

# One Store, Two Employment Systems: Core, Periphery and Flexibility in China's Retail Sector

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## Abstract

*Research on 'flexible' or 'contingent work', derived primarily from manufacturing and production contexts in Western settings, has often been theorized in terms of a core-periphery model. Based upon ethnographic research on vendor representatives and regular store employees conducted at a multinational retail firm in China, we indicate that this model is insufficient to capture the complexity of employment arrangements in this context. This article delineates the coexistence of two employment systems and a quadrilateral relationship in which workers' interests sometimes overlap but often compete. Our research also indicates that institutional arrangements in China significantly affect the strategies that are open to firms and the consequent structure of employment relations.*

## 1. Introduction

Economic and social economic changes have put organizations under pressure to increase flexibility in their employment system (Kalleberg 2003). Consequently, since the early 1980s, contingent work arrangements have become more widespread (Hakim 1990; Smith 1994; Voudouris 2004; Walsh 2007). An extensive literature on this subject in the West focuses on what is referred to as 'flexible' or 'contingent work' (e.g. Atkinson 1984; Cappelli and Neumark 2004; Geary 1992; Kalleberg 2001), with notions of 'core' and 'peripheral' labour as a central feature of discussion. However, although there are exceptions (e.g. Coyle-Shapiro and Kessler 2002; Deery and Walsh 2002; Smith 1994; Walsh 1990; Walsh and Deery 1999), most analyses on flexibility derive from manufacturing and production settings, fewer still focus on the retail sector (Baret *et al.* 2000; Nätti 1990; Wong 2001). This imbalance may distort our understanding of flexibility. When workers

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produce services or work on people, we might anticipate finding different organizational forms of flexibility, as well as different outcomes to those found in production settings (Smith 1997).

The retail sector plays an increasingly important role in economies. Despite this, retail sector human resource management remains a rather neglected area (Samli and Ongan 1996). Moreover, studies on contingent labour in retailing have usually focused on part-time work. Equally, little research on flexibility and labour market segmentation has been conducted in non-Western contexts (Kalleberg 2003), apart from Japan (e.g. Gadrey *et al.* 2001), even though increasing use of contingent labour appears to be a global trend with examples from locations such as Hong Kong (Wong 2001) and South Korea (Lee and Frenkel 2004). In China, dramatic changes to organization and industry are taking place that have major implications for work (Morris 2004), with a transition from relatively fixed and stable labour markets to much greater flux and heterogeneity (Gamble and Huang 2008). Scant attention, though, has been paid to the presence of flexible employment arrangements in this context.

This article aims to contribute to the literature through analysing employment arrangements in a foreign-invested retail firm in China. In the first place, we document and analyse a form of flexible labour organization — the employment of vendor representatives — that has been neglected in the literature. The form delineated involves two employment systems existing side-by-side in which co-workers can have both overlapping and competing interests. We suggest that the core-periphery model is insufficient to capture the complexity of employment arrangements in this context. Our research also indicates that institutional arrangements in China, including entrenched business practice, lack of consumer safeguards and retailers' weakness vis-à-vis suppliers, have a major impact on the strategies available to firms and the consequent structure of firm-level employment relations. This evidence indicates that prevailing models overemphasize the extent of managerial discretion with regard to flexible workplaces.

The article is organized as follows. Section 2 introduces China's retail sector and its labour organization. This is followed by a review of the relevant literature on contingent labour in Section 3. After outlining the research method in Section 4, we introduce the role and nature of vendor representatives in Section 5 and compare them with the store's own regular employees in Section 6. Subsequently, in Section 7, we assess the consequences of the coexistence of these two groups of employees. Section 8 assesses the core-periphery model while Section 9 discusses theoretical and practical implications of such employment arrangements and provides our analysis to account for the form they take.

## **2. Retail sector labour in China**

Between 1980 and 2005, China's gross domestic product (GDP) increased by an average of 9.7 per cent per annum. By 2004, measured on a purchasing

power parity basis, China was already the second-largest economy in the world after the USA (CIA 2005). Coterminous with this economic growth, employment relations have undergone substantial change. Before the reform era, although there were also significant numbers of temporary workers (Walder 1986: 48–54), most urban workers were employed by the state in relatively secure jobs that included substantial welfare benefits. Subsequently, labour has become increasingly commoditized, with increased labour flexibility and employment insecurity (Benson *et al.* 2000; Cooke 2006; Taylor 2002). In addition, where once rural workers were relatively strictly segregated from urban workplaces, far larger numbers of migrant workers now traverse the urban–rural divide (Guang 2005), albeit that household registration (*hukou*) rules still underpin rural citizens' secondary status in terms of their entitlement to welfare rights and benefits (Solinger 1999). A recent study estimated that by 2002, there were approximately 150 million persons in Chinese cities and towns in flexible employment (Institute for Labor Studies 2004).

Until 1992, foreign retail firms were largely excluded from China's retail market. Since then, this sector has gradually opened to foreign involvement, a process boosted by commitments made as part of the country's accession agreement to the World Trade Organization, which China joined in 2001. China's growth in GDP and consumer spending has attracted many multinational retailers. By 2005, the largest 18 foreign-invested retailers in China already operated 4,502 stores (Ernst and Young 2006). Competition between both foreign and local firms has become increasingly intense.

Although China is recognized as 'factory to the world', by 2002, services accounted for 34 per cent of China's GDP and employed 211 million workers contrasted to less than 22 per cent and 49 million in 1978 (People's Daily 2004). Employment patterns in China's retail sector parallel the wider labour market changes outlined above, with decreased employment security for many workers and substantial increases in various forms of flexible labour. A Chinese report describes flexible employment as 'becoming the major means of employment' in labour intensive sectors such as the retail trade and catering (Institute for Labor Studies 2004: 17). Our study focuses on a significant new category of retail sector employees, vendor representatives. A vendor representative is an employee hired and dispatched by a vendor to work in a retail store to sell the vendor's products.

According to our research fieldwork, most retailers in China, both foreign invested and local companies, utilize large numbers of vendor representatives. This practice only became the dominant model during the reform era (Hanser 2007). Previously, store personnel were usually engaged directly by retail firms. At our case-study firm, as the company's reputation has spread, it has become increasingly attractive for vendors to send representatives to their stores. By the time of our research, the firm could easily attract sufficient vendor representatives through arrangements set up by the firm's merchandise buyers. Indeed, in some product lines competition between vendors could be fierce. In fact, variants of this form of employment arrangement

exist in other countries, but researchers have paid scant attention to this significant category of workers. Manufacturers' representatives working in retail stores are common in Japan (JETRO 2005), for instance. Martin *et al.* (1998) estimate that manufacturers rather than retailers compensate 50 to 70 per cent of employees on the shop floor of major department stores in Japan.

Vendor representatives' absence in the literature constrains and limits our understanding not only of flexibility, but also of these organizations and HRM practices within them. Du Gay (1996: 156–58) mentions briefly concessions' staff in his description of social groupings in two UK department stores, but does not investigate further. In retail sector research conducted in Asia, too, they are often neglected even in detailed ethnographic studies (Matsunaga 2000). A significant exception is Hanser's (2007) recent study which compares employment relations in a state-owned retail store in Harbin with those in a private retailer. Our study differs in that it focuses upon a foreign-invested retail store and in that vendor representatives in this case worked directly alongside regular store employees and not in separate contracted out floor space.

### **3. Contingent labour**

Researchers usually regard contingent labour as alternative forms of employment, distinct from traditional forms of work relationship, which is generally characterized by a single identifiable employer–employee relationship in which a worker has one full-time job with a single employer (Gallagher and Parks 2001; Kalleberg 2003). Contingent employment covers diverse 'non-traditional' employment arrangements, including in-house temporaries, floats, direct hire or seasonal workers, lease workers, and even consultants and independent contractors (Van Breugel *et al.* 2005). Contingent work is also termed flexible work, realized by peripheral labour, consisting of temporary, part-time, seasonal, self-employed and subcontracted workers (Hunter *et al.* 1993; Parks *et al.* 1998; Smith 1997).

The engagement of contingent labour has been viewed as an important means to increase labour market flexibility and enhance efficiency in work organization (Bell and Hart 2003). Purcell and Purcell (1998) consider contingent work to be part of employers' strategies with respect to the size and shape of the corporation, seeking to become slim, agile and responsive, differentiating between a relatively small core of employees who require or possess core competencies and temporary, outsourced and in-sourced labour at the margin. Nätti (1990) reports that the most important strategy to obtain flexibility in department stores has been the rapid growth of part-time work. In food retail stores, too, the increasing proportion of part-time workers has been a significant characteristic in France, Germany, the UK and Japan (Sparks 2000).

Atkinson (1984) popularized the core-periphery model of flexible organizations. He differentiated between an inner core of employees with high levels

of task flexibility, an outer core of peripheral employees where the achievement of numerical flexibility was paramount, and beyond the organization to the use of self-employed, subcontract and agency temporary staff, none of whom were employees of the organization. One key assumption is that the functional flexibility of a core of highly skilled employees is secured by the numerical flexibility of lower skilled employees (*ibid.*). There are, however, several deficiencies with this assumption.

The central notion that functional flexibility is secured by a retained core of highly skilled employees is contradicted by a great deal of evidence (Ackroyd and Procter 1998). Kalleberg (2003), for instance, finds that part-timers may be located in both core and peripheral positions of the organization (see also Hakim 1990; Wong 2001). There is, moreover, no universal standard to distinguish between core and peripheral positions. The division of labour in terms of skills differentiates across sectors. The model developed in manufacturing may not be applicable to the service sector. In part, this is because, unlike goods-producing activity, 'service work involves primarily symbolic interaction — interchanges with other people that convey intangibles: information, knowledge, attitudes and emotion' (Frenkel 2000: 469). In addition, in the labour intensive service sector, it is more difficult to distinguish core from peripheral roles, as there are limits to work standardization in this sector (Frenkel 2000).

In retailing, salespeople with product knowledge and good sales skills can be essential to retailers' competitiveness. Accordingly, from the perspective of conventional flexibility theory, they should be defined as core and would be expected to be permanent workers. In China, according to a survey conducted by the Guangzhou Consumers' Association, sales staff are 'the most important factor' that affects customers' purchasing decisions in department stores (China Consumers' Association 2003). Thus, salespeople constitute a core in retail sector work and it is difficult to distinguish core salespeople from peripheral salespeople.

The dominant perception that utilization of contingent labour to increase flexibility is determined by managerial strategy (Atkinson 1984; Hunter *et al.* 1993; Purcell and Purcell 1998) has also been questioned. Wong (2001), for instance, found that Japanese department stores in Hong Kong sometimes adopted contingent labour as part of a planned strategy, but that often it was simply an *ad hoc* response to economic conditions. Similarly, in the UK, Hakim (1990: 157) noted that 'Employees with a conscious core-periphery manpower strategy constitute only a small minority'. Although useful, these critiques still focus attention on managerial discretion and remain firm centred (Kalleberg 2001). This article seeks to take the level of explanation beyond the confines of the firm, to indicate ways in which wider institutional environments channel and constrain firm-level action.

Much discussion on flexibility has been limited to arrangements within single organizations (Rubery *et al.* 2002). Additionally, the focus in retailing has been upon part-time work and flexibility (Baret *et al.* 2000; Wong 2001). This overlooks alternative arrangements, for instance, contexts that involve

workers simultaneously fulfilling obligations to more than one employer through the same act or behaviour (Gallagher and Parks 2001; Parks *et al.* 1998). There is little empirical research examining such contexts and work arrangements, a lacuna this article seeks to address by focusing upon a work arrangement in China's retail sector that involves more than a single organization.

In our case study, we demonstrate how retail firms utilize external 'skilled' workers, vendor representatives, who are not their own employees to conduct 'core' tasks of their business. Vendors dispatch their representatives to work in retail stores. Vendor representatives are under a different employment regime from that of retailers' own employees as described below. They are expected to fulfil obligations to both the retailers and their own vendor employers. However, as we demonstrate, unexpected consequences can follow from this employment arrangement in terms of the relationship between the store and its regular employees and vendor representatives, as well as its impact on customers.

#### **4. Research method**

In this article, we seek to understand the complexities of this understudied form of contingent labour in the Chinese context. In particular, we explore the divergences and fault lines between regular employees and vendor representatives. Sensitive and context-embedded data of this kind cannot be captured in either survey or short-term interview-based research. As Hodson (2005) observes, reliance upon deductive and quantitative methods lacks the richness of insights based on direct observation of workers and managers. The only means to develop a phenomenological perspective that could ascertain more fully the tensions likely to be immanent in this workplace arrangement (Geary 1992) was through an in-depth ethnographic case study akin to those conducted by Kunda (1992), Leidner (1993) and Matsunaga (2000). One author, a native Chinese speaker, spent three months at a China subsidiary of a UK multinational retailer, 'StoreCo', undertaking both participant observation research and conducting semi-structured interviews. Research of the former kind, which enables the capture of elusive, ambiguous and tacit aspects of research settings with rich and thick data (Linstead 1997), is particularly rare in the Chinese context (although see Lee 2007). Access was negotiated by the first author who has conducted extensive prior research both in China (e.g. Gamble 2003a), including at the firm in question (e.g. Gamble 2003b, 2006a,b, 2007). Over a four-year period, he has undertaken 140 interviews with the firm's employees, the majority conducted in Chinese with local staff, from all levels of the hierarchy. This prior research ensured that the authors possessed not only expertise on China, but also extensive knowledge about this particular firm and its operations.

The participant observation research followed a typical pattern for such study; it involved 'the ethnographer participating, overtly or covertly, in

people's daily lives for an extended period of time, watching what happens, listening to what is said, asking questions — in fact, collecting whatever data are available to throw light on the issues that are the focus of the research' (Hammersley and Atkinson 1995: 1). The researcher was able to observe and talk freely with both employees and customers. He developed relationships with employees from every level in the store's hierarchy and both employees and customers treated him as a staff member. Interaction with fellow employees included out-of-work activities such as evening meals and cigarette breaks. Observations were also made of everyday activities in the store, including interactions between employees and between employees and customers.

During this participant observation research, the researcher was based for much of the time in one department. In order to ensure that the research data was not based unduly on this particular department's employment relationships, he also conducted open-ended and semi-structured interviews with a representative selection of 120 (out of a total of 750) employees in the store, including managers, team leaders, supervisors, junior-level staff and vendor representatives from all departments of the store, as well as security guards and cleaners. Most employees interviewed were selected randomly on the shop floor in a process that relied upon staff being free to talk at any given time. Many interviews spread over more than one meeting. Questions asked included: 'how long have you worked in this store?', 'why did you join this store?', 'what kind of welfare provision do you enjoy?', 'what are your working hours', 'what training have you received since joining the store?', 'have you encountered difficult customers' and 'how would you describe your relationship with other employees here?'

Conversations, interviews, overheard comments and descriptions of observed phenomena were transcribed as soon as feasibly possible. These transcripts were closely read by the authors to determine 'emergent classifications and patterns' (Taylor and Bogdan 1998), and formed the basis of an iterative research methodology. Research partnerships with regular team discussions generally ensure that their complementary insights add to the richness of the data (Eisenhardt 1989). The value of this process was enhanced in our case, since the two authors have conducted research both independently and jointly at the firm concerned. This allowed great scope to compare, discuss and triangulate findings, activities that began as soon as the research was underway and that help to enhance confidence in the findings.

We followed the three stages of data coding: descriptive, topic and analytical (Richards 2005). Descriptive coding involves storing information about the cases, particularly the key attributes. The other two steps help to gather all the text about a category. Topic coding labels text according to its subject, and analytical coding leads to theory emergence and theory affirmation (*ibid.*). In other words, each unique idea in the text was assigned a label or code and the text was then rearranged to form themes (Miles and Huberman 1994). In an iterative process, data were compared within and across groups to identify patterns, make comparisons, and contrast new and old data. In order to avoid partisan research (Becker 1967), apart from the

triangulation mentioned above, we also tried to verify the themes using different sources. For instance, we sought to confirm the theme of ‘unfairness felt by vendor representatives’ by verifying this with vendor representatives from different departments and the evidence of their longer working hours compared with regular store employees.

The process of analysis relied heavily upon intensive discussion between the researchers as well as frequent rereading and interrogation of the data as delineated by Kunda (1992: 238–40). The intention in inductive research of this kind is to develop theory that is ‘novel, testable, and empirically valid’ (Eisenhardt 1989: 532). We also hope to have produced a text that conveys a fair and ‘approximate representation’ (Hirsch and Gellner 2001: 11) of the way the people we studied present and live their lives. Thus, the quotes presented are representative of the main currents detected in our research.

## 5. Vendor representatives

In 1999, the UK retailer StoreCo opened its first decorative materials warehouse store in mainland China. By the end of 2006, it had 48 stores across the country and had become the number one home improvement retailer in China. Against the backdrop of a commercialized housing market, like other retail sectors, this sector is now characterized by ‘cut-throat competition’ (China Supply Chain Council 2006), both between foreign entrants and between multinationals and domestic privately owned stores and state-owned stores. The fieldwork was conducted at StoreCo’s largest Chinese outlet, one of its Beijing stores.

Earlier research on StoreCo (Gamble 2003b, 2006a) indicated that the firm transferred many of its parent country practices. However, with respect to the use of vendor representatives, StoreCo replicated its local competitors (Gamble and Huang 2008). In 2004, the Beijing store had 250 direct employees and approximately 450 vendor representatives. The average age of employees was 27–28 with that of vendor representatives slightly younger. Additionally, StoreCo had not introduced its parent country practice with respect to the employment of part-time staff. In the UK, although below the national average, StoreCo employs substantial numbers of part-time staff, 30 per cent at one of its London stores, for instance. At the China store, by contrast, all workers employed directly by the firm were full-timers on one-year renewable contracts. There were also two other groups of workers in the store, about 30 security guards and 23 cleaners, who were outsourced to security and cleaning companies, respectively. These arrangements are not discussed further since they match those in the existing literature on outsourced employment (e.g. Davidov 2004; Deery and Walsh 2002; Purcell and Purcell 1998). Rather, this article focuses on the under-researched category of employees, vendor representatives.

As noted above, vendor representatives are employees hired and dispatched by a vendor to work in a retail store to sell the vendor’s products. The length



of time spent at the store varies depending on the vendor's discretion. Vendor representatives differ from the consignment workers Wong (2001) describes in Hong Kong in that they work directly alongside regular store staff, whereas the latter are responsible for separately rented floor space. The term 'vendor's representative' (*changshang daibiao*) is often used interchangeably with 'vendor promoter' (*changjia chuxiaoyuan*) and 'manufacturer's informant' (*changjia xinxiyuan*) across different retailers and regions. There are differences within this group of salespeople; for instance, some are hired directly by manufacturers or their local branches, while others are hired by manufacturers' local sales agencies. In essence, though, they are labour dispatched by suppliers, working under a similar employment arrangement to that described in this article. Vendors also hired small numbers of temporary promoters, but this article concentrates on full-time workers.

## **6. Comparison of vendor representatives and store employees**

To help understand this type of employment relationship, we compare vendor representatives' employment arrangements with those of the store's own regular employees. Although our observations showed that customers generally identified the two groups of employees identically as customer assistants, they operate under quite different employment systems, with differing terms of contract, pay, income, welfare provision and management (see Table 1), which in turn lead to differentially perceived relationships between themselves and the store by the two groups of employees respectively.

Regular store employees generally enjoy job security, while vendor representatives are unlikely to have either an implicit or an explicit contract with the vendor. Vendor representatives also tend to have less secured income than store employees, that is, basic salary. Usually, vendor representatives are not regarded as formal employees by vendors but, rather, as temporary workers. Vendors, then, are flexible firms and vendor representatives contingent labour without employment security and welfare benefits. Frontline store employees are entitled to a bonus when their department's sales target is achieved. However, achieving departmental sales targets is irrelevant to vendor representatives; their extra income, beyond basic salary, comes from commission on sales of the particular brand or products they work for and is paid by the vendor. Some vendor representatives, particularly those working for large and popular brands, can earn more than store employees, based on the level of their sales. However, this is mostly restricted to a few essential products for home decoration, for example, tile, flooring and showroom products. For instance, one vendor representative in her early 40s for a famous boiler brand admitted that she had earned about 10,000 RMB (US\$1,250) in the best month, this compared with regular employees' average monthly salary of 1,200 RMB (US\$150). However, she emphasized, 'this happiness is seasonal. In the worst month we got nothing except the basic salary of a few hundred RMB!'

TABLE 1  
Comparison of Store Employees and Vendor Representatives

	<i>Store employee</i>	<i>Vendor representative</i>
Employer	Store	Vendor but not normally vendor's formal employee
Contract	Yes	Mostly not
Length of employment with the store	Generally long term	Mostly short term, dependent upon performance and vendors' discretion
Average monthly income	1,200 RMB plus bonus	Basic salary 500–1,000 RMB plus commission
Bonus	Yes, paid by store	Occasionally, paid by vendor
Insurance	Yes	Mostly not
Pension	Yes	Mostly not
Housing fund contribution	Yes	Mostly not
Levels of supervision	Store	Store and vendor
Education	Mostly high school (12 years education)	High school and secondary school (9 to 12 years education)
Training	Store	Both store and vendor, but less induction training
Recruitment approval	Store	Vendor and store
Management fees	No	Yes
HR regime	Soft	Hard
Working hours	Relatively fixed, little overtime	Flexible, longer, frequent overtime
Discipline	Loose Subject to store managers' supervision	Stricter by store, e.g. fines Subject to store managers' and vendors' supervision
Loyalty	Store	Vendor(?)
Service provision	All customers	Preference for customers who buy their firm's products
Relationship with store employees	'We'/store employees versus 'they'/vendor representatives	'We'/vendor representative outsiders versus 'they'/store employees
Gender	More male	Predominantly female
Household registration ( <i>hukou</i> )	Majority Beijing	Mostly from outside Beijing

To some extent, although their work overlaps, there is a division of labour between vendor representatives and store employees. Store employees are also called *lihuoyuan*, literally, merchandise management staff. They are mainly responsible for stocktaking, replenishment and layout. Vendor representatives, who are more familiar with products, focus on selling to customers. Accordingly, they are classified as *xiaoshuo guwen*, sales consultants or advisors, by the store. Several store employees vividly described the division between them, as in the case of a building materials department employee who recalled:

During the early stage, when the store had just opened, we store employees were afraid of being asked questions by customers. Not being able to answer customers' questions . . . we stepped back to avoid customers and left the vendor representatives to receive them.

Even a year after the store opened, and despite the firm's efforts to train its staff (Gamble 2006a), most store employees still admitted, like a customer assistant in the hardware department, that 'we're not as professional in sales as them (*xiaoshou bu ru tamen zhuanye*).' Vendor representatives often teach store employees product knowledge and demonstrate sales skills, in either the storewide morning briefings or departmental briefings, as required by the store.

While store employees occasionally work overtime, vendor representatives frequently work beyond their usual working hours. In part, this is because vendor representatives seek to increase their income by selling more products during these extra hours. However, they are frequently compelled to work overtime since many vendors have only one or a few representatives working in the store, but they must have staff on duty to cover all the hours from 8:30 until 21:00. Store employees receive benefits including housing fund contribution, pension, medical care and unemployment insurance. By contrast, few vendor representatives receive these benefits. As the previously mentioned female vendor representative in her 40s complained, 'we earn nothing except basic salary and unreliable commission for our hard work! We can't afford to be ill'.

Despite their often inferior pay and conditions compared to store employees, vendor representatives have to go through two layers of recruitment procedures, compared with only one for store employees. This could be taken to indicate vendor representatives' importance to the store. Employees recruited directly by the store need only pass the store's recruitment process. Vendor representatives have first to be selected by a vendor and then to satisfy the store's interview. When joining a store, they are expected to attend more training and are under greater pressure to learn quickly than store employees. StoreCo requires vendors to provide training to their vendor representatives before they start work in its stores; this is mostly about product knowledge and sales skills. By contrast, new store employees are allowed to pass their department's product knowledge test during the first three months of their employment. Vendor representatives must also attend induction training. However, newly recruited store employees and vendor representatives are not trained together, probably because the training contents for them differ. Store employees' induction training covers the company's history, culture, operational procedures, welfare and discipline. Although vendor representatives' induction training also briefly includes all these elements, with the exception of welfare, it focuses more on discipline. The management regime can be described as 'hard' for vendor representatives and 'soft' for store employees (Storey 1987).

The stricter management regime for vendor representatives is evident in other respects. Although legally the vendor is the vendor representative's employer, in practice, the representative undertakes work for both the vendor and the store, on the premises of the store. The store defines, controls, supervises and disciplines activities performed by the vendor representative. Vendor representatives, then, are under more levels of supervision than store

employees. Like store employees, they are under supervision of the store management, but they are also under surveillance of the vendors' monitoring team (*yewu zhuguang*), a group dispatched by vendors to regularly patrol the stores where their products are sold. Additionally, apart from the store management, ordinary store employees, in particular 'key employees' (*hexin yuangong*) nominated by department managers, are empowered to supervise them.

Differences between the two groups of employees are reflected in their respective handbooks. The store employees' handbook focuses primarily on employees' benefits and entitlements, covering in detail aspects such as pay and hours of work, including overtime payment, holiday, sickness and maternity leave entitlements, welfare, and training and development. By contrast, the vendor representatives' handbook is only half the size of that for store employees and concentrates more on rules and punishments including vendor representative service rules, customer service rules and customer service standards that are absent from the store employees' handbook.

Since few store employees had been disciplined, most believed the store's management style to be 'loose' and 'relaxed'. By contrast, several vendor representatives explained that they had been fined for misconduct such as lateness. In one instance, one author witnessed a hinge product vendor representative be dismissed by a deputy store manager immediately after she had refused to apologize to a customer. The latter had complained of the vendor representative's 'bad attitude' and demanded an apology. In contrast, at least in principle, a store regular employee would only have received an oral or a written warning for such behaviour (StoreCo Employees' Handbook 2002: 20).

Extensive use of vendor representatives was accompanied by high worker turnover, either voluntary or involuntary. The store could dismiss vendor representatives as shown above. In addition, vendors dispatched their vendor representatives according to their own needs and could withdraw or reassign them to other stores at short notice. On the other hand, vendor representatives could feel a greater burden under double pressures from the store and their vendors, and quit for other options.

The above comparisons indicate that store employees have characteristics of core workers, receiving good pay, benefits and job security. In contrast, compared with store employees' stable, secure employment with good prospects of long-term employment, vendor representatives' jobs are unstable and insecure with lower pay and little prospect of career development. Vendor representatives receive few or no social security benefits; are under more management control; the duration of their working with the store is flexible, dependent upon the vendors' discretion; and their product knowledge, sales and customer service skills are vital to the store.

The latter point is of particular importance since it refers to a key competence directly linked to the firm's core business, since a defining aspect of sales work is that it involves frontline workers actively stimulating demand and encouraging customers to purchase a good or service (Korczynski 2002). Thus, it is an essential function of core labour in the retail sector. By contrast,

the other four points are characteristic of peripheral labour. In this sense, vendor representatives are peripheral labour undertaking the work of core labour. Meanwhile, store employees enjoy all the benefits of core employees assumed in the literature, but often undertake work that is less essential to the store's core activity. In such cases, as Rubery *et al.* (2002) suggest, organizations might be unaware of the contradictions involved when using a fragmented employment system.

## **7. Consequences of a bifurcated workplace**

The use of vendor representatives brings benefits to both the store and vendors. The store increases its labour force flexibility and, since the availability of vendor representatives is not at the store's cost, reduces its labour costs. Vendor representatives provide the store with key competences in terms of their product knowledge and sales and service skills, thereby allowing them to acquire skills without incurring training costs (Voudouris 2004). The arrangement can also provide a cheap screening process to assist in recruitment and selection, a phenomenon noted with workers employed through temporary work agencies (Davidov 2004; Ward *et al.* 2001). For example, two building materials product vendor representatives in their 40s became store employees after working at the store for two months, because 'the department's manager found us to have a good, down-to-earth attitude and prepared to obey his leadership (*tinghua*)'.

Although the relationship between store employees and vendor representatives is meant to be co-operative and synergistic, the coexistence of two groups of employees created new dilemmas. One potential problem is the 'fly order', any transaction that happens with a customer outside the store's control by a vendor representative. The presence of two groups of employees with different employers can also produce complicated work relationships in ways that mirror the animosity Geary (1992) found between temporary and permanent workers in US electronics firms in Ireland. Kalleberg (2003) too found that when employers in America used flexibility strategies, peripheral workers could be perceived by core employees as 'outsiders'. Similarly, Store-Co's regular store employees routinely regarded vendor representatives as 'outsiders' and themselves as 'insiders'. In one instance, a tile section employee rebuked a vendor representative simply because she read his sick leave form. The vendor representative began to cry. When a Human Resource Department manager investigated this incident, he explained, with a sound of justice on his side, 'Vendor representatives are not allowed to know the company's secrets!' On the other hand, vendor representatives could hold negative perceptions of store employees. On one occasion, several vendor representatives were overheard complaining how difficult it was to seek assistance from store employees. One of them remarked bitterly, 'it's f\*\*\*ing difficult to get them (regular) employees to do something for us, even such a simple thing as printing out a correct price tag!'

Store employees had good reason to feel superior to vendor representatives; as outlined above, their conditions were usually superior to the vendor representatives. Meanwhile, vendor representatives mostly considered it unfair that store employees reaped the fruits of their labour, because the achievement of sales targets, based on which store employees received bonuses, was due in part at least to their efforts. Although the company's rhetoric claimed consistently that employees and vendor representatives were equal and a 'single family' (*yi jia ren*), as indicated, differential treatment was apparent in many aspects. One way for vendor representatives to overcome this was to try to become regular store employees. However, at the time of our fieldwork, few vendor representatives were allowed to become store employees. Alternatively, vendor representatives could become resistant towards their work in the store, as shown below.

Since department managers and supervisors manage their department's employees and vendor representatives, and store employees can be empowered to be in charge of vendor representatives, it can be argued that this constitutes an informal hierarchy within the store. The informal or latent structure involved in such a 'hidden hierarchy' (Smith 1994) can lead to the hierarchical abuse of power (Vredenburg and Brender 1998) and workplace bullying (Vandekerckhove and Commers 2003), as in the example of the tile section employee rebuking a vendor representative.

Vendor representatives' structurally inferior position can have negative impacts on their commitment, turnover and performance. Research indicates that distrust and perceptions of unfairness can have negative consequences, such as increased co-worker infighting and reduction in performance (Hodson 2005; Pearce 1993). One author watched a deputy store manager tell a vendor representative to push an empty trolley left on the aisle by a customer back to the ground floor. With her body language showing her reluctance, she began pushing the trolley away. Immediately she noticed that the manager was no longer watching her; she abandoned the trolley in a corner on the same floor.

Vendor representatives have low commitment to their host employer, the store, as their frequently short-term work assignments in the store militate against the development of emotional involvement and organizational commitment. Even if vendor representatives stay with the store for a relatively long time, the structurally unequal nature of their relationship with store employees and the store hinders such a development. Legally, vendors are their employers and they might show commitment to vendors instead of the store, as indicated in the problem of fly orders.

Ward *et al.* (2001) report that use of temporary agency workers often brings new sources of contradiction to the host organization. This was also apparent at StoreCo. For example, while the company endeavours to develop employees' product knowledge and service skills (Gamble 2006a), with vendor representatives present, StoreCo's regular employees could feel less motivation to learn product knowledge. Regular employees sometimes

complained about product knowledge and exams as an extra work burden. A tile section employee commented:

We're too tired after a long day's work to read the product knowledge papers. . . . It may be necessary for us to know the products in our own departments, but why should we know about products in other departments? What's the point of the vendor representatives then?

This, in turn, could have the unanticipated consequence of reducing the potential for functional flexibility within the store. Additionally, as shown below, reliance on vendor representatives and the expectation that they would undertake the lead role in customer service lead to the neglect of some customers.

Vendor representatives are enthusiastic and helpful to those who show interest in their products, but can be indifferent towards other customers. Although the store's customer service rules and standards for them include providing help to all customers when needed, vendor representatives might seek to avoid these obligations. The struggle between vendors and the store lead to poor customer service and customer dissatisfaction most obviously when customers wished to return goods. To maintain and enhance its brand image the store aimed to satisfy customers' demands. However, to achieve its cost control targets, the store exerts pressure on vendors to shoulder the burden of the cost. Meanwhile, vendors seek to maintain their own cost control and resist this pressure from the store; moreover, their interest in maintaining the store's image is limited. Customers often become caught between the store and the vendors and their representatives, a recipe for customer dissatisfaction. Their anger often increased when they had to visit the store several times to replace an item or obtain a refund. On one such occasion, a couple in their late 30s were overheard to shout at the service desk staff:

What a store! We've come several times. Every time we have to repeat the same story for half an hour . . . can't we have a person who can solve our problem? Last time (three days before), we were told that we'd be given a solution to our problem the next day, but nothing has happened! You can't simply push us to the supplier again!

Conflicts and contradictions were not limited to those between store employees and vendor representatives. Relationships between vendor representatives could also be problematic because of the nature of their role. Although generally vendor representatives had a sense of belonging to the same outsider group of 'us' in contrast to 'them', store employees, relationships between vendor representatives who sold competing products could be tense. For instance, several paint vendor representatives complained that an imported paint vendor bribed store employees of the paint department:

They turn a blind eye towards the excessive number of its vendor representatives, who threatened to beat us after work because they thought we snatched their customers when we introduced our products to customers looking around. We have to worry about our safety working here!

In one instance, two vendor representatives working for different boiler brands came to blows after confronting each other when trying to secure a customer's interest in their respective products. Furthermore, since most vendor representatives are not vendors' formal employees, they might lack commitment not only to the store, but also to the vendor. They tend to perceive themselves as individual agents, seeking to make as much money for themselves as possible. Ensuring contingent workers' motivation and commitment in such organizational contexts can be problematic (Coyle-Shapiro and Kessler 2002). Perceptions of unfairness and lower levels of employee satisfaction and commitment can negatively affect customer service (Deery and Walsh 2002). The violent confrontation mentioned above did not help retain the customer for either of the vendor representatives. Instead, it scared the customer and damaged the store's image.

## 8. Discussion

This section assesses the core-periphery model in the light of the data presented in this article. In particular, it questions assumptions this model makes about 'core' and 'periphery' as well as the assumption, often implicit, that firms have a free hand in designing flexible labour systems. We argue that multinational retail stores' use of vendor representatives is constrained and partially determined by institutional factors such as entrenched local business practice and lack of consumer safeguards. Finally, we outline practical implications of this employment system for both firms and employees.

The core-periphery model provides a useful tool to help understand employment relations in flexible workplaces. Vendor representatives' work arrangements, though, challenge available theories on contingent labour from several perspectives. According to the criteria of much of the existing literature, the store's own employees can be considered as core labour, for instance, with respect to their secure and stable employment. However, they tend to perform an ancillary role in the core business competence or function of the retail business, namely, sales and customer service. This is also evident in the numbers of employees and vendor representatives respectively seen and approached by customers in the store. By contrast, another category of labour that can be considered contingent, working alongside them in the store, undertakes the bulk of these key roles.

Our findings build upon earlier research such as Walsh's (1990) study of nine companies in the UK retailing and hospitality industry which suggested that part-time, temporary and casual staff constituted a core, rather than a peripheral component of the workforce and that such employees were not in fact supplementary to a firm's business activities. Similarly, Gadrey *et al.* (2001) found that in Japan's retail sector, part-time staff could not readily be construed as either peripheral or core employees. Manifestly, the core-periphery model fails to capture the complexity of these service sector employment arrangements. We showed that vendor representatives are



another category that shares the ambivalent status noted for some part-time staff and outlined some of the consequences this brings.

Sturdy and Korczynski (2004) suggest that customer-orientated workplaces need to be analysed using a model that takes into account a triangular relationship of employer/management, employee and customer. This article highlights a context in which four parties are involved, in which vendors also play a role with vendor representatives as their agents. Complexity is increased in this four-sided context; vendor representatives and retailers are often motivated by differing interests, and customers have to face an extra layer of interest representatives. Moreover, the presence of vendor representatives alongside store employees and their structurally bifurcated employment arrangements constitutes a 'hidden hierarchy' (Smith 1994).

Korczynski (2002) argues that contemporary service work often involves dual and potentially contradictory logics: those of efficiency and cost minimization encountering those of the customer and customer orientation. As he observes, employees and customers can often be caught between these conflicting demands. We highlight a context in which this contradiction is magnified as the competing logics are played out as two parallel, but differing, sets of conflicting logics, that is, those of the store and its employees, and that of the vendors and their employees. The way the struggle between vendors and the store could lead to poor customer service and customer dissatisfaction indicates some of the potentially negative outcomes. As we demonstrated, customers could become trapped between the store's desire to present a positive brand image and their and the vendors' aim to maintain cost control targets.

Much of the literature suggests that a flexible firm can deliberately design contingent labour arrangements. Ironically, at one point, StoreCo planned to replace all vendor representatives with their own regular employees, a decision provoked by the difficulties involved in managing vendor representatives and concern over image consistency. However, this initiative from the store's parent company headquarters in the UK was strongly resisted at the operational level, particularly by buyers and store managers, who believed that such an action would disadvantage them against competitors and damage sales. The store conducted a trial of this plan in the hardware department, but it failed within two months as sales dropped. The manager who oversaw this experiment explained that by comparison with the vendor representatives, the store's regular employees lacked expertise and motivation in seeking to secure sales. One author was invited by the store manager to observe the behaviour of employees in this department. In more than 15 minutes of observation, only 2 employees were seen around the department: 1 employee hung around for 2 minutes and then disappeared while the other appeared to wander aimlessly, ignoring visiting customers. The store manager sighed, 'he does not know what he is doing here!' This contrasted sharply with the proactive customer service approach typical among vendor representatives.

Some vendor representatives reported that a similar trial had also ended in failure at a nearby locally owned building materials retailer. Use of this form

of labour arrangement might not be a component of a planned HR strategy. It has often been argued that the use of contingent labour generates internal flexibility in order to secure the jobs of core staff (Cappelli and Neumark 2004; Ward *et al.* 2001). This makes sense if the core staff's skills are essential to the firm, but does not explain why retailers need to protect their own employees when they play a less important role in sales and service, which is a key competence and essential to their business success.

It is possible to suggest several factors that account for foreign-invested firms' willingness to adopt local firms' use of vendor representatives. First, multinational firms face a context in which the entrenched business practice is for suppliers to provide staff as sales personnel. They might be inclined to take the line of least resistance and mimic this practice, thereby meeting the normative expectations of both their vendors and sales staff. Second, the numerical flexibility provided by vendor representatives constitutes a functional equivalent to their parent country use of part-time and temporary staff; they also provide low cost labour that can be supplemented or reduced at minimal cost and with few formalities. Third, for foreign entrants in a highly competitive and rapidly expanding sector, in which a ready-trained workforce is insufficient, utilizing vendor representatives provides a means to rapidly bolster their sales forces' knowledge and skills base. The importance of this factor is enhanced by the lack of institutional safeguards in China's consumer market. In making purchases, consumers are often cautious as they face several possible pitfalls, for example, fake products and difficulty in returning or seeking recompense for faulty or unwanted products. In our fieldwork, we found that most customers actively compare different stores. They might not know either what to buy or which store to trust. Apart from equipping themselves with product knowledge, consumers usually turn to sales staff for advice (Gamble 2007). Multinational retailers' rapid expansion in China ensures that employee skills lag behind firms' growth.

Fourth, lower wage costs in China reduce the pressure to increase reliance on part-time staff; they can retain relatively large numbers of full-time employees (double the number of an equivalent-sized UK store, for instance). A fifth factor might be retailers' relative weakness vis-à-vis suppliers, in contrast to the situation that has developed in the UK, for instance. Although this situation is now changing, in the early years of the reform era, retailers were fragmented and vendors were keen to promote sales of their products in a newly competitive marketplace; one means to do this was to place their representatives in stores (Hanser 2007).

Gadrey *et al.*'s (2001: 181) suggestion that workplace labour segments be theorized as 'socially constructed, with historical, national and industry specificities', also offers a potential route to account for the form of employment relationship we outline. They compare and analyse employment segmentation in the retail trade in Japan and France against the background of family structures and norms in these countries. In part, the multinational's inability to replicate its parent country approach to increase flexibility, which is heavily reliant upon part-time workers, can be related to the low level of

part-time working in China. Since the Communist revolution, both men and women have been expected to work full-time.

China's segmented labour market, thanks to its household registration (*hukou*) system and the related, deeply entrenched urban–rural gap, also appears to play an important part in the employment arrangement we examine (cf. Guang 2005). Significantly, most vendor representatives did not have Beijing residency (*hukou*), while the majority (between two-thirds and three-quarters) of regular store employees were Beijing residents.<sup>1</sup> Possessing a rural household registration restricts access to urban social welfare benefits and educational and medical provision (Solinger 1999). If they were Beijing residents, vendor representatives were also more likely to have been workers laid off from state-owned enterprises, another form of exclusion from many benefits. Often, vendor representatives' peripheral status inside the firm replicates and reinforces their structurally inferior, second-class status outside the workplace.

At the same time, the path-dependent expectation of regular employees might be to expect security of employment of the kind that state-owned enterprises once offered. This might incline both foreign and domestic firms to try to provide relatively secure employment to their regular employees. Our research also indicated reluctance on the part of many Beijing citizens to take up what are perceived as menial service sector jobs. This tendency is likely to spread as urban Chinese workers' educational level and expectations continue to rise. The features we have outlined call into question the prevalent depiction of forms of contingent labour as being determined by managerial strategy and suggest that prevailing models overemphasize the extent of managerial discretion with regard to the structure of flexible workplaces.

### *Implications for Firms and Employees*

We have indicated that the presence of two structurally bifurcated workforce groups performing the role of customer assistants in a single workplace created various problems for management. Similarly, at both of their case-study organizations, Ward *et al.* (2001) found that the use of temporary agency workers often brought new sources of contradictions, and issues related to the employment relationship were regularly seen to conflict with other corporate goals (cf. Geary 1992). The presence of 'less visible hierarchical differentiation' (Smith 1994: 301) in otherwise relatively flat organizations can be problematic. In practice, such features run counter to the notion of strategic HRM. The coexistence of two employment systems within one organization challenges conventional HRM theories, which mostly assume single, unitary organizations.

Organizations must be aware of the contradictions involved when using a fragmented employment system. This might be especially important in customer-orientated businesses, where providing quality service work is essential to attract and retain customers. Maintaining internal consistency and presenting a seamless image to customers (Rubery *et al.* 2002) — crucial

aspects of a firm's competitive advantage — can be problematic in these conditions. For example, the retailer in question in this article did not require vendor representatives to possess product knowledge beyond their vendors' products. Meanwhile, store employees felt less motivated to learn product knowledge with the availability of vendor representatives, who are expected to have expertise. The presence of a bifurcated workplace also enhances the difficulties involved in developing appropriate strategies of control in the workplaces of interactive service employees. Solving problems of this kind and motivating workers with different employment arrangements is crucial to the delivery of quality service and customer satisfaction; these dimensions are also closely related to employee satisfaction and loyalty (Deery and Walsh 2002).

The workplace arrangements we outline also have consequences for employees. In many respects, the inequalities of treatment inside the store parallel broader and pervasive inequalities that have developed in Chinese society during the reform era. Increased labour market flexibility has been a major component of China's economic reforms (Benson *et al.* 2000; Taylor 2002). Despite the macroeconomic benefits this has helped bring, some researchers perceive a deteriorating situation for many Chinese workers (Chan 2001). In her comparison between a state-owned retail firm and a private retail firm in Harbin, Hanser (2007) contrasts the atomizing consequences of reliance upon sales staff employed by manufacturers in the latter with the solidarity of workers in the former firm. Our study tends towards a broadly similar conclusion in this regard, but with the added complication that the two forms coexist side by side in a single workplace. There seemed little likelihood that the two groups of workers would join in common cause to promote their interests given their structurally different positions. Such potential might be further undermined given that vendor representatives' presence constitutes a latent threat for regular employees that vendor representatives could replace their jobs. Competition between vendor representatives also tends to fracture relations between them. Additionally, regular employees' solidarity in this relatively newly established foreign firm, although significant, was less deeply embedded than Hanser reports in the state-owned enterprise.

## 9. Conclusion

The research reported in this article indicates that what appears to be a worldwide trend towards increased flexibility in labour market practices is increasingly evident in Chinese workplaces. The form of practices outlined, though, are influenced by specific institutional characteristics of the country in question. This article has demonstrated that in contemporary China two employment systems can coexist in one retail store. The form of employment delineated, the use of vendor representatives, goes beyond usual forms of flexibility within single organizations (Rubery *et al.* 2002). This work

arrangement involves the situation where a worker simultaneously fulfils obligations to more than one employer through the same act or behaviour (Gallagher and Parks 2001). We examined the characteristics of this form of employment by comparison with store employees, a traditional form of labour. Significantly, we note the extent to which workers who are treated as contingent peripheral employees fulfil core tasks within the firm. It was found that use of such an employment arrangement creates various dilemmas and may run counter to companies' goals and strategies.

The focus in much of the core-periphery literature is upon what happens within the confines of the firm (Kalleberg 2001). Like Colvin (2006), we argue that even in an era of globalization, local institutions continue to shape organizational employment strategies and actions. Our research underscores the necessity to locate firm-level employment relations within the broader institutional contexts that both constrain and help define them. In China, politically determined social structures and labour market and social norms have a major impact on the strategies that are open to firms and the consequent structure of firm-level employment relations. In the case of vendor representatives, for instance, many enter the workplace already imbued with peripheral status, a status further reinforced by the nature of their employment.

This article has outlined a little understood form of labour arrangement; however, many questions remain unanswered. It remains to be seen whether this form of employment arrangement will persist in Chinese stores and if foreign-invested stores will continue to adopt this 'local' model of operating. For multinational firms, used to deriving numerical flexibility in their parent country operation through the employment of large numbers of part-time employees, vendor representatives constitute at least a partial functional equivalent. However, if labour costs rise, as they are doing, both multinational and local firms might seek to challenge this entrenched employment model. This model might also come under pressure as retailers' power increases vis-à-vis suppliers and as they seek to develop further control over both the workers in their stores and the consistency of customer service. The model might also come under pressure as the normative expectation for both men and women to work full-time gradually erodes, as we anticipate is likely to happen as, for instance, students seek to work part-time to help bear the heavy cost of higher education and as married women become less inclined to pursue full-time work.

Much work also needs to be done to explore similar employment arrangements both in China and in other countries. For instance, do analogous employment relationships have similar consequences in the catering and construction industries in China? Will China's new Labour Contract Law that came into effect on 1 January 2008 and which includes a section apparently designed to protect the interests of agency dispatched labour affect vendor representatives? There is also scope to compare how the employment arrangement analysed in this article differs from the system of concessions in the West and in other Asian countries. What are the consequences for

workforce commitment and motivation in such employment contexts? To what extent can strategic HRM be implemented in workplaces in which two employment systems coexist? Is the use of contingent workers to undertake 'core' tasks an increasing trend and what is its significance for both work organization and workers? Further research in this area will also be fruitful to better understand not only the full range of employment experiences, but also the manifest difficulties that stymie contingent workers from securing both fairly rewarded employment and a meaningful 'voice' in the workplace.

Final version accepted on 23 June 2008.

### Acknowledgements

This article is a result of research sponsored by the United Kingdom ESRC/AHRC under its Cultures of Consumption programme award number RES-143-25-0028 for the project 'Multinational Retailers in the Asia Pacific'. We are grateful to the *BJIR* editor, Christopher Erickson, and two anonymous reviewers for their insightful and constructive suggestions.

### Note

1. In a local department store near StoreCo, all regular staff were expected to have a Beijing *hukou*. In a nearby local building materials store, while most regular staff did not need to have a Beijing *hukou*, as in StoreCo its cashiers did. This indicates control over finance as a core activity and suggests that trust is limited to (here Beijing) 'insiders'.

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