Introduction
In August 2010 it was announced that China had become the world’s second largest economy, with a GDP of US$5.87 trillion. It had overtaken Japan and was only behind the US (NY Times, 2010). With a fast growing economy and a population of around 1.3 billion, the Chinese market is one in which many businesses are now considering entering. With such a large pool of labour, one may think it surprising that China experiences labour shortages. However, China is experiencing shortages in skilled labour, while at the same time, the Chinese economy has undergone continued liberalization of its markets, and the government has recognised the role that temporary staffing agencies can play in addressing labour shortages, and job creation. This working brief explores the emergence of temporary staffing in China, the features of the market, and some examples of multinational temporary staffing agencies becoming involved in the Chinese labour market.

The Emergence of Temporary Staffing in China

• Most countries attempt to define temporary agency work (TAW), or adopt the ILO universal definition that:

  “private employment agency means any natural or legal person, independent of public authorities, which provides one or more of the following labour market service”: “(b) service consisting of employing workers with a view to making them available to a third party, who may be a natural or legal person (referred to below as a "user enterprise") which assigns their tasks and supervises the execution of these tasks” (ILO, 1997:3).

• In China however, TAW is often referred to as ‘labour dispatch’ (it is also similarly labelled in Korea and Japan), but the general concept of the triangular relationship of agency work is still the same. In 2004, the first official use of the term ‘labour dispatch; was used in a Peoples Republic of China (PRC) White Paper (PRC, 2004).
Some key dates in the development of TAW in China are:

- **1979**: New economic policies opening up the Chinese market to other countries
- **1992**: Transition to a market economy. Employers given autonomy to employ their own workers. Workers no longer tied to state-owned enterprises.
- **2004**: The term ‘labour dispatch’ is used for the first time in a PRC official white paper.
- **2005**: Employment Contract Law Drafted aiming to develop national regulation for TAW.
- **2008**: The Employment Contract Law was established to include the regulation of TAW.

**Changes to Chinese Labour Law**

- Due to various restrictions in the employment legislation, along with the nature of the Chinese labour market, it has been almost impossible for temporary staffing agencies to operate (placing temporary workers) as they have in Western Europe and the US. In order for China to move in the direction of a market economy and to do so effectively it has found it necessary to restructure its employment legislation (for more depth on the details on Chinese Employment Legislation see Xu, 2009).

- The PRC has yet to ratify ILO Convention 181 (1997), which is seen as the international minimum standard for regulation of the temporary staffing industry. However, there are indications in the most recent revisions of the Employment Legislation in 2008 (PRC, 2008) that the government is making moves to ensure there are effective regulations in place for the temporary staffing industry, and also to fuel the growth of the employment services industry, across the provinces. The new legislation defines employer liability and forms of labour use, putting forth higher standards of hiring activities and human resource management for enterprises and temporary staffing agencies.

- The most significant pieces of the legislation state that:
  - Temporary staffing agencies are required to register, much like other private corporations. They are required to provide RMB 5,000 for each employee in to a government designated bank account as a deposit to ensure that agencies meet their legal requirements.
  - Temporary staffing agencies cannot employ its own agency workers.
  - Temporary staffing agencies are obliged to provide employment contracts for workers detailing all aspects of assignments.
  - Temporary staffing agencies cannot charge workers fees.
Users of temporary staffing agencies are obliged to provide working conditions that comply to national labour standards, as well as providing details of pay and benefits that workers should expect to receive. They are also required to provide necessary training for certain positions.

Features of the Chinese Temporary Staffing Market

- The Chinese government has established its own network of public job agencies to cater for both the rural and urban labour markets. By 2005, there were already 3,680 government funded job agencies which helping around 20 million people a year locate jobs (OECD, 2007). The government began to encourage the use of private agencies in order to match workers with jobs and by 2005 there were 8,600 private agencies (PRC, 2007). However, at this stage there were a number of restrictions on the use of temporary agency work so private agencies were only involved with the permanent and contract placements for workers. As already mentioned the restrictions were amended in 2008 enabling temporary agency work to become an accepted form of ‘flexible’ labour.

- Since changes to these laws have only been relatively recent there is little reliable data on the presence of temporary staffing agencies.

- At the end of 2008 it was estimated that there were 26,000 Temporary staffing agencies in China. The estimated number of temporary agency workers is around 27 million with an estimated increase of around 7 million workers since the changes in Employment Laws came into effect (PRC, 2009).

- Geographically, the growth of temporary staffing is concentrated in the eastern and southern regions including Shanghai, Beijing and Guangdong (which are also the regions with the most prosperous financial districts).

- China is beginning to engage in the global arena of temporary staffing indicated by a Chinese Association of Foreign Trades (CAFST) becoming an active member of the International Confederation of Private Employment Agencies (CIETT) in 2010.
Transnational Temporary Staffing Agencies in China

- Ultimately, the continued economic growth and success of foreign and national firms is dependent on the functioning ability of the labour markets. China is experiencing rapid growth across sectors of economy but its growth is being restricted by a skill shortage across a range of professions.

- It may seem strange that a country with 1.3 billion people should have a shortage of labour, and this is exactly what Manpower addressed in their White Paper (Manpower, 2006). The white paper discusses the skill shortages China is experiencing in the labour market, specifically those in managerial and professional positions which globally, on average, are not in seen as the primary shortages (see table 1). Similarly, a research report by the Adecco Institute (2007) confirms these labour supply shortages in the Chinese market.

Table 1: A comparison of skill shortages in China and the Global Market

<table>
<thead>
<tr>
<th>Top 10 Skill shortages in China</th>
<th>Top 10 Skill Shortages Worldwide</th>
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<tbody>
<tr>
<td>1. Production operators</td>
<td>1. Sale representatives</td>
</tr>
<tr>
<td>2. Sales representatives</td>
<td>2. Engineers</td>
</tr>
<tr>
<td>3. Technicians</td>
<td>3. Technicians</td>
</tr>
<tr>
<td>4. Managers./Executives</td>
<td>4. Production operators</td>
</tr>
<tr>
<td>5. Engineers</td>
<td>5. Skills manual trades</td>
</tr>
<tr>
<td>6. Machinists</td>
<td>6. IT staff</td>
</tr>
<tr>
<td>7. Researchers (R&amp;D)</td>
<td>7. Administrative assistants</td>
</tr>
<tr>
<td>8. Designers</td>
<td>8. Drivers</td>
</tr>
<tr>
<td>9. Restaurants and hotel staff</td>
<td>9. Accountants</td>
</tr>
<tr>
<td>10. Receptionists</td>
<td>10. Manager/Executives</td>
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</table>

Source: Manpower (2007:4)

- One of the key issues for China is that while it has a very large labour supply, a significant amount are migrant workers, or those made redundant from previously state owned enterprises. These are understood to be lacking the specific skills or education to allow them to fill vacant positions. The Peoples Daily (2010) reported that on average there were 88 vacancies for every blue-collar worker, and 16 vacancies for every factory technician. This is a feature of the labour market which the temporary staffing agencies

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1 There is a historical explanation for some shortages as many of those that would usually be of professional and managerial age are those that were stripped of such positions during the Cultural Revolution. The market is heavily reliant on the fast training of new graduates to fill these positions.
are keen to address. The key to the Chinese market, as with some other markets (see for example Germany) is training.

- The shortages in the Chinese market have been acknowledged by many international staffing agencies (Manpower, 2006, Adecco Institute, 2007), and due to changes in labour laws they are now able to act, and develop, their presence in the Chinese market. There operations of two international temporary staffing agencies represent significant efforts of the industry to enter the Chinese market: Manpower and Adecco.

Case Study: Manpower

- While Manpower has been present in the Chinese Market since 1964 and currently has 88 offices in 12 cities in China, it is only since 2008 it has been able to offer its full services to develop the temporary staffing market.

- Since 2005 Manpower has engaged in a Public-Private partnership with Chinese labour authorities in Shanghai. The partnership has involved a range of initiatives co-ordinating the activities of government agencies, state owned enterprises and private companies in Shanghai to address the efficiency of the employment systems. Initiatives have includes various training projects, development of web-based assessment services, assessing vocational skills and respective skills requirements in 19 districts of Shanghai, introducing global programs for vocational training and developing the Shanghai Employers Advisory Forum to facilitate better dialogue between employers.

- In October 2007 Manpower announced it was the first foreign multinational corporation to obtain a temporary staffing business license in China, and once the changes in employment legislation came into force on 1 January 2008 the market became much more accessible with the company stating:

  ‘Manpower will introduce temporary staffing services to companies, delivering a complete one-stop employment service solution for its client’s in one of the world’s fastest growing economies’ (Manpower, 2007).

- Much like agencies have been deemed as active agents in shaping the markets for temporary staffing in Europe (Peck & Theodore, 2002), Manpower see’s these projects as a step towards being involved in the embryonic evolution of temporary staffing in China.
Case Study: Adecco

- Another global leader in the temporary staffing market, Adecco, is now present in the Chinese market. Adecco has branches in four Chinese cities: Shanghai, Beijing, Guangzhou and Chengdu. In December 2010 Adecco embarked on a joint venture in Shanghai with a leading HR service companies in China, Beijing Foreign Enterprise Human Resources Service Co. Ltd (FESCO), beginning operations in January 2011. Shanghai is considered the largest HR market in China. This joint venture is thought to already involve 100,000 workers, with over 100 branches throughout China. FESCO Adecco mainly provide generally staffing, professional staffing, and outsourcing services. The idea of the joint venture to combine the local know-how of the Chinese based company with Adecco’s experience in the global market.

- The potential in the Chinese market has been recognized by the CEO of the Adecco Group:

  "This is an important step forward for Adecco in China and underlines our strategic focus on the rapidly growing emerging markets. Pooling our global staffing know-how with a Chinese partner enhances the offering for our multinational client base, expanding into China. At the same time, we are excited to broaden our Chinese customer base and take advantage of the growth potential within China" (Adecco, 2010).

Challenges in the Chinese Market

- Many western companies find entering the Chinese market challenging for many cultural, as well as logistical reasons. Working in China requires an awareness of cultural differences to working, management and learning as well as the ability to adapt to a multitude of local and regional environments.

- A particular challenge for temporary staffing agencies is the fact that Chinese employees are traditionally loyal to their employers, there is an inherent sense of commitment to many Chinese workers, and therefore working for a company where their presence may only be for a limited time is problematic.

- The majority of Chinese workers are aware that it is skills they need to develop in order to find their place in the Chinese market, and they will seek companies that can meet this need so they can develop marketable skills.
• It has been said that the Chinese are born ‘connected’, they are embedded in their own real life social networks, known as guanxi. (Zhang & Baker, 2009). This is present at every level of Chinese society, both in personal lives and in business. Businesses are often developed based on ‘who you know’ and business relationships can often take time to develop which is a concept a lot of Western companies may not be accustomed to.

• China is a country of difference, with 22 provinces, 4 municipalities, 5 autonomous regions, and 2 special administrative regions, which collectively are only marginally smaller than the whole of Europe. This presents the challenges for companies to expand into different regions with different labour market composition and features as well as a number of languages, dialects and cultural practices.

• Temporary staffing agencies need to be aware of their local environment as well as the wider Chinese institutional settings in order to successfully become embedded in the labour market and be able to prosper. In order to be successful, temporary staffing agencies need to offer a range of services beyond the simple provision of flexible labour solutions to prospective clients, but also to provide training for workers in order to develop a pool of skilled labour to address the labour market shortages.

Summary
In an attempt to become more integrated in the global economy, China is undergoing significant liberalization. This has included adjustments to labour laws that permit the activities of temporary staffing agencies. While the developments in regulations and market liberalization have created a regulatory landscape more conducive for the temporary staffing industry, the Chinese institutional environment is still far from the flexible and liberalized environments seen in Western Europe and the US. These changes have, however, allowed some of the larger multinational temporary staffing agencies to enter the Chinese market through partnerships with Chinese institutions in order to be able to become embedded in their local surroundings. Many multinational temporary staffing agencies that have in the past been restricted from entering the Chinese market have experienced success with global expansion of their activities in China, by attempting to address specific skill shortages. There are a number of challenges that face temporary staffing agencies who wish to expand into China, but nevertheless expansion is occurring, much like the rest of growth in China, at a rapid rate.
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