Trapped in Precariousness: Migrant Agency Workers in China’s State-owned Enterprises

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Abstract
This article develops an integrated perspective to study whether formalization can significantly reduce precariousness for informal workers. This perspective combines the analysis of employment dualism with that of rural–urban dualism and the analysis of the production sphere with that of the social reproduction sphere. By applying this integrated framework to the case of a state-owned enterprise (SOE) in China, this article finds that formalization does little to reduce precariousness for the migrant agency workers there. Migrant agency workers in China are in a precarious position not only because of their employment status but also because of their incomplete citizenship and the commodification of social reproduction materials. With the compensation gap between formal and agency workers narrowed primarily owing to the deterioration of formal employment, formalization has little effect on increasing the income of agency workers or alleviating the financial pressure upon them in the sphere of social reproduction; neither can formalization raise migrants up to full citizenship or reduce related precariousness.

Keywords: agency workers; labour dispatch; precariousness; formalization; SOEs

Precarious work is the norm in the majority of developing economies and has been on the rise since the 1970s in developed economies. Agency work is a prevailing form of precarious work, and “agency workers” are defined as workers who are “deployed and paid by a private employment agency, but the work is performed for the user firm.” China has almost half of the world’s agency workers. The International Confederation of Private Employment Services (Ciett) estimates that in 2013 there were over 40 million agency workers worldwide.
According to the All-China Federation of Trade Unions (ACFTU), in 2011 there were 42 million agency workers in China, including five million in state organs and public institutions and 37 million in enterprises. State-owned enterprises (SOEs) had the highest proportion of agency labour in their workforce (16.2 per cent). In some central SOEs (yangqi 央企) in the communication, energy and logistics industries, agency labour peaked at over 50 per cent of the entire workforce. Additionally, over half of all the agency workers in China in 2011 were domestic migrants.

The spread of precarious work has made countering labour precariousness a global concern. The conversion of informal work into formal employment, in other words, formalization, has largely been promoted as the solution to this problem. In studying developing countries, mainstream economists have long portrayed precarious work as a by-product of underdevelopment and formalization as a process of modernization. In developed countries, scholars call for labour market regulations to institute a shift back from informal to formal employment and to establish a new social contract between labour and capital. In China, in the face of rampant abuse of agency labour, the government has resorted to formalization (zhuanzheng 转正), too. Following the 2007 Labour Contract Law (LCL hereafter) and its 2012 amendment, the government introduced the Interim Provisions on Labour Dispatch (hereafter, Interim Provisions) in 2013. By requiring that enterprises in China lower the proportion of agency workers in their entire workforce to a maximum of 10 per cent before 1 March 2016, the government intended to force employers to convert agency workers into formal employees. But can formalization significantly reduce precariousness in present-day China?

This article uses the case of migrant agency workers in a Chinese SOE to engage with the enduring debates over informality, precariousness and formalization. It elucidates the true meaning of formalization for migrant agency workers in China and contends that formalization does little to reduce precariousness for these workers given the deterioration of formal employment, the powerlessness of formalization to alleviate precariousness in the sphere of social reproduction, and the intensified social exclusion of migrants in China’s big cities.

The first section of the article outlines the debates on precariousness and formalization, embeds the extant China-related scholarship on agency workers in particular into these debates, and shows how this study can contribute to the existing literature. The second section outlines the background of the fieldwork sites and data collection methods. The article then provides accounts of the working conditions of direct hires and agency workers at a Chinese SOE, focusing

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3 Ciett 2015.
4 ACFTU 2012.
5 This article uses “formalization” in this narrow sense.
6 Munck 2013.
particularly on conditions for the agency workers in terms of thresholds and effects of formalization. The last section concludes.

**Debates on Precariousness and Formalization and their Relevance for China**

The term “precarious” has evolved from the long genealogy of insecure labour studies. It has superseded the term “informal” as a new favourite among social scientists in recent years. The controversies surrounding the concept of precariousness are closely intertwined with the debates over whether formalization can tackle it. Four opinions have emerged in these decades-old debates.

The first holds that precariousness is employment based. It suggests a rigid divide between formal and informal employment in terms of job security. It therefore regards formalization as a way out of precariousness for affected workers as a whole. This opinion is built upon the orthodox modernization theory, which prevailed in social sciences in the 1950s and 1960s. This theory posits that developed countries form a model for developing countries. In the sphere of employment, it categorizes workers within the formal capitalist system (where secure workers dominated the workforce) as “formal” and those outside it as “informal.” Thus, the capitalist modernization of developing countries entails a process of formalization and the reduction of precariousness for informal workers. This notion is concretized in the model of “economic dualism” promoted by Arthur Lewis. Lewis proposes a two-sector conception within the developing economy: the traditional agricultural sector with surplus labour and the modern industrial sector. The development of the industrial sector involves a process in which it draws surplus labour from the agricultural sector, namely, formalization.

Advocates of the second opinion contend that it is in capital’s interest to retain the rigid divide between formal and informal workers, which also makes formalization an effective remedy, although only at the individual level. In order to weaken worker resistance and gain flexibility within a firm, the employer tends to guarantee the job security of core workers at the expense of peripheral workers, who are mainly unskilled and semi-skilled manual workers. Within the commodity chain, by subcontracting low-profit, high-risk operations to peripheral firms, core firms can enhance their profitability and their own workers’ security by undergirding the precariousness of workers hired by their subcontractors. Given that core workers are often on standard employment terms and peripheral workers on nonstandard terms, this opinion commonly identifies

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8 Munck 2013.
10 Munck 2013.
11 Lewis 1954.
12 Friedman 1977, 105–129.
13 Chan, Pun and Selden 2013.
nonstandard employment as precarious or informal employment. In this situation, it is impossible for formalization to improve the conditions of precarious workers as a whole. Nevertheless, individuals still can use temporary work as a stepping-stone to permanent work.

The third opinion also perceives precariousness as employment based. Nevertheless, precarious employment is not defined by nonstandard forms of employment but by reference to a deficit in multiple dimensions of job security such as living wages, welfare benefits, protection from arbitrary firing, union representation, and so on. Moreover, supporters of this opinion note the decay of formal employment and doubt the effectiveness of formalization in countering precariousness. Existing studies have identified three trajectories in which labour market institutions have evolved under pressures of neoliberal globalization. “Liberalization” involves the gradual deregulation of employment protection for all workers. In “dualization,” “insiders” (organized, secure workers) mobilize their organizational resources such as parties and unions to defend their interests, resulting in “outsiders” (unemployed and nonstandard workers) being hit by market-conforming adjustments. In “recalibration,” governments initiate structural reforms to weaken the protection of “insiders” while extending protection to “outsiders.” Apparently, both “liberalization” and “recalibration” involve attacks on formal workers and render the effectiveness of formalization in reducing precariousness questionable.

Proponents of the fourth opinion hold that precariousness goes beyond the perspective of employment and thereby beyond the effects of formalization. The commodification and financial speculation in the sphere of social reproduction in areas such as housing, education, health and pensions enables capital to extract profits out of workers’ wages and aggravate the precariousness of labour. Moreover, precariousness is embedded within social institutions such as gender and the state that are beyond the reach of formalization. Women are overrepresented in precarious employment because they are charged more with reproductive work than are men, and they have to balance family and career. Formalization cannot ameliorate precariousness for women as a whole. Another group, immigrants, with or without legal status, are often found in precarious employment. This is because immigration controls enable employers to enforce atypical employment relations and unfavourable working conditions over immigrant workers. In the developing economies, large segments of nonskilled workers do not have full citizenship.

15 Booth, Francesconi and Frank 2002.
17 Prosser 2016; Picot and Tassinari 2014.
18 Lapavitsas 2009.
19 Harriss-White 2010.
20 Vosko 2000.
21 Anderson 2010.
22 Breman and Linden 2014, 924.
some workers favour autonomy over job security and voluntarily choose precarious work.\textsuperscript{23} For them, formalization is actually not desirable.

These four opinions have varying degrees of influence on related studies in China. Given the resemblance between Lewis’ model of “economic dualism” and China’s rural–urban dualism, the first opinion is particularly widespread among mainstream economists in China. They promote the idea of urbanization to draw away rural surplus labour as a solution to China’s rural poverty.\textsuperscript{24} The second opinion is embraced by sociologists working on enterprise-level labour issues and the global commodity chain. The employment structure in SOEs in planned-economy China is theorized as dualistic, with permanent workers enjoying cradle-to-grave benefits entitlement (“iron rice bowl”) and temporary workers on lower wages, less benefits and working under fixed-term contracts.\textsuperscript{25} In present-day China, the dualistic employment pattern exists not only in SOEs but also in foreign manufacturers.\textsuperscript{26} This pattern implies the desirability of formalization. Nevertheless, the power asymmetry between China’s “world factory” and global brands fundamentally defines the precariousness of Chinese workers in the “world factory.” It is no wonder that even formal workers in Foxconn were so ruthlessly exploited that some eventually resorted to suicide.\textsuperscript{27}

The third opinion finds support among scholars studying the transformation of industrial relations in China at both the macro and micro levels. With the “iron rice bowl” smashed and a contract-based employment system established since the 1980s, the current urban workforce of China is characterized by extreme insecurity and informalization.\textsuperscript{28} Over half of workers in urban China have little employment security, receive meagre benefits and often find themselves excluded from labour law protection.\textsuperscript{29} The LCL and subsequent regulations have failed to rein in the rampant use of nonstandard employment practices such as labour subcontracting.\textsuperscript{30} In a study of an SOE conducted between 2010 and 2013, it was discovered that long-term formal employees had lost the majority of the welfare benefits to which they were previously entitled. These employees were treated like machines, their wages were frequently docked and they were marginalized owing to the massive deployment of internal contract workers.\textsuperscript{31} Under such circumstances, the model of dualistic employment is losing relevance or explicability in China today.\textsuperscript{32} In other words, formalization does not necessarily bring much job security in China.

\textsuperscript{23} Maloney 2004.
\textsuperscript{24} Cai 2007.
\textsuperscript{25} Walder 1988, 39–56.
\textsuperscript{26} Zhang 2008.
\textsuperscript{27} Chan, Pun and Selden 2013.
\textsuperscript{28} Kuruvilla, Lee and Gallagher 2016.
\textsuperscript{29} Huang 2009.
\textsuperscript{30} Gallagher et al. 2015; Cairns 2015.
\textsuperscript{31} Jia 2015.
\textsuperscript{32} Cook 2008.
The fourth opinion is reflected in studies on migrant workers and the commodification of social reproduction in China. Owing to their rural household registration status (hukou 户口), migrant workers are more likely to be placed in laborious, dirty and hazardous positions in urban units, and are denied access to essential public services in cities. Moreover, the old, all-encompassing social safety net that was previously enjoyed by the majority of the urban workforce has been replaced by a new and leaner system. Healthcare, schooling, housing, old-age care and so on have now become fertile grounds for profit-seeking capital. Chinese people are now facing unprecedented financial pressures in the sphere of social reproduction. Formalization, however, tends to do little to alleviate the pressures in this sphere.

The expansion of agency labour in China has received some scholarly attention. Lu Zhang’s pioneering study of the country’s automobile industry between 2004 and 2007 found that car factories built up until the early 1990s embraced employment dualism as a way to resolve the contradiction between pursuing profitability and maintaining legitimacy with labour, specifically, their formal employees. They staffed unskilled positions with agency workers and paid them significantly less than their formal employees. This dualistic pattern was also uncovered by another study of a state-owned automobile supplier built in 1985. Despite serial regulations, a questionnaire investigation conducted in Guangzhou in 2011 and 2012 showed that agency workers were still being discriminated against in terms of wages, social security and benefits, and that they were vulnerable to occupational hazards. Drawing on the adjudication of cases involving labour dispatch disputes between 2012 and 2016 from the database of China’s Supreme People’s Court, Philip Huang found that agency workers still had difficulties claiming overtime pay and receiving “equal work, equal pay” as the regular employees of the accepting unit. Clearly, all these studies focus on the discrimination against agency workers and call for formalization. Nonetheless, in a recent study, Vincent Chen and Anita Chan noticed a new trend in China’s auto joint ventures, where the gap in wages and working conditions between agency and regular workers was kept minimal in order to mitigate workers’ grievances.

While the desirability and limitations of formalization in reducing precariousness have been discussed at the general level in previous debates, this subject is still underexplored in the specific case of agency workers in China, particularly when it comes to the limitations of formalization. Moreover, two spheres in which precariousness emerges – production and social reproduction – are seldom

33 Solinger 1999.
34 Meng and Li 2013.
35 Zhang 2008.
36 Lüthje, Luo and Zhang 2013, 103.
37 So 2014.
38 Huang 2017a; 2017b.
39 Chen and Chan 2018.
studied in the same body of literature. Similarly, two institutions that generate precariousness for migrant agency workers – rural–urban dualism and employment dualism – are also often emphasized in different bodies of literature. These shortcomings in the extant literature risk creating false optimism about the effects of formalization. This article integrates the examination of the two spheres and both institutions to provide a comprehensive analysis of the true meaning of formalization for migrant agency workers in China.

Data Collection Methods
This article is based on qualitative data collected at an SOE and one of its agency labour suppliers between July and December 2016. Given the distribution of agency workers as mentioned above, I chose Oriental Express as the site for my research. Oriental Express is the express mail sector of Oriental Star, a giant state-owned company with multi-layered subsidiary facilities all across China. The proportion of agency workers in Oriental Star’s workforce reached 52.65 per cent in 2012. Oriental Express was founded in 1985. At the end of 2011, it had 82,891 workers engaged in the fast mail service, of which 67.9 per cent were agency workers. In August 2016, a pilot investigation conducted with several workers from Capital Express, the Beijing subsidiary of Oriental Express, revealed that the majority of its agency workers were migrants. Talent Pool, a labour agency, began to dispatch workers to Capital Express in July 2014. In the summer of 2016, thanks to personal connections, I was able to gain work as an intern at Talent Pool for one month. I conducted interviews with its staff at the same time.

At Capital Express, I interviewed 30 workers to learn about their daily lives, their perception of their lives, and their prospects. They worked in 12 different branch outlets altogether, the main facilities of Capital Express. Most were agency workers or had been agency workers before gaining formalized employment in recent years. At Talent Pool, I interviewed 13 staff members in order to gain an understanding of how their collaboration with Capital Express worked. The fieldwork data were supplemented by Oriental Star’s unpublished archives, which are stored in the National Library of China, as well as statistical materials and related publications.

Becoming Agency Workers
The use of informal workers at Oriental Star can be traced back to its predecessor, which was founded in 1878 and taken over by the Chinese Communist Party in 1949. Data on Capital Star, the Beijing subsidiary of Oriental Star, show that

40 I use pseudonyms for the names of companies and interviewees throughout the article.
42 Oriental Express initial public offerings prospectus, unpublished.
during the planned-economy era, over 95 per cent of its workers were permanent employees. In 1983, Capital Star introduced the labour contract system. Contract workers signed fixed-term labour contracts with Capital Star and could not transfer to permanent employment.\footnote{Hu 2004, 340–41.} In the 1990s, the majority of new recruits to Capital Star were temporary workers. In 1998, Capital Star established its own labour agency, which specialized in providing its own agency labour. Temporary workers were then replaced by agency workers. In 1990, formal workers (both traditional permanent workers and formal contract workers) made up 98.5 per cent of Capital Star’s workforce; however, in 2012, agency workers accounted for 48.1 per cent of its workforce. Pressured by the 2013 Interim Provisions, which prohibit enterprises from running their own labour agencies, in mid-2014 Capital Star transferred its agency workers over to several private labour agencies, one of which was Talent Pool.

In December 2008, Capital Star consolidated its fast mail businesses and founded Capital Express, which consisted of dozens of subsidiaries. Each subsidiary had several branch outlets (\textit{yingtoubu} 营投部). In 2013, each branch outlet organized some of its big clients, such as schools and business complexes, into networks. In 2014, Capital Express deployed 8,148 workers across 100 branch outlets.\footnote{Capital Star Yearbook 2014, unpublished.} Each branch outlet was responsible for the collection and delivery of fast mail in an area of one or two postcodes. Depending on the traffic of fast mail, the number of workers at each branch outlet ranged from 20 to 70. Over two-thirds were agency workers with the remainder being formal contract workers and old permanent workers. Almost all contract workers used to be temporary or agency workers who were then formalized after years of service. Each branch outlet was staffed with one manager, couriers and several support workers, who together handled the recording and distribution of inward and outward mail, warehousing and customer services. Managers tended to be formal employees while couriers and support staff were mainly agency workers.

Generally, couriers in Capital Express were young, unskilled, male peasant workers capable of lifting parcels of up to 40 kilograms. At the end of 2011, 44.16 per cent of Oriental Express workers (including agency workers) were under 30 years old, with another 32.33 per cent aged 30 to 39; 61.27 per cent of them held a high school diploma, or an equivalent or lower qualification.\footnote{Oriental Express initial public offerings prospectus, unpublished.} After a two-day work trial, shortlisted candidates for rank-and-file positions would be asked to sign labour contracts with labour agencies, including Talent Pool. Every month, Talent Pool calculated the wage bill of its dispatched employees according to attendance records and wage distribution methods, which were updated by Capital Express. After Capital Express authenticated the payroll, Talent Pool would receive a payment that covered wages for its dispatched

\begin{thebibliography}{99}
\footnotesize
\item Hu 2004, 340–41.
\item Capital Star Yearbook 2014, unpublished.
\item Oriental Express initial public offerings prospectus, unpublished.
\end{thebibliography}
workers, social insurance fees to be paid to related bureaus and commission for Talent Pool itself – the 2016 rate was 65 yuan per person per month.

Couriers’ working day at Capital Express began at 7:30 am. Along with the support staff, they made preparations before departing for their first delivery round, which usually commenced at approximately 9 am. Carrying mail on their electric tricycles, they shuttled back and forth across the city, calling clients to arrange delivery and receiving instructions for onsite pickups. They began the second shift at 2:30 pm, the third shift at 4:30 pm, and finished deliveries and collections at approximately 6 pm. The working day ended when couriers completed all type-ins, scanned waybills, and handed over all the collected money to the accountant at 7 pm, or sometimes 9 pm. Couriers at Capital Express usually enjoyed one day off each week. However, during peak seasons such as the “double-eleven” online shopping festival in November, they might work a whole month without break. Couriers’ daily tasks and holidays did not vary much according to their employment statuses.

Why did these couriers willingly endure such exhausting work? One courier put it bluntly: “Why are we here? To earn money, to create a better environment for our families.” Couriers’ wages were mainly determined by a piece-rate system. The piece rate for delivering one item of mail ranged from 0.5 yuan to 1.2 yuan. The piece rate for collecting a package ranged between 8 and 25 per cent of the shipping fare. These two commissions accounted for over 80 per cent of the couriers’ wages. Although a courier could earn over 10,000 yuan in November (peak season), their normal monthly wage was between 3,000 and 6,000 yuan. The monthly wage of support workers was set as a certain proportion of the gross wage of the branch outlet, mostly around 2,000 to 4,000 yuan.

The income gap between agency workers and formal employees at Capital Express had been wide previously but had been gradually reduced in the new millennium. In 2004, the annual wage of all agency workers increased by 3,000 yuan. In 2005, the monthly wage of agency workers increased by 100 yuan, while that of formal employees rose by 110 yuan. In 2011, agency workers with urban hukou were entitled to claim from the housing fund. In 2012, Capital Express began to prioritize agency workers over formal employees when deciding on awards to facilitate agency workers’ temp-to-formal conversions.46 Promotion opportunities did not vary according to employment status. For example, in 2008, 430 of the 509 managers of Capital Express were agency workers.47 In 2016, the piece rates for mail delivery and collection did not change with the employment status of the courier. Moreover, all those working for Capital Express were entitled to five kinds of basic social insurance: healthcare, retirement, work-related injury, maternity and unemployment. Nonetheless, formal employees did enjoy some exclusive benefits such as extra retirement insurance, extra

medical care, allowances for winter heating, childcare, and the like, which amounted to approximately 500 yuan extra per month.

Precarious Agency Workers, Protected Formal Workers?

Meilan, a young mother of a two-year-old, was from a rural village in Hebei, just one hour by train from Beijing. She became an agency worker at Capital Express in 2012. After two two-year contracts, she signed a three-year contract with Sky Labour (a labour agency) in 2016. Her main responsibility was to record and distribute incoming mail. In a resentful tone, she recounted:

Every time, I receive a lower wage than I deserve, Capital Express always says, “We don’t dock your money. Sky Labour does” … Female workers at Capital Express all know that to give birth to a child, we have to quit. Otherwise … one colleague lost her baby in the eighth month of pregnancy. I know another one. The foetus was strangled to death by the umbilical cord in the seventh month. The mother tooled too much. I know four female workers at Capital Express who suffered miscarriages. I asked for maternity leave when I was pregnant. I was refused. I was only permitted to work for shorter hours later when I found I was bleeding.48

Meilan’s words cast light on the precarious nature of agency labour at Capital Express, particularly for females. Her experience was not exceptional. During my fieldwork, I was often told that labour agencies made profits by docking wages and extracting social insurance fees. It was also suggested that the branch outlets’ managers might collude with the labour agencies, sharing in their gains and helping to hide the deception.

I have a relative working at Land Staffing [an agency labour supplier to Capital Express]. I know how it works. For example, for a monthly wage of 6,000 yuan, the agency worker only receives 5,000. For the remaining 1,000, Land Staffing takes 100 while the manager of the branch outlet takes 900. I know one manager who bought a house in Shandong after running one branch outlet for two years.49

Once we went to the social insurance bureau … It showed that we paid about 300 yuan each month for insurance. But our wage slips showed that we were charged more than 700 yuan for insurance fees monthly. We complained to the manager. He asked us to complain to our labour agency. They kicked us back and forth like this.50

The fact that many agency workers had their labour contracts renewed did not necessarily mean that their employment was secure. If they made mistakes, agency workers would be sent back to labour agencies (and then usually dismissed), while formal employees might simply receive warnings. In 2014, more than 2,200 agency workers were dismissed when Capital Star transferred agency workers from its own labour agency to other labour agencies.51 Moreover, agency workers faced dismissal at 45 years of age (for females) or 50 years of age (for males), despite the mandatory retirement age being 50 for female workers and 60 for male workers, even if they had made no mistakes. In contrast, formal employees at that age were transferred to less demanding positions.

48 Interview with Meilan, an agency worker, 30 October 2016.
49 Interview with Qiang, an agency worker, 27 September 2016.
50 Interview with Feng, an agency worker, 31 August 2016.
51 Capital Star Yearbook 2015, unpublished.
However, while formal employees of Capital Express were somewhat better off than agency workers, their employment status did not necessarily guarantee them income security. Rather, the income security of both formal and agency workers was subject to the same following factors.

The first factor was Oriental Express’s shrinking market share. From 2007 to 2015, in terms of numbers of mail items dealt with, the market share of state-owned express delivery companies, of which Oriental Express was the largest, shrank from 59.3 to 9.9 per cent. Although the express delivery industry in China has expanded massively in recent years, Capital Express’s revenue declined by 3.85 per cent in 2014 compared to 2013, and its profits dropped from 140 million yuan in 2012 to 60.2 million yuan in 2013. In response, in late 2015 Capital Express launched a new cost saving and efficiency drive (jiang-ben zengxiao 降本增效), which almost halved the commission rates for both deliveries and collections; this also resulted in wages nearly being halved. Welfare benefits were also significantly cut. Festive gifts such as mooncakes for the Mid-Autumn Festival and dumplings and meat for the Spring Festival, paid annual leave, and partly funded trips had all but disappeared for the rank-and-file staff. And, for formal employees particularly, the reimbursement rate of medical care was lowered from 87 to 85 per cent in 2014.

Pervasive penalties accounted for the second factor. Penalties affecting the income of branch outlet staff operated at the outlet level, the network level and the individual level. At the outlet level, penalties were determined by the overall performance of the outlet, including revenue, rates of successful delivery, rates of complaint and code compliance. For every failure or offence at the outlet level, one point would be deducted in the performance assessment of the branch outlet, resulting in a deduction of 10,000 yuan from the gross wage of the branch outlet that month: this penalty was evenly borne by all outlet staff. At the network level, workers running the network collectively faced a financial penalty amounting to 5 per cent of arrears if they failed to collect monthly shipping payments from clients. They also lost 300 yuan for every new major client account that they failed to sign up if they did not hit their targets. Table 1 lists the common individual-level penalties imposed on couriers. Informants reported that some of the punishable offences were so unavoidable that they expected to incur at least two penalties every month. Most importantly, a verbal dressing down from the managers of the outlet was grounds enough for a penalty to be issued, a situation which, as explained next, emboldened the arbitrary docking of wages.

The third and most sweeping factor affecting wage security was the docking of wages. Wages were co-determined by multilayered entities, as shown in Figure 1.

52 Deloitte and Development and Research Center of the State Post Bureau 2014; State Post Bureau of the PRC 2016.
54 Capital Star Yearbook 2015, unpublished.
Reports of commissions and bonuses (C&B) were compiled at the lowest level and were scrutinized and summed up by intermediaries before reaching the headquarters of Capital Express. Wages were decided by the headquarters and then shared among the intermediaries according to their performance before reaching individual workers. Combined with other institutions, this wage determination system encouraged and allowed room for the arbitrary docking of wages.

Managers often docked wages for the sake of themselves and those under their patronage, usually relatives or friends. Many informants reported the existence of “zombie” workers who only showed up for one or two days per week (if they appeared at all) but had their names on the payroll. Underperforming managers received only a small wage, just the minimum living allowance equivalent to the minimum monthly wage in Beijing (1,890 yuan in 2016), and so were motivated to boost their income by docking the wages of couriers.

Such behaviour was encouraged and enabled owing to the following reasons. First, each branch outlet operated in its own distinct environment, making it impossible for Capital Express to set universal commission rates. For instance, couriers serving the central business district might deliver 200 items of mail and collect 100 items; those in the suburbs might toil all day and end up with only 40 deliveries and no collections. Second, to encourage competition and boost revenue, Capital Express endowed its lower levels with great autonomy, including over the distribution of wages. According to one network leader, “there are multiple ways to allocate the money as long as everyone accepts it.”

<table>
<thead>
<tr>
<th>Description</th>
<th>Penalty (yuan)</th>
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<tbody>
<tr>
<td>Failing to notify mail recipient prior to delivery</td>
<td>50</td>
</tr>
<tr>
<td>Failing to deliver mail on time</td>
<td>50</td>
</tr>
<tr>
<td>Losing an item of mail</td>
<td>500</td>
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<tr>
<td>Changing status of mail to “delivered” before it is</td>
<td>500</td>
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<tr>
<td>Invoking expectant recipient to call the service line to track mail</td>
<td>50</td>
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<tr>
<td>Failing to hit monthly target for successful delivery, usually 95 per cent (1-achieved rate)* delivery commission</td>
<td></td>
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<tr>
<td>Scanning a waybill later than the designated time</td>
<td>50</td>
</tr>
<tr>
<td>Omitting to scan one waybill</td>
<td>10</td>
</tr>
<tr>
<td>Failing to collect mail within an hour of being notified</td>
<td>300</td>
</tr>
<tr>
<td>Receiving a complaint about service attitude</td>
<td>500–1,000</td>
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<tr>
<td>Causing a client to complain to the State Post Bureau</td>
<td>1,000–2,000</td>
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Source: Fieldwork.

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Generally, for individual couriers, the commission rate for each item of mail delivered or collected might depend on whether the mail belonged to a certain network, whether the network hit its monthly performance target, whether

55 Interview with Gui, an agency worker, 6 September 2016.
the recipient or sender was an enterprise client, and so on. Third, it was deemed a privilege, rather than a right, for workers to see their monthly wage slips, which detailed payments and deductions. Therefore, rank-and-file workers only had a vague idea of how much they earned each month. When they received less than expected and complained to managers, common responses included that the commission rates had been changed, that they had been penalized owing to misdemeanours, or that the labour agency had docked the money. One formal employee once roared to me, “I earned 5,900 yuan last month. This month, I get 100 yuan more in bonus, but 1,000 yuan less in the total wage. How is this possible?! More bonus, less wage!” 56 Most victims chose to bear it silently since they could not prove that their wages had been docked and they did not dare offend the managers for fear of losing their job.

Although rank-and-file workers at Capital Express were resentful of the excessive penalties and arbitrary wage docking, they were powerless to do anything about them. As shown above, individual endeavours often failed, but what about collective action? The trade union at Capital Express, to which formal employees paid monthly union subs, turned a blind eye to these violations of workers’ rights. The isolated distribution of individual couriers and branch outlets effectively made mass mobilization and organization across branch outlets near impossible. Within the branch outlet, my informants reported that there had been occasional strikes and collective resignations, particularly when Capital Express dramatically cut their commission rates in the cost savings and efficiency drive. Those workers involved in the strikes were quickly dismissed. An exception was a strike that occurred at Capital Express’ sorting centre in Beijing International Airport many years before. The sorters’ demands were soon met and sorting work shortly resumed. After all, a strike at this critical

56 Interview with Bai, a formal worker, 28 September 2016.
transport node would have paralysed the operation of not only Capital Express but also Oriental Express. Couriers, however, do not have as much strategic power as sorters. In fact, compared to migrant workers in other industries, couriers tend to earn higher wages. The wages of couriers at Capital Express might have been lower than those earned at private courier companies, but the difference was compensated for by basic social insurance. Besides, the unskilled nature of their work made them highly replaceable. On the one hand, these factors persuaded the majority of the staff at Capital Express to continue working there under such conditions, albeit with ambivalence or even resentment. On the other hand, they also guaranteed the rapid replacement of workers and supported the continued violations of workers’ rights.

Becoming Formal Workers, So What?

As shown in Table 2, Capital Star began to convert agency workers into formal employees on a large scale from 2008 and accelerated such conversions after the promulgation of the Interim Provisions in 2013. Workers chosen to be converted were selected through a points-based system, which considered the applicants’ educational background, years of service at Capital Express, skills’ level, honours and awards. Every year, Capital Express would authorize a conversion quota, which was divided among its subsidiaries. Subsidiaries then sequenced the points of all the candidates recommended by branch outlets from the highest to the lowest. Those who fell within the subsidiary quota were entitled to become formal employees.

Becoming a formal employee was an arduous process. Generally, a junior college diploma was the minimum entry requirement; this criterion put it out of reach for the majority of the rank-and-file agency workers at Capital Express, who only had middle school or high school diplomas. Worse, their lengthy working hours prevented these agency workers from attending junior college courses to obtain a diploma. Of the 30 workers I interviewed, not one had a junior college diploma recognized by Capital Express; only one interviewee had enrolled on a junior college course and this was because his manager had advised him to do so in preparation for being formalized and then being promoted to management.

The annual quota issued by Capital Express was so limited that only one or two agency workers in each branch outlet were converted each year. Although the published rules for the selection of candidates for conversion seemed clear and just, in practice nepotism played an overarching role. Ahead of ordinary workers in the queue to be formalized stood managers, the acquaintances of managers and workers native to Beijing. Many migrants remained agency workers after working for Capital Express for eight years or so. The demanding conversion criteria meant that agency workers tended to regard themselves as being on probation; being formalized was an achievement or a kind of reward for overall competence and seniority, rather than a delayed recognition, which helped to legitimize their inferior situation as agency workers in their minds.
Furthermore, most of the rank-and-file staff at Capital Express were young migrant workers, for whom working in one unit for eight years was unimaginable. It is estimated that the average duration of the first job for post-1990 migrant workers in China is less than one year.\(^\text{57}\) Migrant workers in China tend to move to cities on a temporary basis to make money, rather than to settle down. The following are typical illustrations of the views shared by many migrant agency workers at Capital Express:

It takes seven or even eight years to be formalized. Workers from other provinces don’t care about this. Nobody wants to work as a courier for that long.\(^\text{58}\)

On the one hand, it’s hard to be formalized. On the other hand, it’s useless to be formalized. Many people may work here for three to five years and quit after they have the money to start a small business. Even if you work here until [you are] 60 years old, you’ll have to return to your hometown. Even if you have been formalized, the same, unless you have the money to buy an apartment and transfer your hukou here.\(^\text{59}\)

These sentiments direct us to the real question: what advantage was there for migrant agency workers to become formal employees of Capital Express? There was a time when Capital Star provided its formal grassroots employees with apartments as part of their welfare entitlements. Those days are long gone. What remains unchanged is Chinese people’s attitudes towards real estate. Owning a place to live is still considered a necessary condition for settling down and starting a family for young Chinese men. However, for the migrant workers at Capital Express, renting a decent room in Beijing was a luxury. Capital Express did provide some dormitories for its staff, usually with two people to a room. However, dormitories were so scarce that the majority of workers at Capital Express had to rent rooms elsewhere. With limited budgets (generally less than 1,000 yuan per month), many lived far from their place of work, usually underground or in the undemolished villages within the city (chengzhongcun 城中村), and with other people to share the rent. With the-then ongoing demolition and reconstruction of villages in the city, they had to move from time to time. Jian, an agency worker from north China who had worked for Capital Express for eight years, proudly reported, “The room I rent is beneath high-voltage

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Capital Star</td>
<td>160</td>
<td>160</td>
<td>389</td>
<td>570</td>
<td>825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which, Capital Express</td>
<td>12</td>
<td></td>
<td>116</td>
<td>&gt;600</td>
<td>321</td>
<td></td>
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power lines. It won’t be demolished for some time.”

As house prices soared, so did the rent for low-end rooms. As one agency worker explained,

We have no plans to work here for long. What’s the point of living in Beijing? We cannot afford to buy a house, or rent one either. It’s becoming more and more expensive every day. Initially, the monthly rent of my room was 600 yuan; it then jumped to 700, and then 800. So expensive! For a room with bath facilities, the monthly rent was 1,500 to 1,600, and is at least 1,700 now, bills excluded. You may earn at most 5,000 yuan per month, 2,000 for rent and 1,000 for eating. Could you end the month with 2,000 in hand? What if you buy some clothes?

Migrant workers are allowed to buy real estate in Beijing but only after they have paid taxes or social insurance fees for five consecutive years. However, with meagre monthly wages ranging from 3,000 to 6,000 yuan, buying an apartment in Beijing was beyond the wildest expectations of the migrant agency workers at Capital Express. In 2015, the average house price in Beijing (including the centre and suburbs) was 22,300 yuan per square metre (yuan/m²). Given the average annual disposable income per capita in Beijing in 2015, it is estimated that it would take a couple over 20 years to buy a decent apartment there. Moreover, most couriers worked in central Beijing. House prices in central Beijing are four or five times more expensive than those in the suburbs. There was a housing fund at Capital Express to relieve the pressure on house buyers to some extent. Both workers and employers equally contributed to this fund but only agency workers with an urban hukou could benefit from it. It did not benefit those with a rural hukou, who made up the majority of rank-and-file staff at Capital Express. Jian, who rented a room of 16 square-metres with his wife under the high-voltage power lines, had four spacious houses in his hometown – one in his village and three in the town of his native county. Their combined value did not match the price of a small apartment in Beijing.

Under these circumstances, none of the migrant couriers I interviewed had any plans to buy an apartment in Beijing. Nevertheless, they did not escape the exploitation caused by soaring house prices. To secure a good match for marriage, or for the sake of their children’s future education, young males in China strive to own an apartment not in their hometown villages but in nearby county towns (xiancheng 县城) or even cities where house prices have also been rising. In 2015, Meilan and her husband bought an apartment in urban Zhuozhou 涿州, a Hebei county near Beijing, at a price of 8,000 yuan/m². By late October 2016 when I interviewed her, the price had almost doubled. Qiang, a Henanese courier, spent nearly 300,000 yuan buying and furnishing an apartment in a county town near his village several years ago. His wife was urging him to buy another apartment in Anyang 安阳, a city in the north of

60 Interview with Jian, an agency worker, 13 September 2016.
61 Interview with Cheng, an agency worker, 16 October 2016.
Henan province, so that their two children could attend quality schools there. In 2016, a decent apartment in Anyang cost approximately 500,000 yuan. Given their meagre wages, migrant couriers at Capital Express could hardly afford to bring up their children in Beijing. The cruel reality was that even if these workers could afford to do so, their children might not be able to attend schools there, regardless of whether they were agency workers or formal employees of an SOE. At the beginning of the new millennium, the Beijing local government had regarded the education of migrant children as its own responsibility and invested some 160 million annually in migrant children’s education. However, it changed gears later in the face of excessive migrant inflows (see Table 3). By limiting migrant children’s access to schools, both public and private, the city effectively worked to penalize and discourage migrants. Many private nurseries and schools were closed, and public kindergartens and schools significantly raised the entry thresholds for migrant children, actually receiving fewer of them despite the increasing number of incoming migrants.

The municipal government of Beijing dramatically intensified its control over migrant inflows following the 2015 release of its 13th Five-Year Plan, which seeks to cap Beijing’s total population at 23 million in 2020. In addition to constraining migrant children’s access to schools, the municipal government introduced measures to raise the threshold of public service access for migrants, to force them to close their small businesses, and to disrupt their daily life. In August 2016, it introduced the residence permit (juzhuzheng 居住证) to replace the temporary residence permit (zanzhuzheng 暂住证). The zanzhuzheng only granted the holder the legal right to stay in Beijing for a certain period. In contrast, the juzhuzheng provides the holder with access to multiple urban public services such as those related to compulsory education, social insurance, participation in exams for professional qualifications such as the qualification for engaging in the logistics industry, and so on. To qualify for the juzhuzheng, applicants have to prove that they have legal and stable employment and residence in Beijing, or are attending school there. Self-employed migrants, or those who work for informal firms or who live in rooms under informal rental agreements are hardly able to provide all of the required documentation for this permit. Although they worked for an SOE, some couriers at Capital Express were worried that they might not get residence permits because they lived in chengzhongcun or in underground rooms.

Meanwhile, the municipal government closed many small businesses run by migrants, claiming that they lacked the proper licencing, and evacuated some chengzhongcun on the pretext of safety concerns. In one village in suburban Beijing, where one of my informants lived and migrants were concentrated, the government frequently cut off water and electricity supplies, destroyed the coal

stoves (for winter heating) of many families, and accused local restaurants, grocery stores, barbershops and the like of operating illegally. These measures were implemented in an attempt to force the migrant residents to leave. Jiang was an agency worker from south China who had worked for Capital Express for five years. He left Beijing in December 2016 after his wife’s grocery store had to relocate from a residential compound to a commercial complex, a location with a prohibitively expensive rent. “Beijing has successfully driven us away,” he posted on WeChat (a social network app), alongside a photograph of himself taken in Beijing West Railway Station.

### Conclusion

By examining the true meaning of formalization for migrant agency workers at an SOE in Beijing, this article adds to the debates on precariousness, informality and formalization. It contributes to the study of agency workers in China by providing a systematic analysis of their precarious conditions and discussing whether formalization is a solution. While this article concurs with extant literature that formalization remains desirable, it argues that given the limitations of formalization, migrant agency workers are literally trapped in precariousness.

Agency workers at Capital Express were paid less than the formal employees in similar jobs. Owing to their employment status, they were subject to the docking of wages and extraction of insurance fees, as well as arbitrary dismissal. While being formalized could alleviate this kind of precariousness, it did not provide any advantage when navigating the more severe risks that indiscriminately affected agency workers and formal employees alike: diminishing wages and benefits owing to the shrinking market share of the enterprise, pervasive penalties and arbitrary wage docking. Worse, the workers had not developed enough

### Table 3: Population Goals and Population Realized in Beijing (millions)

<table>
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<tr>
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<th>Total population</th>
<th>Population with Beijing hukou</th>
<th>Immigrant population</th>
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<tbody>
<tr>
<td>2010 goal, planned in 1993</td>
<td>12.5</td>
<td>10.0</td>
<td>2.5</td>
</tr>
<tr>
<td>2004 realized</td>
<td>14.9</td>
<td>11.6</td>
<td>3.3</td>
</tr>
<tr>
<td>2020 goal, planned in 2005</td>
<td>18.0</td>
<td>13.5</td>
<td>4.5</td>
</tr>
<tr>
<td>2015 realized</td>
<td>21.7</td>
<td>13.5</td>
<td>8.2</td>
</tr>
<tr>
<td>2020 goal, planned in 2015</td>
<td>23.0</td>
<td></td>
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Source:
collective bargaining power to fight back. Moreover, given the narrowing compensation gap between agency workers and formal employees, formalization did not have any significant effect on reducing the financial pressures agency workers faced in the sphere of social reproduction such as housing, marriage and child rearing. Formalization did not lessen the social exclusion experienced by migrants in China’s big cities either. Under such circumstances, the grueling and protracted formalization process helped to legitimize the gap between formal employees and agency workers, rather than offer agency workers a promising way out.

This article adds to the debates over precariousness in China in several aspects. First, it develops an integrated perspective for understanding precariousness. It demonstrates that only by combining the analysis of employment dualism with that of rural–urban dualism and the analysis of the sphere of production with that of the sphere of social reproduction can we secure a comprehensive understanding of the situation faced by precarious workers. Second, it nuances our understanding of employment dualism and suggests the fading relevance of such dualism for China’s workplace. It shows that while workforce dualism remains on the surface, the difference between formal and informal workers has narrowed, primarily owing to the deterioration of formal jobs. Third, it highlights that China’s hukou system remains a root cause of precariousness, particularly in big cities where controls over migrant inflows have been tightened.

This Chinese case identifies important implications for the global debates on informality and formalization. The sheer precariousness that both agency workers and formal employees of Capital Express faced in present-day China implies that modernization and urbanization do not necessarily alleviate precariousness. The deterioration of formal jobs suggests that few can survive the overwhelming trend of informalization and job security cannot be restored by simply switching back from informal to formal employment. The soaring costs in the sphere of social reproduction and the reinforced social exclusion of migrants in China’s big cities reiterate the importance of looking beyond employment when seeking the origins of precariousness. Therefore, we have to go beyond formalization to counter precariousness.

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