

## Accumulation Paths of Enterprise Human Capital in Western Region

WANG Yuhun<sup>1</sup>, SHI Hongping<sup>2</sup>

1. School of Management, Southwest national university, China, 610041

2. School of Management, Xihua University, China, 610039

**Abstract:** The western region has abundant human resources. It is significant that enterprise should transform human resources into a competitive advantage in human capital. Specific measures include: strengthening education and basic health care services; establishing a sound corporate personnel training system; establishing flexible and effective incentive mechanism which fully reflect the value of human capital; establishing and perfecting the talent market; strengthening human capital accumulation and migration.

**Keywords:** Enterprise in western region, Human capital, Accumulation

Human capital is a complex labor which has capital property. Human capital primarily refers to business managers, core technician and business mainstay. The labor force mainly has innovative intelligence, including operational decision-making, management, research and innovation capacity and market development capabilities. Western Region has abundant labor resources, which are human resources. But human resources does not mean human capital advantage. Only through continually investing and developing human resources, continually improving Knowledge, technical content, enterprise can transform human resources into an competitive advantage in human capital.

### 1 The Status of Human Capital in Western Region

#### 1.1 In the western region human resources are rich, but human capital is scarce.

Western region is vast territory with large population, abundant natural resources and industrious people of simple, but natural environment is harsh. Beside, Infrastructure is weak, cultural and educational development is slow. Brain drain is serious with lacking human capital.

For a long time, in the western region the basic health care investments is vacancy, while the distribution of health resources between urban and rural areas is significant, leading to the western region health care is still at low level. The western population fitness is significantly lower than eastern region. The life expectancy of western region population is lower than the national average. Meanwhile, the number of potential labor force is huge.

The fifth national census in 2000, the western region census total population of 355.31 million people was registered, of which 2.5990million working-age population, the proportion of the total population was 73.37%. Most of the western region is located inland and people are easy to form a closed, conservative, conservative ideas with shortage education

According to investigation of Team of Sichuan Bureau of Statistics in 2004, with the principle of random, collecting 3173 samples units (covering 18 industries) survey showed that, from the academic perspective, all of 17.7 thousand employees, 475 graduate students, accounting for 0.3%; 8714undergraduate accounting for 4.9%, while the high school and below 117 416, accounting for 66.2%. 1% of the population in 2005 sample survey data showed that ethnic minority population of Sichuan, the illiterate population accounting for 44%, and middle school and higher level of education in ethnic minority populations account for only 15.4%.

Most enterprises are labor-intensive small and medium in the western, lower level of competition in the market, the overall demands on the quality of staff is not high. Meanwhile, the low level of education in Western practitioners directly result to poor overall quality of labor. Most can only do dirty, bitter, tired, dangerous and low-income work. Thus, both enterprises and employees are not highly active of investment in human capital. It is difficult to form positive interaction between human capital

investment and raising of the enterprises competitiveness .

### **1.2 Human capital accumulation is low.**

Since human capital development is "long-term investment". In real life, different investors contribution of human capital formation is often difficult to identify and measure, there is likely " reverse selection" and "moral risk ",which perhaps bring risk to the enterprise's human capital investment. Thus the operation of personnel, business are often biased towards the physical, neglecting human intelligence; emphasis on people's "active excited," ignoring the people's quality improvement and human capital accumulation. Enterprises in China are required draw training funds at 1.5% of the total extraction, but this provision has not been implemented. Most loss companies in Western have basically stopped human capital investment, some companies have given up or to give up long-term education and training, the training costs for individual companies is even just to training standards for the industry.

In recent years, western companies has made some achievements in the personnel system reform, but traditional thinking still is dominated. In employment system, scientific evaluation system of selection is not established and appointment of people is still remained on qualitative understanding. A person's career development is directly determined by the managers' attitude. Labor system can not have survival of the fittest, only emphasize the stability of the stock of workers, ignoring the rational flow of human resources.

### **1.3 Allocation mechanism of human capital market is not perfect.**

As the shackles of traditional ideas and institutions, real human capital market is not fully established. A number of related ancillary systems, such as human capital assessment and information exchanges, is very inadequate. And some artificial constraints, such as accounts, files, title, etc., remain a serious impediment to the optimal allocation of human resources.

## **2 Ways and Measures to Solve the Shortage of Human Capital in Western**

According to Schultz's theory of human capital, the main ways of investment and accumulation of human capital is : improving health care facilities and services so that citizens can enjoy the full right to education, using of vocational training, work, continuous learning and labor migration. Combined with the actual situation of enterprises in the western region, the following measures should be focused on:

### **2.1 Strengthening education and basic health care services.**

Through being educated and serviced by public health care, people increase revenue and the ability to enjoy life. From this perspective, it has exclusive and competitive consumption, but education, public health care services not only can help to improve the enterprise's work productivity, but also to improve the social cultural level and the degree of civilization. From this perspective, education and health care has significant external economies. Therefore, they are both private goods, but also has public property. As cycle of education and public health input is long and output efficiency has the lag, in the modern market economy, the government's financial input plays a dominant role.

In current revenue, extra-budgetary revenue and land transfer revenues help all levels of government to grasp the strong financial resources, has better conditions to increase the education and health care in the western region. Government must increase the development of western region's medical and health support, and improve multi-level medical security system. To improve the educational structure, investment in education must be increased .Through developing basic, vocational technology and tertiary education in western region, government should create a good basis for the accumulation conditions and the environment of the talent.

### **2.2 Establish a sound corporate personnel training system.**

In 90 years of the 20th century, the survey of United States enterprises showed that investing one U.S.

dollar on the training of workers would bring 30 U.S. dollars in economic benefits and corporate investment in training can significantly improve the quality of workers and improve labor productivity. Employers and employees should focus on long-term investment in human capital to establish a reasonable restraint mechanism and compensation mechanisms, through the labor contract to effectively reduce the risk of human capital investments.

On the one hand, enterprises can sign the contracts with trainees which determine a certain number of years of business services and will give businesses some compensation to cover the resulting losses if employees left below the minimum service time. On the other hand, enterprises can compete agreement with trainees in the contract, which do not get the rival business office after terminating the labor relationship in a certain period of time, not to disclose company's business and technology secrets. On-job training can great increase the productivity of enterprises, obviously, enterprises should assume a larger proportion of investment in training so that the benefits and risks of investment can be matched. Western companies should actively create conditions, through full-time studies, job rotation, visiting and imparting ,and other effective way to help trainees to be the backbone of growth for the enterprise, achieving human resources to human capital transformation .

### **2.3 The flexible and effective incentive mechanism should be established fully reflecting the value of human capital.**

Fischer pointed out that: human capital is the "active assets" and physical capital is a "passive assets." Everyone is the actual controllers of their own human capital, which determining the extent the individual's human capital can be used to (diligent, or lazy), others is difficult to dispose. Enterprise in the market can be viewed as a physical capital and human capital of the special contract, the natural vector of human capital and its indivisibility of the owners of physical capital caused only by "incentives" to increase human capital efficiency.

In the U.S, most companies implement human capital by the management plan, employee stock ownership plans and other property rights encourage, particularly web information company which on behalf of the new high-tech economic development. The compensation structure of U.S. business executives in a fixed wage, annual performance awards (short-term performance incentives) and stock options (long-term equity incentives), the ratio is about 4:3:3. Japanese staff shares the residual distribution of profits as high as 42% to 76%. There are some success stories in the east Chinese enterprises .Such as Zhejiang ZhengTai Group, the founder ,Nan Chen hui implemented "factor shares" - shares management, technology investment, management shares and distributed capital to the enterprise to the best talent in 1991. When he holded 100% of the equity capital for "dilution", he has capital of one million yuan, but he owned equity "dilution" to only 20%, his personal assets meeting 2.2 billion in 2000! ZhengTai Group use the increasing expansion of the capital, and take the "technological entrepreneurship, quality create brand" road, Chint products slogan become more famous in the country.

On view of the current scale and efficiency state in most western region enterprises , by a substantial overall increasing wages for all employees and competing with state-owned monopoly, the eastern region enterprises, foreign companies for talent is not feasible. In accordance with the focus on taking into account the general principles, according to key employees provide value-added human capital, competitive remuneration, is a management initiatives which not only can save cost and effect optimally, but also can support the superior and eliminate the inferior, reward the diligent and punish the lazy.

On making human capital investment, enterprise not only should strengthen the building of enterprise culture, but also actively participate in guiding employees' career planning, to make personal goals and corporate values are consistent. Through the target incentives, work incentives, technical training, learning motivation and honor incentives, etc., encouraging enterprise staff morale, particularly the key employees, to maximize narrow between employees and enterprises investment in human capital differences, thereby enabling to achieve the maximum return.

#### **2.4 Establish and perfect the talent market to enhance the accumulation of human capital migration.**

First, in accordance with the principles of market economy, laws and regulations about the flow and of management talent market in Western should be improved, and the personnel dispute arbitration system should be improved to let personnel flow follow. Second, to accelerate government institutional reforms of personnel services departments, while strengthening the construction of civil service personnel. Agency personnel and personnel should play a good advisory services, in accordance with the social and professional requirements, for the western companies providing a full range of personnel service to help them developing personal development plans, promoting to a modern human resource management paradigm shift. Third, on the selection of experts in various technology and the top-notch talent, more favorable policies should be given to non-public enterprises to further eliminate constraints ,including the urban and rural areas, sector, industry, identity to encourage flow of talent. Currently, for the shortage of human capital stock of Western enterprises, in order to increase the strength of human capital, in addition to promoting their own value-added human capital beyond, to borrow foreign brains (outside the enterprise availability of human capital, for example, consulting firms, universities as well as experts and scholars from research institutes, etc.) is also an important way. Special preferential treatment, loose, free working environment, comfortable living environment, special attention and social recognition, and other methods to attract first-prone areas or overseas talent to come to exchange visits, work or live, should be wise choice with which Western Enterprises make up after the interests of "surpass" target .

#### **References**

- [1]. Zhou Qi Ren. Markets business: a non-human capital, human capital and special about [J]. Economic Research, 1996 (6) (In Chinese)
- [2]. [U.S.] Theodore • W • Schultz. On the human capital - education and research, the role of [M]. Beijing: Commercial Press, 1990. (In Chinese)
- [3]. Wei Jie, Jun-Chao. On human capital as a factor of enterprise system [J]. Theoretical front, 2001 (10). (In Chinese)
- [4]. WangJian Min . Enterprise Human Capital Management: Property features [J]. Economics and Management, 2002, (15). (In Chinese)
- [5]. Chen Qingtai, Wu Jinglian. U.S. corporate stock option plan [M]. Beijing: China Financial and Economic Publishing House, 2001. (In Chinese)