant Factory Workers under the Agency Labour Regime in Chongqing and Shenzhen, China

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Under the process of global capitalism, neoliberalism, and globalisation, many studies have discussed the dormitory labour regime and the student labour regime in the Chinese manufacturing industry. There are also many studies on the working conditions of Chinese agency workers. However, very little of the literature has been concerned with why Chinese agency workers still lose their freedom of mobility and freedom to choose where and to which employers they sell their labour services under the agency labour regime. Chris Smith (2006) argues theoretically that the indeterminacy of labour structures and worker relations exists between workers and employers as a result of mobility power, which is one of two important components within labour power (the other is effort power). Mobility power focuses on dynamics that arise from workers' abilities to change employment (Smith, 2006). In this article, I apply this theory to the case of China, and I argue that labour agencies use three managerial strategies to control agency workers' mobility power: checking workers' employment experiences; checking workers' ID cards on recruitment systems if re-entering the same labour agencies; penalising workers with delays and salary deductions if they quit the job without any notice or in violation of agency procedures.

Keywords: agency labour regime, China, high-tech manufacturing, mobility power control, precarious agency workers

Under the process of global capitalism, neo-liberalism, and globalisation, many scholars have discussed the dormitory labour regime (Smith, 2003; Pun & Smith, 2007) and the student intern regime (Pun & Chan, 2012; Pun & Koo, 2015; Smith & Chan, 2015; Chan, Pun, & Selden, 2015), particularly in the Chinese manufacturing industry. Additionally, there are many studies on the working conditions of Chinese agency workers, such as Zhang (2008), Xu (2009), and Zhang, Bartram, McNeil, & Dowling (2015). Existing studies focus particularly on the manufacturing industry (Wang et al., 2014) in the Pearl River Delta (Chan, 2014) and other places in China, including Changchun, Yantai, Qingdao, Wuhu, Shanghai, and Guangzhou (Zhang, 2014). Very little of the literature has been concerned with why Chinese agency workers still lose their freedom of mobility and freedom to choose where and to whom they sell labour services.

Chris Smith (2006) argues theoretically that the indeterminacy of labour structures and relations exists between workers and employers as an effect of mobility power, which is one of two important components within labour-power (the other one is effort power). Mobility power focuses on dynamics that arise from workers' abilities to change employment (Smith, 2006). There are two types of uncertainties within workers' mobility power. First, the decision of where workers sell their labour-power is given to the individuals and thus remains an uncertainty for the employing firms in calculating whether or not workers will remain with them. Second, there is uncertainty for the workers as to whether or not the employing firms will continue to buy their labour services (Smith, 2015). Accordingly, the struggle surrounding mobility power has been examined both as form of workers' resistance and as an employer's strategy to retain employees (Smith, 2006).

Empirically, Alberti (2014) applies the concept of mobility power to London's hospitality jobs which migrants take advantage of to improve their precarious lives in the United Kingdom. However, according to the literature, there is little research

about the application of this concept to China. Although Zhang (2014) researches agency workers in the Chinese automobile industry, her study only discusses the precarious situations of agency workers. Furthermore, many scholars, such as Xu (2009), Gallagher, Giles, Park, & Wang (2013), and Lan, Pickles, & Zhu (2015), have discussed the Labour Contract Law implemented in 2008, which has had a great impact on agency workers, namely in improving their employment and social security in China. Correspondingly, labour costs are increasing for firms and labour flexibility is restricted for agency workers (Gallagher et al., 2013). However, labour dispatch is increasingly seen as the best way to get around the 2008 Labour Contract Law, and a common strategy used to avoid the law is to increase the number of agency workers along with the expansion of labour agencies nationwide in China (Gallagher et al., 2013). In other words, it is still unclear whether agency workers get protection from the Labour Contract Law of 2008 or not. Importantly, there are no empirical studies about its influence on rural migrant agency factory workers' mobility power in the labour market.

This article fills the gap by arguing that although the agency labour regime in China provides freedom for agency workers to change to different jobs frequently and get employed immediately, labour agencies use three managerial strategies to control agency workers' mobility power. To be specific, labour agencies first compulsorily request that workers indicate their work experience to determine whether they have a (poor) history of frequently changing jobs. Second, labour agencies check workers' ID cards through their recruitment systems to know whether the workers have poor employment records when the workers want to return to the same labour agencies. If they have one of the above conditions, the labour agencies would not consider recruiting or re-recruiting them. Third, labour agencies give financial penalties, such as delays and deductions in salary for workers who leave without any notice and violate agency procedures.

It appears that unrecognised conditions can limit the power that workers could normally gain by having an exit option. Chinese migrant agency workers gain power through mobility options between different workplaces when labour shortage is high in high-tech manufacturing. The agency workers thus gain bargaining power in the labour market. However, mobility power is restricted by labour agencies that severely reduce costs in terms of administration, training, continuity, and management. In other words, agency workers' freedom and mobility power regarding where and to which employers they sell their labour services are weakened.

Theoretically, this movement of workers is a sign of a strong labour market (Smith, 2006) rather than a sign of worker precariousness. Workers quit because they have the freedom to choose or quit a job in the labour market. Only constrained labourers are trapped in jobs they do not favour. However, my findings from both Chongqing and Shenzhen indicate that workers are not simply at the mercy of the market. Labour agencies as employers implement extra-economic constraints to reduce workers' bargaining power, which deviate from labour market rules. The negative impact of these constraints is significant since workers' freedom and strength through mobility is the main mechanism for improving their wages and labour-power, "mobility power", as Smith (2006) has suggested.

Even though labour mobility gives some freedom to choose or quit a job as a result of labour agencies' constricted regulations of employment and reemployment, this article offers a negative picture in which power and gains still ultimately rest with the enterprises, while costs and powerlessness rest with the workers. Workers, through economic constraints, social obligations and other non-economic forces, seek to stabilise relations with employers. However, firms, through various practices, seek to institutionalise and normalise the continuous supply of useable labour, increase the substitutability of labour and manage rather than

respond to labour-power by mobility from workers (Smith, 2006).

In the next section, I introduce the methodology of the study. I then illustrate the agency labour regime in China and discuss how and why the agency labour regime is related to the indeterminacy of labour-power through mobility for Chinese agency workers. In doing so I analyse three strategic approaches labour agencies use to control agency workers' mobility power. The final section concludes the article.

Methodology

This article is based on qualitative research methods. Fieldwork was conducted between 2014 and 2016 using semi-structured interviews to collect primary data within six high-tech processing and assembly manufacturing factories, including Pegatron, Wistron, and Compal in the Liangjiang New Area in Chongqing. Additionally, data was collected from Foxconn, Huawei, and Lenovo in the Longhua and Futian districts in Shenzhen. Both cities have intensively developed the high-tech processing and assembly manufacturing industry in local areas. I selected three Chongqing factories by visiting the fieldwork site. The three Taiwanese factories in Chongqing are famous high-tech manufacturing companies in Liangjiang. By contrast, in Shenzhen, I chose Foxconn as the company frequently mentioned in labour studies in China, and I then selected two Chinese high-tech factories, i.e. Huawei and Lenovo, because many of the workers I interviewed from Foxconn mentioned they previously worked in the factories at those two companies. I also used purposive sampling (Bryman, 2016, p.408) to approach target interviewees, rural migrant factory workers, and then employed snowball sampling to approach more interviewees and enrich interview data.

164 rural migrant factory workers (including 63 agency workers) were interviewed to understand the workers' side of labour-power control and resistance. In Chongqing, I interviewed rural migrants inside or outside of their living areas near the factories, either

in coffee shops or public places, such as parks. In Shenzhen, I interviewed rural migrants either in coffee shops or public areas near the factories, which included outside a public library and in public parks. I chose these places to interview rural migrants for two reasons: First, it was difficult to gain access to the high-tech manufacturing factories. Second, my research about rural migrant workers' labour rights and protection is politically sensitive in China. Additionally, in both cities, governmental officials, Human Resources (HR) staff from factories, staff from labour agencies, factory managers and staff from non-governmental organisations (20 persons in total) were accessed through my contacts. I interviewed them to understand the managerial side of labour-power control within the agency labour regime. These managerial-level people were interviewed in either their offices or in coffee shops in both cities to get accurate data in a relaxed atmosphere with familiar surroundings.

The Agency Labour Regime in China

In order to accurately understand the struggle surrounding the indeterminacy of labour-power through mobility argued by Smith (2006), we need to place labour-power issues against the background of global capitalism, neoliberalism, and globalisation characterised by the increasing mobility of labour and capital, as an important catalyst that contributes to the forming of the agency labour regime in China. The "agency labour regime" has spread nationwide, contributing to the growing "precaritisation" of employment for workers across China.

Labour dispatch, through the use of these agencies, has now become one of the most significant forms of labour supply in China. The core feature of this labour regime is that of a triangular labour employment mode: agency workers, labour agencies, and firms are all kept separate from formal labour recruitment in firms. Labour dispatch offers an attractive choice for firms to distance themselves from the requirement of establishing an employment relationship with their workers. Instead, economic and

commercial relationships between firms and workers are formed, discouraging two parties from officially confronting one other as contracting parties (Xu, 2009). Correspondingly, an agency-mediated employment relationship is thus established between firms and agency workers through labour agencies.

The use of labour dispatch in China has developed rapidly since the 1990s, allowing employees to find new approaches to increase employment flexibility and avoid legal obligations (Gallagher et al., 2013). Geographically, the increase in the number of agency workers is mainly in eastern and southern China, which includes Shanghai, Beijing, Guangdong, and other regions which have prosperous financial districts (Watts, 2011). However, in both Chongqing and Shenzhen, agency workers within the high-tech industry are used as provisional, auxiliary, and substitute labourers, and the majority of them are rural migrant workers. In different industries, however, including in high-tech manufacturing, many workers have dual and overlapping identities of rural migrant workers and agency workers. The agency labour regime serves not only the function of supplying alternative labourers for enterprises but also challenges formal working conditions, such as stable salary payments and social insurance associated with the formal labour contract system.

Central and local governments in China play a very important role in terms of supplying agency workers from labour agencies. This phenomenon responds to the serious unemployment caused by restructuring and layoffs at many state-owned enterprises (SOEs) since the late 1990s. In 2002, the central government used agency workers as an effective way of assisting laid-off workers in finding new positions. In 2003, at a national forum on re-employment, the Party Secretary and soon-to-be President Hu Jintao emphasised the need for "actively developing agency labour regime and other types of employment forms to organise and guide those laid-off workers to find re-employment" (Li, Zheng, & Yin, 2009). Local governments also responded to those issues, transforming former

employment and re-employment centres into labour agencies affiliated with local labour and enabling social security bureaus to create job opportunities for laid-off workers (Zhang, 2014). This is a typical example of the process of precariatization in China in terms of dismissing securely employed workers and then re-employing them on insecure and precarious terms.

Pun and Deng (2011) estimate that by the end of 2005, there were over 25,000 registered labour agencies in China, nearly 70% of which were approved by local government Human Resources and Social Security Departments. Local authorities are thus both organisers and promoters in the agency labour regime. Large SOEs and public institutions are especially prone to choose government-affiliated labour agencies because they are considered to provide a “trouble-free” official guarantee in the case of labour disputes with agency workers (Zhang, 2014, p.57). According to my fieldwork, all three Chongqing factories used local government-organised labour agencies to supply workers. Moreover, all six high-tech factories also had major cooperation with private labour agencies to recruit workers because the labour agencies have a long history of dispatching labourers to different factories. While the government-organised labour agencies assist urban *hukou* laid-off workers in finding jobs again (Xu, 2009), the cooperation between government-organised and private labour agencies has managed rural migrant labourers and has led them to high-tech manufacturing jobs in urban areas. The combination is a new trend in recruiting rural migrant workers for the resolution of labour shortage within high-tech manufacturing in both Chongqing and Shenzhen.

The agency labour regime has spread rapidly to other sectors and all types of enterprises, and increasingly, many urban people including college graduates join agency labourers (Zhang, 2014). Nevertheless, rural migrants still make up the main group of agency workers (Huang, 2009; Park & Cai, 2011). In Tianjin from 2011–2012, 70% of agency workers were

new-generation rural migrants, and in Chengdu, 64% were rural migrants (All-China Federation of Trade Unions, 2012). It appears that the *hukou* system of household registration still plays a significant role in creating segmentation in China’s labour market. Labour agencies treat urban *hukou* laid-off workers differently to rural *hukou* migrant workers even though they are both engaged in precarious jobs that are typically low paid and with little protection (Xu, 2009). While urban *hukou* laid-off workers are usually dispatched to better workplaces, such as SOEs and other formal institutions (Xu, 2009), rural low-skilled migrants are dispatched to workplaces within service, manufacturing, and construction industries, such as non-SOEs and private companies (Lan et al., 2015). As a result of the discrimination legacy of the *hukou* system for rural *hukou* holders, urban *hukou* laid-off workers do not want employment in workplaces where only rural *hukou* migrants usually get jobs (Xu, 2009).

The Indeterminacy of Labour Power through Mobility for Agency Workers in China

The characteristics of the agency labour regime in China fit the theory of the indeterminacy of labour-power through mobility for agency workers, which helps explain how and why Chinese agency workers still lose their freedom and mobility power when deciding where and to which employers they sell their labour services. Smith (2006) argues for the “double indeterminacy” of labour structures and relations between workers and employers through two components of labour-power: effort power and mobility power. This kind of indeterminacy relates to “production indeterminacy,” the labour process side of the uncertainties within the capitalist employment relationship (Smith, 2006). Production indeterminacy allows the labour process theory to explore employers’ managerial strategies and workers’ resistance through the power of work effort from workers themselves and the power of mobility between enterprises (Smith, 2006).

My findings suggest some degree of indeterminacy of labour-power through mobility, from agency workers in particular. There is a process involved in leaving an unsatisfactory workplace, and workers who express discontent and choose to quit exchange labour power for bargaining power. Thus, they should not be seen as entirely passive agents in the employment relationship. Nevertheless, employers also benefit from labour mobility. As Smith suggests, quitting can also favour the employer by removing “the discontented and more vociferous workers from the workplace, eliminating potential leadership from trade unionism or collective workplace organisation” (2006, p.393). Additionally, firms have developed a large number of strategies to manage and control labour-power shifts caused by worker mobility (Smith, 2006).

Furthermore, although agency workers appear to have more freedom to move around the labour market and choose or reject their jobs, compared with those who are formally and directly employed, labour agencies still implement many regulations to punish those agency workers who move too frequently. Smith (2006) suggests that workers can tend to be engaged in insecure jobs more easily when they have less investment in them. Capitalism progressively creates new capitals, expands the division of labour and expands labour markets, which also gives workers many opportunities to move and finally to enhance labour-power as a result of mobility (Smith, 2006).

In support of this perspective, my interviews with agency workers in both Chongqing and Shenzhen highlighted that there was a high level of competition between agencies for labour, which gave workers some bargaining power. However, labour agencies had several methods for maintaining the balance of power in the labour relationship. The first strategy labour agencies used was to require workers to indicate their work experience in order to determine whether they had a (poor) history of frequently changing jobs. Every time a labourer was recruited as an agency worker, the labourer indicat-

ed his/her working experience in his/her application form. In both Chongqing and Shenzhen, rural migrant agency workers confirmed this procedure. For example, a 23-year-old male agency worker interviewed at Foxconn, Shenzhen who previously worked at Compal, Chongqing complained that he did not like this procedure and felt it was redundant. He said that every agency worker including him had at least five dispatching experiences. He felt this procedure was ridiculous and could not accurately judge his or his colleagues' working experiences in both Chongqing and Shenzhen. However, from the side of labour agencies, it was a useful approach to know agency workers' experiences and avoid unnecessary financial loss from the turnover of agency workers. Factories also asked labour agencies to select obedient agency workers to work in their factories. This was confirmed by all factory managers and HR staff interviewed.

The second strategy labour agencies used was to check workers' experiences from their recruitment systems since the workers' ID card would have been recorded with each recruitment. If agencies found that workers had changed their jobs very frequently, they would not be recruited again. Labour agencies in both Chongqing and Shenzhen implemented this policy. A 20-year-old female agency worker working in Wistron Chongqing complained that she could not be recruited again if her labour agency found she left and entered many times in the same labour agency. Since she had only one ID card, which would be checked when she applied for her jobs every time through the same labour agency, she felt her mobility power was weakened. A 25-year-old male agency worker from Foxconn, Shenzhen also had his ID card checked to re-enter the same labour agency to work in Foxconn. He was lucky to pass the examination; however, his friend failed and could not re-enter the labour agency. Both agency workers did not like the approach since they felt that they could not move freely in and out of different labour agencies. In other words, their mobility to change jobs was extremely

restricted. Nevertheless, labour agencies preferred to check workers' ID cards to minimise labourers' mobility power because this method decreased the agencies' overall labour costs. All labour agency staff interviewed confirmed this.

The third strategy labour agencies used was delay in and deduction of salary payments. These financial penalties were imposed on agency workers if they left without any notice and against agency procedures. These situations were replicated across different labour agencies. In this way, labour agencies took the role of employers of those workers, thus reducing costs in terms of administration, training, continuity, and management. A labour agency staff in Shenzhen believed that delays and deductions in salary payments were a helpful method to control the turnover of labourers they dispatched because agency workers were concerned about their remuneration and would not quit their dispatch jobs freely. This was confirmed by a 19-year-old male agency worker at Pegatron, Chongqing. He complained that he was punished with delays in and deductions from his salary payment after he gave notice that he wanted to leave the Pegatron factory. His labour agency told him he could not get his salary on time because he violated agency procedures by quitting a dispatch job he did not like. A Foxconn factory manager added that as a result of the delays in and deductions from salary payments as a penalty for agency workers, the Foxconn factory had enough workers to finish its assembly assignments for mobile phones and other electronic devices. It appears that agency workers' freedom to change jobs and mobility power is thus strictly controlled.

Furthermore, Smith (2006) suggests that workers can easily walk away from employment contracts. My findings concur that for agency workers, labour contracts act more like papers that place no restrictions on them leaving their existing jobs, which results in a high employee turnover. I argue that this itself contributes to a sense of precarity. Based on my fieldwork and interviews with agency workers in both Chongqing and Shenzhen, being part of the agency

labour supply is itself precarious for rural migrants because labour agencies dispatch workers to various factories and different positions even though workers have signed labour contracts with those labour agencies. Although rural migrants may gain some benefits from the jobs to which they are dispatched, such as higher salaries as a result of frequent work in different factories with higher pay, their risks still increase because they are forced by the labour agencies to change their jobs irregularly without any notice. This contributes to their precariousness in terms of the stability in the workplace and of salary.

From this perspective, the labour contracts for agency workers do not play a role in providing long-term employment security and stable jobs with social security. In other words, while mobility opportunities grow for agency workers, precarity increases as well since labour agencies develop many managerial strategies to control agency workers' labour-power by mobility. Agencies prioritise stability and continuity of labour rather than offering high wages or stable jobs. Frequently engaging in different types of jobs also weakens the power of freedom to choose and mobility for workers. They may not have much choice of where and to which employers to sell their labour services because employers' managerial strategies limit the bargaining power of the workers during the labour process.

Conclusion

This article has empirically suggested that the agency labour regime is one of the important labour regimes in China that makes rural migrant factory agency workers' employment and social security remain precarious. Although these agency workers have signed labour contracts with labour agencies, agencies distribute workers to a diverse range of factories that require labourers on demand. The agency labour regime in China also fits the theory that Chris Smith (2006) argues on the existence of the indeterminacy of labour structures and worker relations between workers and capitalist employers through worker mobility power.

Although the frequent employee turnover suggests those agency workers have the freedom to change their jobs frequently and gain employment immediately, labour agencies, as capitalist employers, use three strategic methods to control the labour process, which include checking workers' employment experiences, checking workers' ID cards through the recruitment systems if workers want to re-enter the same labour agencies, and penalising workers financially with delays and deductions in salary payments when agency workers leave without any notice and act against agency procedures. Finally, productivity and profits increase rampantly

and labour costs decrease significantly within high-tech manufacturing in both Chongqing and Shenzhen, China.

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