Tiered Expatriation: A Social Relations Approach to Staffing Multinationals

**Abstract (200 words)**

This paper applies a social relations discourse to examine the use of expatriates in Chinese MNCs. Expatriates are analyzed based on two sets of social relations: the social functions of expatriates (which include the global function of capital and the collective function of labor) and the pathways of expatriation (which include intra- and inter-firm transfers). In particular, the framework incorporates the collective function of labor into the analysis of expatriation, which has received limited attention in the existing international HRM literature. Conceptually, the social relations discourse allowed us to frame staffing in an open system in which HR practices involving expatriation are shaped by the intersections between the choices of MNCs, the actions of workers and the mediation of institutional players. Empirically, the paper presents three case studies of Chinese MNCs in Europe to illustrate the tiered expatriation of managerial staff, technicians and operational workers from interchangeable sources of labor. The HR policy implications suggest greater diversity in the formation of international staffing for MNCs.

**Keywords**: tiered expatriation, social relations in expatriation, Chinese multinational companies (MNCs), global workforce, global function of capital, collective function of labor, embodied social function, pathways of expatriation

# Introduction

Comparative studies of expatriation have challenged the conventional definition of expatriates as a group of “expensive people in crucial positions” (Brewster et al., 2014: 1921). Research based on Chinese multinational companies (MNCs), for example, shows workers are expatriated to technical and operational positions in developing countries, and expatriate workers outnumber local recruits in some cases (Chen & Orr, 2009; Cooke, 2014; Lee, 2009; 2014; Mohan, 2013; Rui et al., 2017). Examining the socio-cultural and institutional context of Chinese MNCs, “country-of-origin effects” and the host country environment are often cited by researchers to explain the tendency to employ expatriate workers. In particular, scholars suggest that the choice to source a proportion of the workforce from the home country is underpinned by the relatively low costs of labor in China, the attributes of Chinese workers, skill shortages in the host countries, and the fact that Chinese MNCs are in the early stages of internationalization (Rui et al., 2017; Wood et al., 2014; Zhang & Fan, 2014). While comparative analyses have enriched our understanding of the context and contingencies that give rise to firms dispatching expatriates to fill a wide range of positions, one may question whether the phenomenon is only temporary for Chinese MNCs in a number of sectors and locations or whether the emerging patterns of expatriation observed in some Chinese MNCs raise the prospect of revisiting the theoretical underpinning of expatriates as a concept. In this paper, we address this question by examining the theoretical constructs used to distinguish expatriates. We argue that a key element missing from analyses of segmentation among expatriates, namely, the labor function embodied by expatriates, needs to be incorporated to explain their employment.

The increasing scale of expatriates has led to great diversity in both the jobs performed by expatriates and in the ways they land their jobs. As a result, the term “expatriate” is now much broader than when it was first introduced to the HRM literature decades ago. In a recent attempt to summarize the defining features of expatriates through a systematic review, McNulty and Brewster (2016: 20) conclude that what constitutes an expatriate is “being relocated” to “work temporarily” in a country where “they are not a citizen”, which is the definition we use in this paper. To refine the boundaries between categories of expatriates, a line is drawn between firm-assigned and self-initiated expatriates to highlight expatriation as employment through internal and external labor markets. The length of expatriation can be fixed or flexible. Expatriates are also placed in national or transnational cultural categories to analyze their roles in the MNCs that employ them (see Harzing et al., 2016, for a recent review). However, distinctions based on national origins tend to mix expatriates in various positions, and the HR implications of employing expatriates in operational positions are therefore underexplored (Haak-Saheem and Brewster, 2017). Given the background of increased international mobility, growth of emerging MNCs and flexibility in global labor markets, we argue that the social functions of expatriates and the pathways of expatriation have become prominent divides that differentiate why and how expatriates are employed. We use Carchedi’s (1977) notion of the global function of capital and the collective function of labor to distinguish the social functions embodied by expatriates. We then consider alternative channels to deploy these embodied social functions through internal or external labor markets, which are widely adopted in the HR literature to separate systems of employment. This framework allows us to examine the structures and processes of expatriation, as Chinese MNCs deploy different segments of their workforce overseas.

The intended contribution of moving away from comparative analysis and adopting a social relations discourse is twofold. On the one hand, this approach allows us to examine both the distinctiveness and the commonalities in the employment of expatriates in Chinese MNCs compared to more mature MNCs. In conventional cases, international relocation denotes the substitution of work organizations in high-cost settings (e.g., USA, UK and Japan) for those in low-cost locations (e.g., China, India). This can be achieved either through offshoring or by employing international migrants (Kohler, 2014; Ottaviano et al., 2013). For most MNCs from more developed economies, employing expatriates to fill a large number of operational positions is simply too expensive when compared with training locally available workers. However, Chinese MNCs conduct both outward and reverse work relocations (Bentley, 2007). Given access to a pool of relatively inexpensive and well-trained workers at home, relocating labor together with capital can be achieved, as demonstrated by empirical research based on the export-processing zones of Chinese MNCs in Africa (Bräutigam & Tang, 2011; Brooks, 2010; Lee, 2009; Mohan, 2013). When Chinese MNCs invest in developed countries with more regulated labor market institutions, however, it may not be possible for them to be exempted from the host country’s institutional regulations. One may assume that the employment conditions for expatriates in Chinese MNCs will be in line with those in MNCs from more advanced economies. Based on case studies of three Chinese MNCs in the European Union, our findings show that Chinese MNCs do not at all follow a unified trajectory, and contrary to the modernization or catch-up perspective promoted by some researchers (Wood et al., 2014; Zhang & Fan, 2014), Chinese MNCs also do not lack capability and experience. Instead, MNCs from China not only present unique characteristics (society- or country-specific features), as correctly noted by authors using a country-of-origin analysis (Cooke, 2012; 2014; Rui et al., 2017; Shen, 2006; Shen and Edwards, 2007; Zhu et al., 2014), but also may represent a potential emerging trend shared among MNCs that increasingly operate in more segmented international labor markets, within different regions and under more divergent employment contracts and conditions.

On the other hand, a social relations discourse also offers an analytical angle to include the dynamic relationships among labor market institutions, MNCs and workers in our understanding of expatriation. The extant international HRM literature tends to pay more attention to the strategies MNCs adopt when deciding whether, when and how to employ expatriates. Labor market institutions, such as regulatory bodies, educational and professional training entities and trade unions, are incorporated in the analysis of contingencies that inform, facilitate or restrain MNCs’ choices (Bonet et al., 2013). By examining the social functions embodied by expatriates and the different channels in which expatriates are deployed between sourcing and destination countries, the paper presents an open system in which the employment of different groups of expatriates reflects the dynamic interplay between institutional players such as states, MNCs, labor and their agents. By examining expatriation through the lens of social relations, we move away from a firm-centric distinction between expatriates and explore a co-produced approach to unpack the differences in the employment of expatriates.

The paper is presented in five sections. Following this introduction, we examine the ways expatriates are classified by examining the existing systematic literature reviews. Because of the limitations of applying existing frameworks to understand the scale and diversity of expatriation in Chinese MNCs, we suggest that the notion of the workforce as embodying a global function of capital and a collective function of labor can offer an alternative perspective from which to understand expatriation. By considering the existing divide between internal and external labor markets as sources of expatriates, we propose a framework of tiered expatriation. We then explain the rationale behind studying expatriation in Chinese MNCs located in developed economies and our approach to interpreting the significance of these cases. Our findings are presented to demonstrate the diverse patterns of expatriation observed in the three study cases. We conclude by reflecting on the implications and limitations of tiered expatriation in general.

# Literature Review

## Expatriates: firm-centric perspective vs. fluid career agent perspective

A key divider of expatriates is whether they are firm assigned or self-initiated. Earlier research has focused predominantly on expatriation as a firm-directed relocation of employees and mostly on executive and technical positions. Growth in the use of expatriates has followed the wave of MNCs relocating from developed countries (particularly those from the USA and Japan) in search of offshore sites with lower labor costs and access to overseas markets (Harzing, 2001b). As the key individuals to extend established competitive advantages overseas, expatriates are a management cadre mobilized within an MNC’s internal labor market. High administrative costs also mean that the proportion of the expatriate staff to the total overseas workforce is generally very small, although the number can vary based on the age of the firm, the size of the workforce, the mode of entry, the industrial sectors entered, and the cultural distance between parent and subsidiary units (McNulty & Tharenou, 2004). Drawing heavily on agency theory, this line of inquiry highlights expatriates in a trusted nexus within management (Edström & Galbraith, 1977) and tied to management’s agenda through an alignment between expatriate career paths and the bureaucratic progression structure of MNCs (for reviews, see Bonache et al., 2001; Brewster & Hugh, 1997; Briscoe et al., 2012; Collings et al., 2007; Dabic et al., 2013; McNulty & Brewster, 2016). Based on an assumption of socio-cultural association between management and managers, expatriates are often particularized into national categories – home, host, or third countries.

The business rationale behind employing expatriates is often justified by their entrusted roles, such as the construction of a corporate identity, the integration of management policies, or the creation of organizational learning capacity and knowledge transfer (Bonache et al., 2001). While MNCs may use expatriates temporarily to fill positions when a replacement is difficult or costly to source, the large majority of expatriates are in strategic or managerial positions to exercise control over subsidiary management and reproduce (and/or create) knowledge through networks and company socialization (Collings et al., 2008; Harzing, 2001a; Perlmutter, 1969; Tarique et al., 2006; Tung, 1984a). Mirroring a high-commitment HR approach and organization-centric models of capitalism, earlier research views expatriation from the perspective of an internal labor market: strategic HR planning (Tung, 1984a; 1984b; 1987) to offer appropriate pre-departure training designed to buffer the impact of cultural distance on expatriate performance (Ronen, 1989; Tung, 1981; 1982); on-assignment mentoring and support for expatriates and their families (Kraimer & Wayne, 2004); and career planning and repatriation upon their return (Black et al., 1992; Carpenter et al., 2001; Harvey, 1982).

Given the background of a neoliberal political economy, we are witnessing increasing mobility of capital and labor. Nation states promote economic growth by accommodating flows of capital; easing restrictions over the movement of labor; and creating spaces for a “surplus of imported labor”, including concessions on working conditions and wages (Scott, 2013: 305). The availability of international migrants has reduced MNCs’ reliance on their bureaucratic administration to source professional and managerial staff (von Koppenfels, 2014). The number of international migrants employed by MNCs has reportedly increased significantly since the mid-1980s and is projected to continue to grow (Akram & Crowley-Henry, 2013). Cross-country flows of capital and labor give rise to a diversified source of the global workforce, new forms of international employment and flexibility in MNCs’ expatriation decisions (Briscoe et al., 2012). In this context, international migrants have been presented as a new category of “self-initiated expatriates” (Andresen et al., 2014).

Because self-initiated expatriates are more individualistic and career-focused than expatriates on firm assignment, a fluid career agent approach by HR management (HRM) offers an alternative perspective of expatriation. In sourcing self-initiated expatriates, many recommend competence-based policies to select an international workforce (Collings et al., 2007; Doherty et al., 2011; Tharenou & Caulfield, 2010). As a result, the focus of HRM has also moved from addressing the disconnect with the internal labor market of the MNC to linking firms with segments of labor markets on a regional, and sometimes global, scale (Suutari et al., 2017). Such developments in expatriation are in line with the general shift toward a talent or star management model of global staffing within MNCs (Chambers et al., 1998; see also Beechler and Woodward, 2009, for a critique). The scope of expatriation based on a firm-centric approach to staffing has been broadened by analyzing the employment of a distinct category of workers (Cerdin & Selmer, 2014). However, the assumption of functionality between MNCs’ interests and individual expatriates’ initiatives remains: expatriates’ search for employment opportunities, personal development and fluid career paths effectively coincide with MNCs’ search for people with the right mix of competences to fill technical, professional and some senior managerial positions with flexible employment terms (Rees & Smith, 2017; Tarique et al., 2006). The conceptual shortcoming of this functionality is a rather static reading of expatriates as agents of management. The social relations between MNCs and expatriates in various posts have largely been missed, and this shortcoming has limited us from addressing the theoretical significance of the scale and diversity of expatriate use adopted by Chinese MNCs.

## Expatriate use in Chinese MNCs

The employment practices implemented by MNCs from emerging economies reveal certain fundamental differences from those adopted by established MNCs (Tarique & Schuler, 2008). In some Chinese MNCs, for example, Chinese workers are widely employed to fill operational positions overseas. The China Association of International Contractors (CAIC) conducts surveys among its member firms each year and publishes an Annual Report of China International Labour Cooperation (see Table 1)*.* The net total of locally recruited employees in the period 2011–2016 was approximately 10%–15% fewer than the number of expatriates.

(Insert Table 1 about here)

The volume of expatriates in Chinese MNCs makes the Chinese case quantitatively different from the practices in other countries. In MNCs based in the USA and other European countries, expatriates form a fraction (usually, less than 1%) of the total overseas workforce. Existing empirical research on Japanese MNCs (which are known for their ethnocentric staffing approach) has shown that they use more expatriates than equivalent European and US MNCs (Elger & Smith, 1994; 2005; Lam, 1997). However, compared with Chinese MNCs, expatriates in Japanese MNCs are mainly technical workers, and their totals have never been close to 50% of the overseas workforce.

In addition to the statistical data, some ethnographic research shows that Chinese workers are brought overseas by both state-owned and private firms. The scale of expatriate workers varies by industrial sector, destination and strategic investment objective. In some African countries where Chinese MNCs have become well-established foreign investors, Chinese workers are dispatched in large numbers to both capital-intensive sectors such as large-scale construction sites (Zheng, 2008) and mining projects and certain labor-intensive sectors, such as textile mills (Lee, 2009). Given the availability of low-cost local labor and relatively relaxed immigration rules, Chinese MNCs’ preference for home-sourced workers over local workers is considered strategic rather than pragmatic (Zheng, 2008: 6).

These observations invite the question *why* Chinese MNCs adopt such distinctive expatriation practices. The existing comparative research scrutinizes the employment practices adopted by Chinese MNCs and examines the contingent factors influencing the employment of expatriates. The source of heterogeneity (or uniqueness) is often traced back to the “national model” of HRM or an MNC’s country of origin (Harzing, 1999; Kopp, 1994; Zsuzsanna & Maury, 2009). In line with this discourse on country of origin, some argue that Chinese MNCs are at a developmental stage and, hence, are evolving toward standard practice (Shen & Edwards, 2007). China’s transitional institutional environment and its lack of a representative national model have encouraged an approach in subsidiary management where trust relations are personal, not bureaucratic and standardized (Cooke, 2012; 2014). The preference for using expatriates who have personal connections with trusted managers therefore mirrors the need for continuous and incremental adjustments to a dynamic external environment and is viewed by some as unique to Chinese MNCs (Shen, 2006). At the firm level, the use of expatriates is explained by Chinese MNCs’ strategic motivations for investing overseas (Jackson and Horwitz, 2017; Meyer and Xin, 2017). The managerial purposes of controlling labor costs, restraining labor’s mobility and monitoring workplace behavior are considered key to understanding the employment of expatriates. Some suggest that disciplined, tolerant and hard-working Chinese workers are one element of the competitive advantage Chinese MNCs intend to reproduce overseas (Rui et al., 2017). Because many Chinese investments are part of governmental aid projects, other researchers turn to post-colonial analyses for theoretical frameworks and explain Chinese MNCs’ “distinctiveness” as a manifestation of cultural superiority promoted by large firms backed up by an emerging, powerful state (Jackson, 2012; Komoche & Siebers, 2014).

These arguments reflect the dominance of the country-of-origin discourse within the institutionalist analysis of international business studies, particularly in highlighting the distinctiveness in the patterns of expatriation and in tracing the national social institutions that enable or embrace these patterns. The “home country” serves as an underlined reference point to explain the employment policies adopted by MNCs. These studies are insightful in terms of unpacking the “Chineseness” embodied in the patterns of expatriation. However, limited effort has been exerted to determine the theoretical significance of the polarity of such cases in which the central construct of a social phenomenon is most evident (Eisenhardt & Graebner, 2007: 27). In particular, we need to consider the roles played by Chinese MNCs as political economy actors, which take the commodification of labor beyond the national stage and into an increasingly integrated global labor market (Westra, 2017). It seems that we rarely examine what the distinctiveness of the newcomers’ approach means to “the rules of the game” played by MNCs, which to a large extent reflect “a predominantly Anglo-American approach to theorizing MNCs” (Mathews, 2006: 17). The empirical significance of the case of China points us toward a rethinking of the dominant paradigm in comparative studies of expatriation. It may well be time to move away from probing the national origins or the Chinese character of expatriation and reframe expatriation in the context of the international political economy of capital relocation and cross-border work deployment. To do so, a theoretical framework that underpins the diverse social relations involved in expatriation is needed.

# Theoretical Perspective

## Embodiment: global function of capital and collective function of labor

A commonality in the conceptualization of firm-assigned expatriates and self-initiated expatriates is their association with a managerial-professional class (Ehrenreich & Ehrenreich, 1979) or a transnational capitalist class (Sklair, 2001) who control and coordinate MNCs internationally. In this sense, expatriates can be considered to demonstrate the embodiment of a “global function of capital”, which Carchedi (1977) uses to denote the assemblage of managers and professional knowledge workers who, in modern capitalism, perform the function once carried out by the individual capitalist. Drawing on Marx’s (1981: 512) observation that the development of joint stock companies created a “tendency to separate this function of managerial work more and more from the possession of capital”, Carchedi (1977: 70) argues that a“new middle class” emerges as “a complex, hierarchically organised ensemble of people who collectively perform what used to be the function of the individual capitalist”. In other words, while members of the capitalist executive – the senior managers of firms – have command of “strategic decision making”, members of the new middle class are involved in day-to-day decision making as well as working as specialist employees. Within a capitalist political economy, this new middle class must perform a dual function: a collective function of capital – control and surveillance of labor – and collective functions of labor as workers – producing surplus value for the firm. The capital and labor functions have been collectivized in the modern MNC, which embraces many strata of employees.

The notions of the global function of capital and the collective function of labor usefully highlight the abstract nature of work and the collective nature of the workforce. Expatriates can be positioned in MNCs by their performing exclusively a global function of capital, a collective function of labor, or a combination of the two. Here, function is useful, as it relates to generic activities performed by the workforce. Expatriates are, first, a control agency in MNCs, complemented by bureaucratic rules, technology and reward systems (Harzing, 1999). The idea of the global function of capital is used to emphasize that – through rank, authority and social influence over others within the hierarchy of the internationalized firm – expatriates embody loyal, trusted and integrated capital functions throughout their organizational career. The top executives among expatriates make this embodiment of the global capital function most evident.

Expatriates can also embody a collective function of labor, whereby individuals are attached to firms by wages and controlled through the managerial hierarchy. Expatriate research discusses the “roles” of expatriates in terms of “filling positions” and “technical expertise”, both of which can be considered collective functions of labor. What we want to highlight here is the collectiveness. The number and positions of the group expatriated to a specific location vary. Nevertheless, the fact that expatriates are moved by firms as a group to perform designated tasks overseas means that the primary social relations between expatriates and the firm are an economic exchange based on wage labor.

In reality, many managers and professionals embody an intermediate social function: expatriates participate as MNCs oversee others (especially local workers) in the overseas subsidiaries to exercise control and coordination, thus demonstrating the global function of capital. At the same time, assignments are a normalized part of being an employee in an MNC. Employees are subject to the commands of senior managers to allocate them across the firm. Their positions may be substituted by new technology, outsourcing, or other established strategies applied to the collective function of labor. While class analysis is not our aim in this paper, what we want to show here is that the capital and labor functions are important for situating one set of social relationships underpinning the differences in the use of expatriates.

## Sourcing expatriates in internal and external labor markets

The second set of social relations underpins the pathways of expatriation between the sourcing countries and the destination countries, which were discussed earlier in the literature review. One pathway is through intra-firm transfer, which is a bureaucratic system that channels expatriates across countries. The other pathway is through extra-firm transfer: expatriates move to sites of assignment with the assistance of a number of organizations, such as employment agencies and education or training providers. This set of social relations has been discussed in the HR literature through the divisions between make vs. buy (Greer et al., 1999), bureaucratic vs. transactional relations (Bamberger and Meshoulam, 2000), and the internationalization vs. externalization of human capital (Lepak and Snell, 1999; 2002). In expatriate research, intra-firm transfer has long been the key focus. Extra-firm transfer as a pathway of expatriation is discussed in the context of outsourcing and service sharing (Gospel & Sako, 2010) or labor market intermediaries (Bonet et al., 2013). The directed relocation of expatriates by temporary employment agencies has received some attention recently, informed by the international migration literature (Haak-Saheem and Brewster, 2017). The deployment of the collective function of labor can be magnified by temporary employment agencies circulating workers to clients who may or may not be MNCs. Under more globalized labor markets, expatriates can be brought into destination countries through different channels to replace and sometimes displace other sources of managers, technicians and workers.

The intersection between the social functions embodied by expatriates and the pathways of expatriation gives rise to different social relations in the employment of expatriates. It is these two sets of social relations that underline what we call “tiered expatriation”:

### Proposition 1: The social functions of expatriates and the pathways of expatriation create segments of the workforce that allow MNCs to use a tiered system to relocate people across countries to fill managerial, technical and operational positions.

Expatriates are placed into four archetypes: bureaucratic caretakers, intermediate professionals, bonded workers and posted workers.

(Insert Figure 1 about here)

Bureaucratic caretakers are appointed by the firm and predominantly embody a capital function. They are integrated into the firm through direct and long-term employment relationships and organizational careers. Intermediate professionals play a dual capital and labor function. As professionals move more independently across countries, they can also be sourced through employment agencies to take on designated projects or tasks. Bonded workers are administered by the firm. They largely play a labor function, either to replenish a deficit in the host workforce or to replace higher-cost local labor. Posted workers are those workers supplied by third-party actors. They may be used when bonded workers are unavailable or when dispatching them is deemed undesirable. A commonality between bonded workers and posted workers is that their predetermined employment terms create dependency on the MNCs for which they work.

In contrast to categorizing expatriates based on their national origins, positions, purposes, initiating actors, or length of assignments, division based on the global function of capital and the collective function of labor situates the analysis of expatriation within a political economy framework that allows theoretical abstraction of the tasks performed by expatriates without denying the importance of specifying the country-of-origin, home, or host societal context that must be considered at the empirical level of analysis. Expatriation is therefore understood in terms of its functional equivalence, to be performed by and substitutable between different groups of expatriates.

### Proposition 2: Different pathways for deploying the social functions embodied by expatriates stand as functional equivalence and enable MNCs to build an accessible, substitutable and replaceable workforce.

Analyzing expatriates based on their social functions and pathways of expatriation does not mean that expatriates lack individual agency to serve their own interests and develop a local agenda (Black & Gregersen, 1992). Rather, expatriates are among the multiple actors who can influence work relocation. Such actors can include national states, sourcing and dispatching agents and rival MNCs. A country’s immigration policies will regulate the scale, length and positions of the expatriates whom MNCs can employ. Exceptions may be offered to some MNCs in order to attract investment, trade and labor (Arnold & Pickles, 2011). Employment agencies and educational institutions can also exert a substantial influence over MNCs’ access to different pools or segments of labor (Mohan & Power, 2009). Increasingly, MNCs use employment agencies to supply expatriates and manage the terms of expatriation. Individuals also seek to work outside their home country through education and employment agencies. Expatriation is therefore co-produced through negotiations between MNCs, national states and other institutional players.

### Proposition 3: The deployment of the different social functions embodied by expatriates is subject to MNCs negotiating an institutional territory that is bounded by states and other institutional players.

Adding to the analysis of firm-bounded administration and expatriates’ initiatives, the deployment of capital and labor functions is reframed in the interplay between MNCs’ choices, the actions taken by expatriates individually or collectively, and the labor market institutions of the sourcing countries and destination countries. The employment of different types of expatriates therefore must be understood in an open system, which is illustrated in Figure 2 below.

(Insert Figure 2 about here)

The scale and diversity of the international assignments undertaken by expatriates in Chinese MNCs forced us to rethink the theoretical construct that underlies the employment of different types of expatriates. Given the complexity of social relations, an abductive approach is chosen to further explore the actual use of expatriates.

# Research Methodology

## Typology as an approach to theory building

Typological analysis is built upon the systematic ordering of the theoretical underpinnings of a social phenomenon (Snow, 2014). Constructing a typology is a useful approach to theorizing when making sense of a phenomenon requires working with different theoretical paradigms (Fiss, 2011). It is also useful when an emerging phenomenon challenges current practice (Delbridge and Fiss, 2013). Here, the purpose is reexamine the concept of expatriates in light of the increasingly active foreign investments carried out by emerging economy MNCs, in our case Chinese MNCs, and the concomitant emerging patterns of expatriation. Following Doty and Glick’s (1994) advice to spell out the underlying theory in a field, we revisited the paradigm that defines employment: capital-labor relations. In our search for supplementary theoretical constructs that can capture the fundamental differences in the employment of expatriates, we moved to examine the divide between internal and external labor markets. We then extracted the features of ideal types of expatriates and the dynamic relationships among the constructs that distinguish each ideal type. While systematic testing will need to be performed in a separate paper, three illustrative cases are presented here.

As a research method, the case studies in this paper are exploratory and act as indicators for further research. Our objective is not to offer a comprehensive comparison of the management of expatriates in Chinese MNCs with statistical confidence. Rather, our aim is to use the experiences of some Chinese MNCs as a potential transformational case to challenge the existing discourse and develop new angles from which to revisit familiar issues. We are not claiming the cases are in any sense typical. The cases presented here reinvigorate the way expatriate practice is developing and the implications this has for existing templates and theories.

## Data collection

Data were collected using mixed qualitative methods, and the case studies were used to examine the wider functions that expatriates fulfill. Data collection was accomplished by compiling available industrial data and published reports and conducting interviews. The profiles of the case companies are shown in Table 2.

(Insert Table 2 about here)

All three cases selected are among the early Chinese investors in Europe that established subsidiaries in the late 1990s and early 2000s. Tech Co. is a leading private firm expanding overseas to extend the market for their products and services. Poch Co. is a state-owned firm internationalizing as part of the Chinese state-sponsored “Belt and Road” initiative. Mach Co. is a private firm aiming to upgrade its production technology and management capability through international acquisitions. The interviewees include HR managers, current employees and ex-employees who worked as expatriates. Similar to the experiences of many other researchers, we found securing accurate data from official Chinese channels to be extremely difficult. To verify the information collected from the cases, we have collected secondary data from a variety of sources, including government statistical yearbooks, white papers and periodical reports by relevant industrial associations.

## Data analysis

The data analysis follows an abductive approach (Edwards, et al., 2014), working between theories and the empirical data. We started by grouping expatriates based on the existing categories: national origin, initiatives and positions. When we realized that these constructs are less important for explaining the use of expatriates in Chinese MNCs, we decided to rethink our theoretical framework. A fundamental divide is the social function embodied by an expatriate: a capital function or a labor function. We therefore reset the coding of expatriates based on the embodiment of social functions and pathways of expatriation. Themes were recorded as we moved between the coding and the data to examine the relationships between the theoretical constructs. Interviewees’ self-reported views and experiences were triangulated with the narratives of other participants in the study, company documents and published secondary sources. We cross-checked our analysis by referring back to the data, and theoretical propositions were developed as we continued analyzing the data.

# Research Findings

## Tech Co.

In all three cases, a mixture of intra-firm transferees from China and Chinese migrants recruited locally were employed in managerial, technical and operational positions. Among the 1,000 employees in Tech Co. UK, 50% were intra-firm transferees and a further 20% were Chinese migrants who moved to the UK for education, work or to accompany family members (typically, a married partner). Given that the subsidiary’s focus is on extending the company’s existing business in Western Europe and Northern Africa, it is hardly surprising to find a higher proportion of expatriates in the technical support, marketing and sales divisions. Our informant explained that the number of Chinese expatriates in the UK subsidiaries is significantly higher compared with the company’s subsidiaries in Asia, Africa and the Americas. For example, in the Brazilian subsidiary, where one of the interviewees used to work, expatriates represented 30% of the total workforce.

Tech Co.’s recruitment focused on fresh university graduates – a segment of the labor market with a surplus in both China and the UK. As one of the leading private private firms, Tech Co. developed a sophisticated reward system to attract graduates in China and to retain “high performers”. In the UK, however, access to the graduate segment of the labor market was relatively limited. Since 2012, the number of intra-firm transferees in non-managerial positions has increased significantly. As explained by our interviewees, this increase was made possible after changes to UK immigration policies in April 2012. The new immigration policy removed intra-firm transferees from the category of foreign workers who can apply for permanent residence after working in the UK for 3 continuous years.

We used to have transferees in London for 3 years, become a permanent resident and leave the company. To retain experienced workers, the company shortened the length of transfers to 2 or 2.5 years. But this was not ideal because by the time the transferees finally got used to working here, it was time to be transferred back to China or to another country. After the change [to the immigration rules in the UK], the length of stay can be as long as 6 years, and the company does not have to worry about losing people.

In fact, the company reduced the number of expatriates during the period when the UK’s immigration policy allowed intra-firm transferees to apply for permanent resident status. As immigration controls tightened and intra-firm transferees’ eligibility to apply for permanent resident status was revoked, Tech Co. was able to create a quasi-internal labor market: centralized administration at the parent firm and their immigration status in the host country meant that the intra-firm transferees’ mobility was highly controlled. These dual administrative and legislative restraints were the main reason the company did not replace expatriates with the increasing number of Chinese migrants in the UK, who, in contrast, were found be excluded from career progression both at the subsidiary and with the headquarters in China (Lai, 2016). To Tech Co., the benefits of a firm-bounded workforce in operational positions outweighed what independent Chinese migrants could provide, such as bridging cultural differences in knowledge-transfer activities (Harzing et al., 2016).

The high number of intra-firm transferees in managerial, technical and operational positions makes Tech Co. an exceptional case. Changes in the number of expatriates in non-managerial positions were made based on an intention to maintain a stable overseas workforce rather than to lower HR costs. These findings suggest that the economics of expatriation for firms from labor-rich countries need to be revisited. The surplus of labor within China has been a significant incentive for capital to move within the country. The extensive use of expatriates redirects our attention to the labor function of expatriates who are replacing or displacing labor that would otherwise be sourced locally or elsewhere. It is also the case that by recruiting local ethnic Chinese managers, the firm can assume easy replication of home-country practices. Tiered expatriation sheds light on transnational labor deployment driven by the increasing international mobility of capital from China. On the other hand, as the majority of expatriates take operational positions, the dominant idea in the literature that expatriate deployment occurs to support the execution of authority within MNCs needs a major reconceptualization.

## Poch Co.

Poch Co. is a large state-owned company. As with many Chinese MNCs, its early investments were concentrated in Asia. Following the financial crisis in Southeast Asia, Poch Co. began to reevaluate its Asia-centered business focus and to broaden its investment in Europe and America. Its first investment project in Europe was completed in 1996. Poch Co.’s recent investment is financed by the Chinese state’s “Belt and Road” initiative to promote international trade relations. Poch Co. invested projects include construction and operation of warehouses and transport infrastructure.

Poch Co. expatriated seven top managers from the parent firm on indefinite terms of employment. This also means that at any time, an expatriate may be called back or reassigned to another post in another country, although most typically remain overseas on a long-term basis. Chinese workers were brought in on a short-term basis through a concession agreement between the firm and the local authority. They were recruited by specialized employment agencies in China that offered training and preparation of the paperwork required to send the workers to the worksite. These workers are managed by operational agencies on site. As with some other Chinese state-owned enterprises (SOEs) in the mining, construction and manufacturing sectors (e.g., Lee, 2009; Scott, 2013; Zheng, 2008), bringing in a home-sourced workforce has often been interpreted as a political move accompanying economic expansion (Bräutigam & Tang, 2011; Scott, 2013). Local workers unions initiated several rounds of strikes in 2011 to protest Poch Co. employing Chinese workers without consulting the unions. These strikes gained support from other trade unions and some business associations whose members were concerned that the influence of Chinese investors would undermine local legislation and labor rules. The local authority intervened, and Poch Co. gradually withdrew the majority of its Chinese workers, but the company use European migrant workers on , indirectly employed and sourced through employment agencies.

Poch Co. explained the switch to using European migrant workers as following a “local norm” in the sector:

The infrastructure and facilities have been much improved since we took over. Despite the debt crisis and layoffs elsewhere, employment has expanded rapidly here. The local people appreciate the employment opportunities we offer, and we welcome them to work here, but we do not want to hire people who want to stir up things and cause disruptions. The industry has witnessed fundamental changes over the past decade. Both employers and workers have to be able to adapt.

While admitting that use of recruitment and operational agencies causes delays in emergency responses, the benefits of a flexible workforce are so apparent that non-standard employment has increased across sectors in Europe (Turnbull, 2012).

Another aspect worth noting here is that replacing Chinese workers with European migrant workers meant that the unions were excluded from bargaining over the terms of employment, which were negotiated collectively through the employment agencies. Union members were also excluded from the workforce through background screening performed by the employment agencies. Here, labor sourced within the European Union was fundamentally no different than labor expatriated from China. The workers performed similar tasks, worked on predetermined contractual terms and were disengaged from collective representation. Poch Co. was able to use European migrant workers as proxies for Chinese workers due to their shared institutional dependency on the employing firms. Nonetheless, there were limited signs that the influence of local stakeholders was displaced in the absence of local workers, which was also observed in some Chinese MNCs in Africa (Jackson, 2012). As Poch Co.’s economic ties with the European Union deepened, the company had to negotiate with broader institutional bodies and political alliances that contested and challenged the conditions that created the dependency on the employment agencies. Poch Co. was in the process of reviewing its policies toward workers’ representative bodies as it prepared to bid to acquire a new project in Hamburg, Germany, where collective consultation is institutionalized by law. Here, again, what we observed were complex and contested processes embedded in the wider political economy rather than a linear trajectory of expatriation.

## Mach Co.

Mach Co. is a private firm whose main business is the manufacturing of agricultural and construction machinery. The UK subsidiary was Mach Co.’s first international acquisition project in a developed country, and it subsequently acquired five more industrial machinery manufacturing companies in Europe. Expatriation in Mach Co. had two tiers: managerial staff and technical interns. Only one Chinese manager was expatriated to take an executive management position. The availability of qualified professionals in the local labor market and the firm’s intention to draw on the expertise of its existing managerial and engineering teams were cited as the reasons for not transferring more Chinese managers. A second group of 30 intra-firm transferees was recruited directly from Chinese universities to work alongside 90 local employees. As explained by a recruitment manager, the firm was able to specify the length of service of these expatriates through a pre-departure employment contract, and it preferred to transfer fresh graduates to the new overseas subsidiaries over experienced engineers:

It is increasingly difficult to find and keep competent engineers and technicians in China and especially in heavy industries like this. Employees in all departments need some specialized engineering knowledge to do their job well. We do not have much choice but to turn to fresh graduates. We go around to the universities in the provinces and normally receive thousands of applicants, from which we can identify those most suitable to be sent overseas and guarantee them a future in the company when they return.

This group was expected to become the next generation of engineers, technicians and managers in the long term. They were required to sign a seven-year employment contract as a condition of expatriation – a term of contract less likely to be accepted by experienced engineers, according to the HR manager interviewed. The company also believed that using fresh graduates was less costly, as they were expatriated as part of an internship program rather than being employed as engineers. The company did not put any effort into recruiting Chinese graduates in the UK.

The existing literature on the role of expatriates generally views senior managers with strong ties to the headquarters as the key learning agents in their organizations (Yao, 2014; Zhang, 2003). Mach Co.’s case shows an alternative approach to managing reverse knowledge transfer through expatriation. Coming from a less developed economy, Mach Co. is similar to many Chinese MNCs that are inclined to integrate knowledge-seeking and internationalization as a strategy to “overcome competitive disadvantages” (Buckley et al., 2007; Child & Rodriguez, 2005), and expatriates are believed to be key to this strategy (Bentley, 2007; Larsson & Yu, 2012; Zhang & Edwards, 2007). Tiered expatriation coincides with *reverse relocation* in the form of both fixed assets and technical/managerial knowledge: the well-trained and professional managers recruited locally were favored for the managerial and technical positions. The intra-firm transferees took the operational positions and worked alongside local workers, technicians and engineers. Using a subsidiary as an incubator for developing the skills of less experienced Chinese expatriates reflected Mach Co.’s “learning-by-doing” approach in knowledge transfer that is also observed in MNCs from emerging economies (Rui, Zhang and Shipman, 2017). Here, knowledge transfer was conducted through the collective function of labor.

# **Discussion**

In all three cases, expatriates were found in managerial, technical and operational positions. As workers sourced in the home country extended further down the line in the subsidiaries, distinctive employment practices were adopted to manage the different groups of expatriates. The companies also targeted Chinese residents in Europe, including professionals and migrant workers. In contrast to how expatriation is categorized in the existing literature, which is built on the assumption that expatriates play the role of transferring and reproducing firm-specific competitive advantage, the findings of this study suggest that Chinese MNCs’ choice of an overseas workforce also depends on their relative access to different labor segments in the sourcing and destination countries.

Tiered expatriation is connected to maintaining continued access to a trained and disciplined workforce, which is a competitive advantage in MNCs such as Tech Co. and Poch Co. Expatriates embody the collective function of labor; they arrive in and depart from the destination countries collectively to perform operational tasks. They are often given standardized and fixed-term employment contracts. The sourcing country can be the MNC’s country of origin or other countries where the company can secure continued access to a pool of workers. Such access can be through intra-firm transfers (as observed in Tech Co. and Mach Co.) or through a chain of extra-firm transfers (observed in Poch Co.). Different pathways can potentially stand as “functionally equivalent”, which is part of the argument that led us to the second proposition.

The scale of expatriates in different categories depends on whether and how firms engage with the labor market institutions. Tech Co. is an exceptional case where the extensive use of expatriates was observed. The company has built long-term connections with Chinese universities and vocational schools to maintain a continued supply of labor. As the scale of intra-firm transferees increased, professional HR consultants were brought in to manage the screening and administration of expatriates. Poch Co. relied on employment agencies in the home country to select suitable Chinese workers and employment agencies in the host country to channel and control local migrant workers. The labor function played by the collectively sourced workforces is aimed to displace a unionized local workforce. By introducing bonded workers and posted workers, the tradition of long-term employment and the guarantee of reserving 20% of the jobs for the family members of existing employees were gradually removed from the collective employment agreements.

As an HR option, sending expatriates to fulfill managerial, technical and operational duties demonstrates the ability of emerging MNCs to mobilize both capital and labor at the same time when expanding into more established economies. This has introduced new dynamics in the context of the host society. Previous research has been based on Chinese MNCs in developing countries, where spatial segregation and a lack of transparency with such concessions facilitate greater freedom for the Chinese MNCs to remove themselves from a more regulated national space. As Cooke (2014) notes, deploying expatriates from a rich home-based labor pool must be supported and perpetuated by both home and host country institutional actors. Some suggest that such exclusive sites represent “a re-territorialization of the nation state in order to accommodate and attract capital, trade in goods and labor” (Arnold & Pickles, 2011: 1605) and create environments that enable casualized labor conditions (Lee, 2009; 2014).

The findings of this study extend the previous arguments that Chinese MNCs negotiate with institutional actors in more established countries in order to achieve the strategic deployment of their labor force. In the European Union, general immigration laws and border controls restrict the number of Chinese workers who can be brought to subsidiary companies. The three case studies show that the use of expatriates is restrained by legal frameworks and regulations that vary across countries and change over time. MNCs that attempt to mobilize a workforce must negotiate terms with various institutional actors (i.e., national and regional governments, schools, trade unions, and employment agents, among others) both in the sourcing countries and the destination countries. This aspect may be most evident in the case of Poch Co., where the scale of employment and the composition of the workforce were included in the concession agreement between the host country government and the company during talks about the takeover. However, concessions can be made by introducing regulatory exceptions in general legal frameworks or through government policies or employment legislation. These concessions led to the creation of exclusive conditions for investment, trade and employment. In this sense, the tiered system of expatriation is facilitated by actors, such as the states, employers and sometimes the workers themselves, who endorsed and, in the workers’ case, embodied the practices of casualized employment, hard work and sacrifice. Highlighted in the cases is the non-linear nature of tiered expatriation reflected in the use of expatriates and the composition of the workforce.

The observation of diversity in expatriation reminds us of the complexity of reorganizing work in a new space. The empirical observation of tiered expatriation in Chinese MNCs reveals a transcendent character of MNCs of being political actors that are able to challenge the reality imposed upon them by institutional actors. National and regional governments, educational institutions, trade unions, and employment agencies can regulate and enable MNCs’ attempts to mobilize a workforce between the sourcing and destination countries. Tiered expatriation is co-produced by the choices of MNCs, the actions of expatriates and the mediation of institutional players.

Comparing the three cases, patterns of expatriation were also affected by the ownership structure of each firm, the industrial sectors in which they operate, and each firm’s competitive strategy in overseas expansion. While we were not able to test these contingent factors systematically, our firm-level analysis echoes the trend found in national statistical data and studies based on Chinese MNCs in developing countries. For example, fixed-term project-based sectors (such as construction) and manufacturing sectors are the heaviest users of workers sourced from home countries, as shown in Table 3.

(Insert Table 3 about here)

Our findings also accord with research suggesting that the HR practices adopted by Chinese MNCs reflect the different developmental models of Chinese firms at home. Cooke (2014) observes different patterns of skill formation among Chinese MNCs and suggests sector effects as the reason for this divide. Faced with a skills shortage, key firms in the information technology and telecommunication sectors were inclined to localize the subsidiary workforce and to transfer some “welfarist” parent HR policies, whereas in the manufacturing, construction and resource sectors, resilient and despotic employment policies from China were applied to manage both expatriates and the locally recruited workforce (Cooke, 2014: 886). Likewise, in sectors facing growing pressure to engage in technological upgrading, as in the case of Mach Co., knowledge creation was prioritized over paternalist control in the use of expatriates.

# Conclusion

With empirical research on expatriates going beyond the conventional focus on top executives and professional managers in Western MNCs, the term “expatriates” has become more inclusive in recent scholarship (see Harzing et al., 2016; McNulty and Brewster, 2016). Additionally, individual expatriates’ country of origin has become less relevant for predicting the terms of their assignments and the nature of the tasks they perform (Haak-Saheem and Brewster, 2017). To incorporate elements missed by the existing research, there is a need to revisit the way expatriates are classified. We identified two sets of social relations that underpin the differences in expatriation: the social functions embodied by expatriates and the pathways of expatriation. Adopting the discourse of social relations at work, the paper portrayed expatriation in an open system. The framework proposes that tiered expatriation is co-produced by MNCs’ strategic choices, individual and collective actions of workers and mediation by key institutional players.

The social relations analysis proposed in this paper examines diversity of expatriates by the intersection between social functions embodied by expatriates and alternative pathways of expatriation. Expatriates embodying the global function of capital are mostly sourced internally from the country where MNCs’ parent firms are located. Often, these expatriates have accumulated managerial experiences within the firm and are assigned to top managerial positions through intra-firm transfers. Those embodying a combination of the global function of capital and the collective function of labor are often professional knowledge workers. As these workers often migrate independently, some researchers refer to them as “self-initiated expatriates”. Recognizing the collective labor function embodied by this group offers a clue to explaining why HR policies designed to retain and develop firm-assigned expatriates are not applied to target self-initiated expatriates in the three case companies. The divide between firm-assigned expatriates and self-initiated expatriates does not change the functions they embody, but it does affect how they are treated as workers for the firm to use and retain or circulate and discharge.

Our findings add to analyses of expatriation in Chinese MNCs using a country-of-origin framework. Previous research suggests that workers were expatriated to break the local norms regarding working conditions. While expatriated workers may embody a special work ethic of hard work and self-sacrifice – which has been suggested as the competitive advantage of Chinese MNCs (Rui et al., 2017) – we need to be cautious with such essentialist and culturalist explanations. Work ethics come out of intensive competition for work in China, coercive forms of labor control (Lee, 2009) and a pro-business legal framework (Gallagher & Dong, 2011). By analyzing the capital and labor functions, our research shows that the core competitive advantage of Chinese MNCs lies in developing a specific labor control regime rather than reproducing ascribed attributes among the workforce.

## Implications for theory

Chinese MNCs’ access to and ability to deploy home-country workforces will usefully inform, extend and develop theorizing on expatriation and potentially on staffing in general. Our current understanding of expatriation in terms of why and how MNCs use expatriates is framed through a narrative of expatriates playing a global capital function. The economic incentive of expatriation as “position-filling” is undermined because local replacements are easier to find between countries with similar income distributions (e.g., USA, Western Europe and Japan). The global capital function discourse has advantages in highlighting the significance of expatriates as the agents of the parent firms. However, the rationale for firms to draw on home supplies of workers to perform a collective function of labor overseas is different. The collective function of labor embodied by expatriates displacing the local workforce underpins a more transaction-based relationship between MNCs and a global source of workforces.

The uniqueness of Chinese MNCs lies in accessing, sourcing and dispatching home country workforces overseas. In addition to the expatriates that come through the internal labor market of the firm to take on managerial and technical positions, Chinese expatriates come in more diverse forms and can work as “bonded labor” transferred directly from the parent firm or as “posted workers” employed indirectly through employment agencies, both on fixed-term contracts. However, tiered expatriation is not necessarily a phenomenon only observable in Chinese MNCs. MNCs from the developed countries also reportedly use posted workers, mostly sourced by international labor market intermediaries from third countries (Biao, 2007; Caro, et al., 2015; Haak-Saheem and Brewster, 2017). The deployment of the collective function of labor between the sourcing countries and destination countries gives rise to interchangeable sources of labor. As a consequence, direct employment of host country workforces can be supplemented, and even replaced by bonded and posted workers. Tiered expatriation underlines the informalization of international employment relations and the segmentation of international workforces under neo-liberal economic conditions.

The proposal of an open system of tiered expatriation is potentially a useful addition to the firm-focused conceptual frameworks that categorize staffing according to the strategic value of employees in the internal and external labor markets (e.g. Lepak and Snell, 1999; 2002). In any firm, employees can embody capital and labor functions and be staffed through internal and external labor markets. However, the social relations analysis emphasizes that actions of employees and mediation of institutional players are equally important for staffing MNCs. Exploring the potential of tiered staffing using the social relations constructs developed in this study could be a future research direction across MNCs.

## Implications for practitioners

The findings in this study show that with staffing choices becoming more open in MNCs, social relations in the workplace are becoming more diverse as well. For HR practitioners, understanding social relations is important, as they can affect individual expatriates’ attitudes and behavior at work. Social relations can also inform actions taken collectively by expatriates. While the conceptual framework proposed in this paper is tentative and requires systematic testing, it can potentially be referenced for designing HR policies and practices to suit different purposes of expatriation.

## Limitations and future research directions

This study has not explored how the social relations between expatriates and MNCs may change. For presentation purposes, the boundaries between different tiers of expatriates appear to be fixed. In reality, however, expatriates can move between these boundaries. At a micro level, the international mobility of labor independent of MNCs will affect the supply of expatriates in various tiers of the global labor market. At a macro level, changing national and international institutions will moderate the employment policies and practices adopted to source a workforce. So far, some research attention has been directed to the nation state as a key institutional player in reproducing a casualized labor regime (Cooke, 2014). A possible direction for future research is to examine the employment of flexible expatriates in Chinese MNCs. In addition, since our focus is on the intersection between management choice, expatriates’ action and institutional mediation, less attention has been given to further probe the rationality of using expatriates from a firm-focused perspective. Future research examining how MNCs operate to populate their subsidiaries can incorporate analyses of the top executives’ social networks, which adds complexity to the social relations at work. It would also be useful to compare our findings with workplace-based research on MNCs from other emerging economies, which remains rare.

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Table 1 Chinese expatriates and locally recruited employees 2011–2016

|  |  |  |
| --- | --- | --- |
| Year | Net total of expatriates by end of year (percentage in total workforce) | Net total of locally recruited employees by end of year (percentage in total workforce) |
| 2011 | 812,000 (58.77%)  | 569,711 (41.23%) |
| 2012 | 850,000 (58.48%) | 603,593 (41.52%) |
| 2013 | 853,000 (56.57%) | 654,809 (43.43%) |
| 2014 | 1,006,000 (56.13) | 786,400 (43.87%) |
| 2015 | 1,027,000 (58.69%) | 722,900 (41.31%) |
| 2016 | 969,000 (58.02%) | 700,900 (41.97%) |

Source: CAIC Annual Report of China International Labor Cooperation (2016)

Table 2 Profile of case companies

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Tech Co.** | **Poch Co.** | **Mach Co.** |
| Year of first overseas investment  | 1999 | 1992 | 2007 |
| Year of setting up the subsidiary included in this study | 2001 | 2008 | 2007 |
| Entry mode | Wholly owned subsidiary  | Partial acquisition (68%) | Acquisition |
| Size of workforce | 1000 | 1200 | 120 |
| Number of Expatriated workers | 517 | varied | 30 |
|  Bureaucratic caretakers | 17 | 3 | 1 |
|  Intermediate professionals | 50 | 4 | 2 |
|  bonded workers | 400 | 50-300  | 27 |
|  posted workers | 50 | 70-900 |  |
| Location of interviews | Headquarters and subsidiary | Headquarters | Headquarters and subsidiary |
| Departments of interviewees | HR, Marketing, Sales and R&D | Administration, Personnel, External Relations | HR, Product Development, Technical Support |
| Number of interviews | 5 | 4 | 8 |

Source: based on documentations from and interviewees at the three case companies

Table 3 Chinese expatriates by industry sector (by the end of 2016)

|  |  |  |
| --- | --- | --- |
| Industry | Number of expatriates on overseas assignment  | Percentage among total expatiates (%)  |
| Agriculture, farming and fishing | 57,000  | 5.9  |
|  Fishing | 23,000  | 2.4  |
|  Plantation | 18,000  | 1.9  |
| Manufacturing  | 153,000  | 15.8  |
|  Textile  | 21,000  | 2.2  |
|  Electronics | 15,000  | 1.5  |
|  Machinery  | 18,000  | 1.9  |
| Construction | 451,000  | 46.5  |
| Transport | 102,000  | 10.5  |
|  Sailors | 96,000  | 9.9  |
| IT and software | 3,000  | 0.3  |
| Hotel and restaurant  | 52,000  | 5.4  |
| Education, entertainment and leisure  | 7,000  | 0.7  |
| Others | 144,000 | 14.9  |

Source: CAIC Annual Report of China International Labor Cooperation (2016).

Figure 1 Tiered expatriation: deploying capital and labor functions embodied by expatriates

Figure 2 Tiered expatriation in an open system

**Labor Market Institutions in the Destination Country**

**Labor Market Institutions in the Sourcing Country**

**Industrial Sector Actors**

**Social Functions Embodied by Expatriates**

**Global Function of Capital**

**Collecive Function of Labor**

**Intra-firm Pathway**

**Extra-firm Pathway**

**Regulatory Bodies**

**Soucing Agents**

**Dispatching Agents**