

FACTORS AFFECTING ENTERPRISES' CHOICE OF LABOR OUTSOURCING

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ABSTRACT

In fact, many companies extensively use flexible employment methods such as labor outsourcing. For example, the services of platforms such as Meituan, Ele.me, and Didi mostly rely on labor outsourcing, which helps them become "light asset, high gross profit" technology-based enterprises. The number and proportion trend of listed companies that adopt labor outsourcing can be found on the website of China Industrial Economy (<http://ciejournal.ajcas.org>). In the past decade, the number of companies that choose labor outsourcing has rapidly increased. In 2012, there were only about 160 listed companies that adopted labor outsourcing, accounting for 7% of the total number of listed companies that year. In 2021, there were over 1300 listed companies that adopted labor outsourcing, accounting for 31%. Although the market size of labor outsourcing has shown a rapid expansion trend in practice, there is little research analyzing its causes.

Therefore, this study reviewed relevant literature and found that internal and external factors such as the length of time a company has gone public, ownership, board size, proportion of independent directors, shareholding ratio of the company's largest shareholder, cash holding ratio, company size, asset liability ratio, return on total assets, number of employees, salary level, social security and welfare level, GDP growth rate, regional population mobility, regional aging level, regional minimum wage standard, and regional average wage level all affect whether a company chooses labor outsourcing. However, the credibility of the impact of these factors and how their effects are still to be scientifically tested. Therefore, this study further organized the labor outsourcing information disclosed by listed companies by hand, constructed an econometric model, and further tested the impact of these factors on whether enterprises choose labor outsourcing, and drew relevant conclusions. The conclusion of this study will provide scientific recommendations for the labor outsourcing market in China.

Keywords: Labor outsourcing.

INTRODUCTION

The division of labor has brought about rapid progress in social productivity and continuous improvement in production efficiency (Smith, 1776). Labor outsourcing is precisely such a special way of division of labor. Specifically, companies will outsource repetitive non-core businesses to third-party

labor companies, thereby focusing their core resources and main energy on key business activities and enhancing their ability to respond to external environmental changes.

In China, labor outsourcing has been a popular flexible employment method among enterprises in recent years. From Figure 1, it can be seen that in China, the number and proportion of companies adopting labor outsourcing have shown an increasing trend from 2012 to 2021. The China Flexible Employment Development Report (2022) shows that in 2021, 61.14% of enterprises adopted flexible employment methods, and the proportion of enterprises in the survey sample that stabilized or expanded the scale of flexible employment increased from 29.32% in 2020 to 51.80% in 2021.

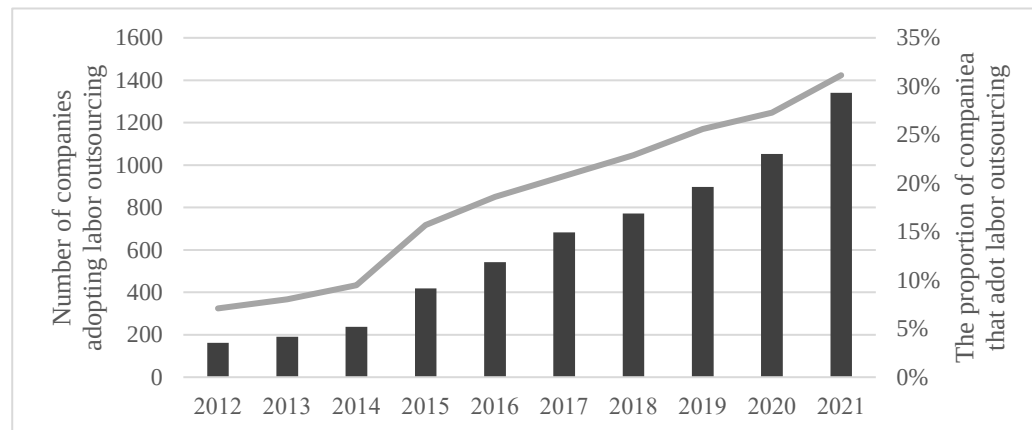


Figure 1: Number of listed companies choosing labor outsourcing

OBJECTIVES

Objectives of research

Firstly, through literature review and theoretical analysis, identify the factors that influence whether a company chooses labor outsourcing, and conduct a theoretical analysis of the impact effects of these factors.

Secondly, by constructing an econometric model, analyze the impact of the identified influencing factors on the dependent variable of whether a company chooses labor outsourcing, and organize the results.

Thirdly, based on the research results, propose suggestions from the perspectives of the government, enterprises (including employers and outsourcing companies), and workers to achieve the goal of promoting sustainable development of the labor outsourcing market.

Scope of research

The content of this study is a study on the influencing factors of enterprises choosing labor outsourcing, including the years of listing, ownership, board size, proportion of independent directors, shareholding ratio of the company's largest shareholder, cash holding ratio, company size, asset liability ratio, total asset return rate, number of employees, salary level, social security and welfare level, GDP growth rate, regional population mobility, Regional aging level, regional minimum wage standard, regional average wage level, etc.

METHODOLOGY

Methods of conducting research

This study focuses on A-share listed companies from 2012 to 2021, excluding ST, financial enterprise samples, and samples with missing data. Finally, a total of 28059 sample observations were obtained.

Information on the Internet was mainly used in the data survey, including the annual reports disclosed on the official websites of A-share listed companies, and the website of China Industrial Economy (<http://ciejournal.ajcass.org>). In addition, library resources, literature search resources, and electronic mail are also used for collection.

In the process of data analysis, STATA2016 software was mainly used for regression analysis of econometric models.

In addition, the drawing and editing functions of STATA2016 and WPS Office were also used in writing the paper.

Data analysis results

This study intends to use STATA2016 to regress the econometric model constructed above, and the preliminary conclusions are shown in the table below.

Table 3: Regression model estimation results

Variable	(1) Dolorous	(2) Labor Outs
List Age	-0.0126* (-3.7902)	-0.0015* (-2.7402)
SOE	0.2232* (3.7568)	0.0309* (3.4226)
Board	0.0533 (0.4457)	0.0107 (0.5241)
INDEP	0.4199 (1.1037)	0.1309 (2.0476)
Top1	0.0019 (1.3736)	0.0003 (1.4170)
CASH	0.0060 (0.0509)	-0.0037 (-0.1976)
Size	-0.1160* (-3.8195)	-0.0128 (-2.4233)
LEV	0.5051* (4.4010)	0.0868* (4.3913)
ROA	0.1232 (0.7064)	-0.0072 (-0.2545)

Employee Num	0.2038 (0.3655)	0.0541 (0.5305)
Salary	2.1958* (3.1883)	0.3939* (3.5316)
SSCRatio	0.6645 (0.6464)	0.1682 (0.9919)
GDP growth	-0.0782 (-1.4286)	-0.0113 (-1.3974)
Mobility	0.3008* (4.9733)	0.0422* (4.4424)
Aging	0.2545 (0.5187)	-0.0359 (-0.4322)
MinWage	-0.3175 (-1.4845)	-0.0536* (-4.7783)
AverWage	-0.0128* (-1.7475)	-0.0026* (-8.7199)
Constant	-4.2849* (-4.7743)	-0.7268* (-4.3017)
Regional and industry fixed effects	Yes	yes
N	21773	21773
Adj.R2	-	-

Through research, it can be found that there are many factors that affect the outsourcing of labor services by enterprises, and the specific effects are shown in the table.

Conclusion and discussion

Analysis of internal influencing factors

Through regression estimation, it can be seen that the years of a company's listing, ownership, company size, debt to asset ratio, and salary level have a significant impact on the company's choice of labor outsourcing. Among them, the years of a company's listing and company size have a negative effect, that is, the longer the company's listing years, the less willing the company is to engage in labor outsourcing, and the larger the company size, the less willing the company is to engage in labor outsourcing. The impact of enterprise ownership, debt to asset ratio, and wage level on the choice of labor outsourcing is significantly positive, indicating that the larger these factors, the more inclined the enterprise is to choose labor outsourcing.

Analysis of external influencing factors

We should be cautious about the potential double-edged sword effect of labor outsourcing, a flexible short-term employment method, on the issue of labor rights. We should pay attention to the balance between fairness and efficiency in labor outsourcing, and be wary of the phenomenon of enterprises overly relying on labor outsourcing as a employment strategy to avoid labor system costs. From the perspective of equal pay for equal work, labor outsourcing personnel receive less labor

protection compared to formal employees, and their welfare benefits are often lower, which is a harm to the interests of labor outsourcing personnel. However, it is worth noting that from the perspective of full employment, labor outsourcing may also provide more employment opportunities for gig workers, but this article has not directly verified this issue. This suggests that in the future, if possible, we can focus on the balance between labor outsourcing costs for enterprises and employment opportunities for workers. In addition, fundamentally reducing the employment costs and potential risks of enterprises is the key to changing their employment decisions and enhancing the stability of employment for workers. For example, for labor-intensive enterprises, relevant departments may consider providing appropriate subsidies or policy support to encourage these enterprises to adopt long-term employment decisions to help achieve stable employment for the workforce.

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