World Journal of Management Science
Print ISSN: 2959-9628
Online ISSN: 2959-9636
DOI: https://doi.org/10.61784/wms3132

THE IMPACT OF LABOR DISPATCH EMPLOYMENT ON BANK PERFORMANCE: INSTITUTIONAL CONSTRAINTS, MECHANISMS, AND AN EMPIRICAL IDENTIFICATION FRAMEWORK

XingMing Zhou[1], YingDan Chen[2*]
[1]*SEGi University, Petaling Jaya, Selangor 47810, Malaysia.*
[2]*Temple University, Philadelphia, PA 19122, USA.*
[*]*Corresponding Author: YingDan Chen*

Abstract: Labor dispatch employment is a staffing form widely discussed in the banking sector under pressure from branch transformation, cost control, and flexible service provision, but its impact on bank performance is not unidirectional. Based on human capital architecture theory, transaction cost theory, organizational flexibility theory, psychological contract theory, and operational risk theory, and integrating the characteristics of the banking industry—knowledge intensity, reputation sensitivity, strong regulation, and risk contagion—this paper constructs a fourfold mechanism of "cost flexibility—service efficiency—risk compliance—human capital stability." This paper proposes that the relationship between the proportion of labor dispatch employment and banks' risk-adjusted performance may follow an inverted U-shape: moderate use can reduce rigid employment costs and enhance numerical flexibility and efficiency in auxiliary positions, whereas excessive use harms performance through coordination and supervision costs, compliance costs, operational risk, and declining service quality; job criticality, regulatory intensity, equal pay for equal work enforcement, and digitalization level constitute important moderating variables. In terms of research design, this paper recommends bank-year panel fixed effects models, instrumental variable methods, propensity score matching, and a difference-in-differences identification strategy using the Interim Provisions on Labor Dispatch as a shock, with employee stability, service continuity, operational risk, and compliance costs as mediating channels. This paper does not report fabricated data or empirical results, but instead provides testable propositions, a variable system, and a causal identification framework, offering a theoretical basis for optimizing bank employment strategies and differentiated regulation.
Keywords: Labor dispatch; Bank performance; Employment flexibility; Operational risk; Equal pay for equal work; Risk-adjusted returns

1 INTRODUCTION

In recent years, commercial banks have faced multiple pressures, including narrowing net interest margins, financial disintermediation, digital transformation, and tightening regulation, making cost reduction and efficiency improvement important issues in business management. At the same time, adjustments to branch functions, centralization of customer service, standardization of back-office operations, and project-based marketing activities have increased banks' demand for flexible employment. Because labor dispatch features flexible recruitment, relatively low exit costs, and weak establishment constraints, it has been used by some banks in positions such as counter assistance, customer service, lobby guidance, data entry, credit card collection, back-office operations, and information technology testing. However, the banking industry differs from general manufacturing and services: its products involve a high degree of information asymmetry, and service quality and employee compliance awareness directly affect reputation risk and operational risk; its business chain is subject to risk contagion, and personnel turnover, insufficient training, and weakened internal controls may be amplified by regulatory penalties and customer attrition. Therefore, the impact of labor dispatch employment on bank performance cannot simply be reduced to "reducing costs" or "increasing risks," but should be analyzed within the framework of institutional constraints, job structure, and risk-adjusted returns[1].

Existing studies mainly discuss the economic consequences of labor dispatch from the perspectives of cost flexibility of nonstandard employment, organizational commitment, knowledge creation, and labor rights protection, but systematic research on the banking industry remains insufficient[2]. On the one hand, bank performance is a multidimensional concept that includes not only profitability but also cost efficiency, asset quality, and risk-adjusted returns; on the other hand, the effects of labor dispatch are highly dependent on job criticality and the regulatory environment. If dispatch employment is concentrated in low-skill, low-specificity auxiliary positions, it may improve short-term efficiency by reducing rigid costs and enhancing service flexibility; if dispatch is excessively used in core risk control, credit approval, product design, and other highly specific positions, it may trigger knowledge spillovers, blurred responsibility, internal control deficiencies, and ruptured customer relationships, thereby offsetting cost advantages[3].

The marginal contributions of this paper are as follows: first, it incorporates labor dispatch into the micro-level performance analysis framework of banks, distinguishing profitability, cost efficiency, and risk-adjusted performance to

© By the Author(s) 2026, under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/4.0).

avoid misjudgment based on a single indicator; second, based on human capital specificity and strategic value, it proposes an inverted U-shaped relationship moderated by job criticality, revealing the boundary between "moderate flexibility" and "excessive externalization"; third, it introduces regulatory intensity and equal pay for equal work enforcement as institutional moderating variables, responding to the compliance constraints after the amendment of the Labor Contract Law and the implementation of the Interim Provisions on Labor Dispatch; fourth, it constructs an identification strategy including panel fixed effects, instrumental variables, propensity score matching, and difference-in-differences, providing an operational plan for subsequent empirical research. This paper does not report empirical conclusions unsupported by data, but focuses on the rigorous construction of theoretical mechanisms and testable propositions.

2 LITERATURE REVIEW AND THEORETICAL BASIS

2.1 Economic Consequences of Labor Dispatch and Nonstandard Employment

Labor dispatch is a typical form of nonstandard employment, whose core feature is that workers establish labor relations with dispatch agencies while receiving direction and management at user enterprises. Existing literature mainly forms three types of views. First, the cost and flexibility view holds that dispatch employment can reduce fixed costs such as recruitment, training, benefits, and dismissal, and enhance enterprises' numerical flexibility in responding to demand fluctuations. Second, the organizational commitment and psychological contract view emphasizes that dispatched employees have weaker belongingness to user enterprises and weaker willingness to invest long term, which may reduce service quality, organizational citizenship behavior, and willingness to share knowledge. Third, the human capital and knowledge creation view points out that dispatch employment is suitable for tasks with low specificity and low strategic value, but if used for highly specific tasks, it may weaken the accumulation of firm-specific knowledge and innovation capability[4].

The human capital architecture theory proposed by Lepak and Snell provides a basis for understanding the boundaries of dispatch: enterprises should adopt different employment modes according to the "strategic value" and "specificity" of human capital. Human capital with high value and high specificity should be internalized, while human capital with low value and low specificity can be externalized. Matusik and Hill further pointed out that contingent work can improve efficiency in routine tasks but may produce insufficient coordination and incentives in knowledge creation and exploratory activities. Studies by Davis-Blake and Uzzi, Kalleberg, and others explain the determinants of dispatch use from the perspectives of institutions and organizational externalization. Overall, the performance consequences of dispatch employment are conditional and depend on job characteristics, management capability, and the institutional environment[5].

2.2 Determinants of Bank Performance

Bank performance research is usually conducted from dimensions such as economies of scale, economies of scope, cost efficiency, risk taking, corporate governance, and human capital. Berger and Mester pointed out that differences in bank efficiency stem not only from scale but also from management quality, risk preferences, and business structure. For China's banking industry, narrowing interest margins have made the cost-income ratio, per capita efficiency, and risk-adjusted returns key indicators. Bank performance is multidimensional: ROA and ROE reflect profitability, the cost-income ratio reflects cost efficiency, net interest margin reflects pricing ability, the nonperforming loan ratio and provision coverage ratio reflect asset quality, and the return on risk-weighted assets and operational risk losses reflect risk-adjusted performance. If the effect of dispatch employment is measured only by current profit, the delayed exposure of risks and compliance costs may be ignored[6].

2.3 Theoretical Mechanisms: Cost, Flexibility, Risk, and Human Capital

This paper constructs four mechanisms. First, the transaction cost mechanism. Dispatch employment transfers part of recruitment, training, social insurance, and labor relations management functions to dispatch agencies, reducing banks' employment adjustment costs but increasing supervision, coordination, and contract enforcement costs. Second, the organizational flexibility mechanism. Dispatch employment enhances numerical flexibility, enabling banks to respond to customer flow fluctuations, project-based marketing, and temporary back-office tasks; however, excessive reliance on external employment may weaken functional flexibility and knowledge accumulation. Third, the psychological contract and service quality mechanism. Dispatched employees face problems such as status differences, limited career development, and insufficient equal pay for equal work, which may reduce organizational commitment and service initiative and affect customer satisfaction and service continuity. Fourth, the operational risk and compliance mechanism[7-8]. Strong regulation in banking requires employees to be familiar with compliance processes, anti-money laundering, consumer protection, and internal control systems. When dispatched employees have high turnover, insufficient training, or blurred responsibility boundaries, operational errors, customer complaints, regulatory penalties, and reputational losses may increase.

2.4 Research Gap

Existing research rarely focuses on the banking industry and often treats dispatch employment as a homogeneous variable, ignoring differences in job criticality; at the same time, causal identification of regulatory shocks is insufficient. This paper attempts to distinguish "auxiliary dispatch" and "core dispatch" at the theoretical level and, at the empirical level, use institutional changes to construct a quasi-natural experiment to identify the net effect of the proportion of dispatch employment on banks' risk-adjusted performance.

3 INSTITUTIONAL BACKGROUND AND CHARACTERISTICS OF LABOR DISPATCH IN BANKING

3.1 Institutional Constraints

The amendment to the Labor Contract Law of the People's Republic of China and the Interim Provisions on Labor Dispatch established the "three characteristics" principle of labor dispatch, namely temporariness, auxiliary nature, and substitutability, and stipulated that the number of dispatched workers used by a user enterprise shall not exceed 10% of its total employment[9]. At the same time, the law emphasizes equal pay for equal work and requires user enterprises to apply the same labor remuneration distribution methods to dispatched workers as to workers in similar positions of the unit. The above institutions mean that labor dispatch is not a costless externalization tool: exceeding the proportion, noncompliant positions, or insufficient enforcement of equal pay for equal work may all trigger administrative penalties, labor disputes, and reputational risk. For banks, compliant employment itself is an important precondition for performance[10].

3.2 Typical Scenarios of Labor Dispatch in Banking

Bank dispatch positions are usually concentrated in low-specificity, standardizable, and auxiliary tasks, such as counter assistance, customer guidance, customer service seats, data entry, archive management, credit card collection, back-office operations, and information technology testing[11]. Core positions such as credit approval, risk modeling, product design, asset allocation, and senior customer relationship management usually require high bank-specific knowledge and fiduciary responsibility and rarely use dispatch[12]. However, in practice, some banks may extend dispatch employment to marketing support and some operational positions due to establishment constraints or cost pressure, resulting in blurred job boundaries. This "core use of auxiliary positions" may amplify risks.

3.3 Particularity of the Banking Industry

The banking industry is characterized by knowledge intensity, intangible services, reputation sensitivity, and risk contagion. Because services cannot be stored, banks find it difficult to adjust supply and demand through inventory, and dispatch employment therefore becomes a tool for responding to fluctuations; however, service quality is difficult to fully contractualize, and employees' sense of responsibility, compliance awareness, and long-term customer relationships are crucial[13]. In addition, bank operational risk has the feature of low frequency and high loss, and a single compliance event may offset years of cost savings. Therefore, the impact of labor dispatch on bank performance should be reflected as a dynamic trade-off between cost benefits and risk costs.

4 THEORETICAL ANALYSIS AND RESEARCH HYPOTHESES

4.1 Dispatch Proportion and Risk-Adjusted Performance: An Inverted U-Shaped Relationship

In the low-proportion range, dispatched labor is mainly used for auxiliary and temporary positions, which can reduce rigid labor costs, improve the speed of workforce adjustment, and enhance operational efficiency through standardized processes. At this stage, cost savings and numerical flexibility benefits may exceed supervision and coordination costs, improving banks' risk-adjusted performance[14]. As the dispatch proportion rises, marginal benefits diminish: on the one hand, the dispatch proportion in auxiliary positions approaches saturation, narrowing the room for cost savings; on the other hand, supervision costs, training costs, equal pay for equal work compliance costs, and labor dispute risks increase. If dispatched labor enters core positions, knowledge specificity and accountability requirements rise, and agency problems and operational risks are further amplified. Accordingly, the following is proposed:

H1: The proportion of labor dispatch exhibits an inverted U-shaped relationship with banks' risk-adjusted performance.

H1a: In the low-proportion range, an increase in the dispatch proportion improves performance by reducing rigid labor costs and enhancing numerical flexibility;

H1b: After exceeding the threshold, coordination and supervision, compliance, and operational risk costs rise, and marginal negative effects dominate.

4.2 The Moderating Role of Position Criticality

According to human capital architecture theory, positions with low strategic value and low specificity are suitable for externalization, while positions with high strategic value and high specificity are suitable for internalization[15]. Auxiliary positions have a high degree of task standardization and low knowledge specificity, so dispatched labor is more likely to improve efficiency; core positions require bank-specific knowledge, customer trust, and fiduciary

responsibility, and dispatched labor may weaken knowledge accumulation, accountability constraints, and long-term incentives. Accordingly, the following is proposed:
H2: Position criticality negatively moderates the relationship between the dispatch proportion and bank performance.
H2a: The dispatch proportion in auxiliary positions has a positive effect on cost efficiency and short-term profitability;
H2b: The dispatch proportion in core positions has a negative effect on risk-adjusted performance.

4.3 The Dual Mediation of Cost Efficiency and Risk Compliance

Labor dispatch first affects the cost-income ratio and per capita efficiency. Low-proportion auxiliary dispatch can reduce fixed labor costs and improve staffing flexibility, thereby improving cost efficiency. However, labor dispatch may also affect operational risk and compliance costs: high employee turnover, insufficient training, and weak identity-based incentives may increase service errors, customer complaints, internal control deficiencies, and regulatory penalties. If risk costs rise faster than cost savings, the total effect turns negative. Accordingly, the following is proposed:
H3: The dispatch proportion affects bank performance through the dual channels of cost efficiency and risk compliance costs; the total effect depends on the trade-off between the two.

4.4 The Mediating Role of Employee Stability and Service Continuity

Dispatched employees may have lower organizational commitment and retention willingness than regular employees, and an excessively high dispatch proportion may increase turnover rates, undermining service continuity and customer relationships, especially affecting the long-term maintenance of retail customers and small and medium-sized enterprise customers. Declining employee stability may also increase recruitment and retraining costs and weaken service quality. Accordingly, the following is proposed:
H4: Employee stability and service continuity play a mediating role between the dispatch proportion and bank performance.

4.5 The Moderating Role of Regulatory Intensity and Equal Pay for Equal Work Enforcement

The higher the regulatory intensity, the stronger the constraints banks face regarding dispatch proportions, position compliance, equal pay for equal work, and labor protection. Strict regulation weakens the cost advantages of excessive dispatch and amplifies the compliance risks of dispatching in core positions; however, appropriate compliance management may also prompt banks to standardize the use of dispatch and reduce labor disputes. Accordingly, the following is proposed:
H5: Regulatory intensity and equal pay for equal work enforcement moderate the performance effects of the dispatch proportion; the stronger the regulation, the more pronounced the negative effects of excessive dispatch and dispatch in core positions.

4.6 The Moderating Role of Digitalization Level

Digital transformation increases the codifiability and standardization of routine tasks, making the cost effects of dispatch in auxiliary positions easier to realize; however, for core knowledge positions, digitalization cannot fully replace proprietary knowledge and accountability constraints, and excessive dispatch may still harm innovation and risk control. Accordingly, the following is proposed:
H6: The level of digitalization enhances the cost efficiency effect of dispatch in auxiliary positions, but it is difficult to offset the negative effects of dispatch in core positions.

5 RESEARCH DESIGN

5.1 Samples and Data Sources

It is recommended to take Chinese commercial banks as the research objects, with the sample period covering the time before and after the implementation of the Interim Provisions on Labor Dispatch, for example, from 2010 to 2023. The sample may include listed banks, city commercial banks, and rural commercial banks to account for differences in scale and regional variation. Data sources include: bank annual reports, social responsibility reports, Wind, CSMAR, regulatory penalty announcements, publicly available labor arbitration information, and bank recruitment information. The disclosure of the number of dispatched workers and their job structures is inconsistent, and can be supplemented through the notes to "employee information" in annual reports, explanations on the use of labor dispatch, recruitment announcements, and questionnaire surveys. Samples with missing key variables and outliers are removed, and winsorization is applied at the 1% level.

5.2 Variable Definitions

The variable definitions are shown in Table 1.

Table 1 Variable Definitions

Variable Type	Variable	Definition
Dependent Variable	ROA	Net profit/average total assets
Dependent Variable	ROE	Net profit/average net assets
Dependent Variable	RAROA	Risk-adjusted ROA, measured as (net profit - operational risk loss - regulatory penalties)/average total assets
Dependent Variable	RORWA	Net profit/risk-weighted assets
Dependent Variable	CIR	Cost-to-income ratio
Dependent Variable	NPL	Non-performing loan ratio
Core Explanatory Variable	PDR	Number of dispatched workers/(number of formal employees + number of dispatched workers)
Core Explanatory Variable	PDR²	Squared term of the dispatch ratio
Position Variable	PDR_aux	Number of dispatched workers in auxiliary positions/total number of dispatched workers
Position Variable	PDR_core	Number of dispatched workers in core positions/total number of dispatched workers
Mediating Variable	Turnover	Employee turnover rate or dispatched employee attrition rate
Mediating Variable	Complaint	Number of customer complaints per thousand customers or service error rate
Mediating Variable	OpRisk	Operational risk loss/operating revenue or number of regulatory penalties
Mediating Variable	Train	Per capita training hours
Moderating Variable	Core	Position coreness index
Moderating Variable	Reg	Intensity of regulatory penalties or regional regulatory index
Moderating Variable	EqualPay	Degree of implementation of equal pay for equal work
Moderating Variable	Digital	Digitalization level, such as mobile banking transaction share, IT investment/operating revenue
Control Variable	Size	Natural logarithm of total assets
Control Variable	CAR	Capital adequacy ratio
Control Variable	Lev	Equity multiplier or debt-to-asset ratio
Control Variable	Liquidity	Liquidity ratio
Control Variable	Branch	Natural logarithm of the number of branches
Control Variable	GDP	Regional GDP growth rate
Control Variable	FDI	Degree of financial deepening

5.3 Baseline Models

For test H1, construct a bank-year panel fixed effects model:

$$Perf_{it} = \alpha + \beta_1 PDR_{it} + \beta_2 PD2_R^{it} + \gamma X_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (1)$$

Among them, $Perf_{it}$ is bank i year t performance indicators; PDR_{it} as dispatch ratio; X_{it} is a control variable; μ_i is bank fixed effects; λ_t is year fixed effects. If H1 holds, then $\beta_1 > 0$ and $\beta_2 < 0$, the inverted U-shaped inflection point is $-\beta_1/(2\beta_2)$. Further replace the dependent variables with RAROA, RORWA, CIR, and OpRisk to examine differences in the profitability, cost, and risk dimensions.

5.4 Mechanism Test

The mediating effect model is used to test H3 and H4:

$$M_{it} = a_0 + a_1 PDR_{it} + a_2 PD2_R^{it} + \gamma X_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (2)$$

$$Perf_{it} = c_0 + c_1 PDR_{it} + c_2 PD2_R^{it} + bM_{it} + \gamma X_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (3)$$

Among them, M_{it} takes the variables of cost efficiency, operational risk, employee stability, and service continuity, respectively. The mediating effect is judged by combining the Sobel test or Bootstrap confidence intervals. To avoid the endogeneity of the mediating variables, the mediating variables can be lagged by one period.

5.5 Testing Moderating Effects

Add interaction terms to the baseline model:

$$Perf_{it} = \alpha + \beta_1 PDR_{it} + \beta_2 PD2_R^{it} + \beta_3 PDR_{it} \times Core_{it} + \beta_4 PD2_R^{it} \times Core_{it} + \gamma X_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (4)$$

If H2 holds, the interaction term for core position dispatch is significantly negative. Similarly, add the interaction terms for regulatory intensity, equal pay for equal work enforcement, and digitalization level to test H5 and H6.

5.6 Endogeneity and Causal Identification

There may be reverse causality between the labor dispatch ratio and bank performance: banks with poorer performance may be more inclined to use dispatch to reduce costs; there may also be omitted variables, such as management capability, strategic choices, and branch structure. To address this, the following strategies are recommended:

First, the instrumental variable method. Regional labor dispatch supply levels, the average dispatch ratio in the same industry within the same province, and the magnitude of minimum wage adjustments can be chosen as instrumental variables, but their exogeneity must be justified. Second, propensity score matching. Group banks by high and low dispatch ratios, match banks with similar size, capital adequacy ratio, number of branches, and regional characteristics,

and compare performance differences. Third, difference-in-differences. Using the implementation of the Interim Provisions on Labor Dispatch as a quasi-natural experiment, take banks with a higher dispatch ratio or above 10% before the regulation as the treatment group and banks with a lower ratio before the regulation as the control group to test the impact of the regulatory shock on performance. Fourth, dynamic panel models. Use system GMM to mitigate lagged dependent variable and endogeneity problems. Fifth, robustness tests include replacing performance indicators, changing the measurement of the dispatch ratio, excluding extreme samples, and controlling for province-year joint fixed effects.

6 EXPECTED RESULTS AND DISCUSSION

It should be emphasized that this paper is a theoretical-empirical framework study and does not report fabricated data. If subsequent empirical results conform to the theoretical expectations, they can be interpreted as follows[16].

First, if β_1 is significantly positive and β_2 is significantly negative in the baseline regression, then the inverted U-shaped relationship is supported. Its economic meaning is that there exists a "moderate flexibility range" for dispatched employment. In the low-proportion range, banks reduce fixed costs and improve service flexibility through dispatching auxiliary positions; after exceeding the threshold, supervision and coordination, compliance, and risk costs rise, and risk-adjusted returns decline. The location of the turning point can reflect the bank's optimal dispatch ratio and is affected by position structure and regulatory intensity.

Second, if the proportion of dispatched workers in auxiliary positions is negatively correlated with the cost-income ratio, while the proportion of dispatched workers in core positions is negatively correlated with RAROA, then this indicates that position coreness is the key boundary. Banks should not simply regard dispatched employment as "low-cost labor," but should conduct classified management based on the strategic value of human capital.

Third, if the mediating effects of operational risk and compliance costs are significant, then this indicates that the performance consequences of dispatched employment have lagged and hidden risk characteristics. Current-period cost savings may be accompanied by future regulatory penalties, customer complaints, and reputational losses, so evaluating dispatch strategies solely by short-term profits will produce bias.

Fourth, if employee stability and service continuity mediate significantly, then this indicates that an important micro-level foundation through which dispatched employment affects bank performance is service quality and customer relationships. For retail banks and banks with a relatively high share of small and medium-sized enterprise business, this channel may be stronger.

Fifth, if the moderating effects of regulatory intensity and equal pay for equal work enforcement are significant, then this indicates that the institutional environment changes the cost-benefit structure of dispatched employment. Under strict regulation, the negative effects of excessive dispatch proportions and dispatch in core positions are more obvious, and banks need to incorporate compliance costs into employment decisions.

7 HETEROGENEITY ANALYSIS

First, heterogeneity in bank type. Large banks have a high degree of process standardization and well-developed training systems, so the cost effect of dispatching auxiliary positions may be more obvious; small and medium-sized banks have limited management resources, and if the dispatch proportion is too high, supervision and compliance risks may be greater. Second, heterogeneity in position structure. The dispatch effect of standardized positions such as counter assistance, customer service, and data entry may be relatively positive; the dispatch effect of core positions such as credit approval, risk control, and product design may be relatively negative. Third, regional heterogeneity. In regions with sufficient labor market supply and a high degree of specialization among labor dispatch agencies, the coordination cost of dispatched employment is lower; in regions with strict regulatory enforcement, the compliance cost of excessive dispatch is higher. Fourth, temporal heterogeneity. After the implementation of regulations, banks' employment compliance costs rise, the positive cost effect of the dispatch proportion may weaken, and standardized management may reduce operational risk. Fifth, digitalization heterogeneity. Banks with a high level of digitalization can reduce the training and supervision costs of dispatched employees through process standardization and system controls, but core knowledge positions are still difficult to fully externalize.

8 MANAGEMENT IMPLICATIONS AND POLICY RECOMMENDATIONS

8.1 Bank Level

First, establish a job classification management system. Banks should classify positions into core, support, and auxiliary categories based on strategic value, knowledge specificity, risk responsibility, and degree of customer contact. Core positions should in principle be filled through internal employment; auxiliary, temporary, and substitutable positions may appropriately use dispatched labor, but proportional caps and dynamic monitoring mechanisms should be established. Second, improve equal pay for equal work and training systems. Although dispatched employees have their labor relations with dispatch agencies, their service behavior directly affects bank reputation. Banks should incorporate them into compliance training, service standards, and performance assessment to reduce incentive distortions caused by status differences. Third, strengthen operational risk and compliance management. Implement tiered authorization, dual review, abnormal behavior monitoring, and customer complaint traceability for dispatched employees to avoid internal

control deficiencies caused by ambiguous responsibility boundaries. Fourth, maintain service continuity. For customer-facing positions, establish conversion channels for dispatched employees to become regular staff and backup mechanisms for key positions to reduce the impact of personnel turnover on customer relationships. Fifth, promote digital substitution. For highly standardized and repetitive tasks, prioritize process automation and centralized operations to reduce dependence on dispatched labor, concentrating flexible employment on genuinely temporary needs[17].

8.2 Regulatory Level

First, improve information disclosure standards for labor dispatch. It is recommended that regulatory authorities require banks to disclose the number of dispatched workers, job distribution, equal pay implementation, and labor dispute situations in annual reports or social responsibility reports to enhance market discipline. Second, implement differentiated regulation. Strengthen inspections of banks that exceed proportional limits, use dispatched labor in core positions, or receive more complaints; give reasonable space to banks that compliantly use auxiliary dispatch. Third, strengthen equal pay and vocational training requirements. Promote joint training responsibility between dispatch agencies and employing banks to reduce short-sighted behavior of "using without training." Fourth, establish risk monitoring indicators. Incorporate dispatch ratios, dispatched employee turnover rates, related complaints, and operational risk events into the bank operational risk monitoring framework.

8.3 Labor Dispatch Agency Level

Dispatch agencies should enhance professional service capabilities, shifting from mere labor supply to job training, compliance management, and career development support. By establishing skill profiles for dispatched employees and conversion recommendation mechanisms, they can reduce management costs for employing banks and improve career expectations for dispatched employees.

9 RESEARCH LIMITATIONS AND FUTURE PROSPECTS

This paper has the following limitations. First, the disclosure of labor dispatch data is insufficient, and position structure data are particularly difficult to obtain, which may affect the accuracy of variable measurement. Second, bank performance is affected by multiple factors such as the macroeconomy, monetary policy, and financial regulation. Although fixed effects and quasi-natural experiments are used, it remains difficult to fully rule out omitted variables. Third, the impact of dispatched employment on bank performance may have long-term lags and nonlinear thresholds. Future research may use threshold regression, structural models, or machine learning methods to identify complex relationships. Fourth, this paper does not report actual empirical results, and subsequent research may conduct tests by combining bank microdata, recruitment texts, and regulatory penalty information. Future research may also examine, at the individual employee level, the impact of dispatched status on service behavior, compliance awareness, and customer relationships, and compare the performance consequences of different modes such as labor dispatch, business outsourcing, and flexible employment.

10 CONCLUSION

The impact of labor dispatch employment on bank performance is not simply "reducing costs" or "increasing risks," but depends on the dispatch ratio, the core nature of positions, the regulatory environment, and management capability. Based on human capital architecture, transaction cost, organizational flexibility, and operational risk theories, this paper proposes the core proposition that the dispatch ratio has an inverted U-shaped relationship with banks' risk-adjusted performance, and reveals multiple mediating mechanisms involving cost efficiency, risk compliance, employee stability, and service continuity. Moderate auxiliary dispatch can enhance cost flexibility and operational efficiency, but excessive dispatch and dispatch in core positions may harm banks' long-term performance due to coordination and supervision costs, compliance costs, operational risks, and reputational losses. Banks should establish job classification management and dynamic monitoring mechanisms for dispatch ratios, and strengthen equal pay for equal work, training, and compliance controls; regulators should improve information disclosure and differentiated supervision. The theoretical framework and empirical identification strategy provided in this paper can serve as a foundation for subsequent causal testing based on Chinese banking data.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

REFERENCES

[1] Lepak D P, Snell S A. The human resource architecture: Toward a theory of human capital allocation and development. Academy of Management Review, 1999, 24(1): 31-48.

[2] Davis-Blake A, Uzzi B. Determinants of employment externalization: A study of temporary workers and independent contractors. Administrative Science Quarterly, 1993, 38(2): 195-223.
[3] Kalleberg A L. Nonstandard employment relations: Part-time, temporary and contract work. Annual Review of Sociology, 2000, 26: 341-365.
[4] Matusik S F, Hill C W L. The utilization of contingent work, knowledge creation, and competitive advantage. Academy of Management Review, 1998, 23(4): 680-697.
[5] Bidwell M. Do peripheral workers do peripheral work? Comparing the use of highly skilled contractors and regular employees. Industrial and Labor Relations Review, 2009, 62(2): 170-189.
[6] Cappelli P, Keller J R. Classifying work in the new economy. Academy of Management Review, 2013, 38(4): 575-596.
[7] Jensen M C, Meckling W H. Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 1976, 3(4): 305-360.
[8] Williamson O E. The Economic Institutions of Capitalism. New York: Free Press, 1985.
[9] Berger A N, Mester L J. Inside the black box: What explains differences in the efficiencies of financial institutions? Journal of Banking & Finance, 1997, 21(7): 895-947.
[10] Autor D H. Why do temporary help firms provide free general skills training? Quarterly Journal of Economics, 2001, 116(4): 1409-1448.
[11] Labor Contract Law of the People's Republic of China (2012 Amendment). 2012.
[12] Interim Provisions on Labor Dispatch (Order No. 22 of the Ministry of Human Resources and Social Security, 2014). 2014.
[13] Measures for the Implementation of Administrative Licensing for Labor Dispatch (Order No. 19 of the Ministry of Human Resources and Social Security, 2013). 2013.
[14] Shou Y, James, Roh J. Matching goal based incentive systems with cross-functional integration to improve operation and innovation performance. International Journal of Operations & Production Management, 2022, 42(2).
[15] Reig, Deandre, Vallelado. European banks' executive remuneration under the new European Union regulation. Journal of Economic Policy Reform, 2019, 22(03): 208-225.
[16] Guo L. Research on the innovation of enterprise human resource management mode in the era of big data. Frontiers in Economics and Management, 2021, 2(5).