

GOVERNMENT PATRONAGE OF HUMAN RESOURCE DEVELOPMENT IN CHINA: POLICY EVALUATION AND RECOMMENDATIONS

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Abstract: *Presently China's human resource development policy is facing severe challenges and difficulties. Chinese labor force, unfortunately, is having deficiency of skills due to lack of training programs. This paper has discussed the employment structure of China and government's spending on employment training in China. This study analyzed the current policy of human resource and its existing problems, the importance of employment training, and public expenditure for employment and related issues. The paper proposes policy suggestions to improve China's human resource development policy focusing employment training.*

Keywords: Human resource development, public expenditure policy; employment training; employment promotion

Introduction

Social productive forces have been greatly liberated by reform and 30 years of opening up for successful transition from a planned economy to a market economy; and hence, employment has also made considerable achievements. However, with the development of urbanization, the explicit trends of hidden unemployment have become more and more affluent. Financial crisis and adjustment of the economic structure leads to bizarre circumstances for employment in China. Effective resolution of rigorous employment altercations of China has become requisite ingredient for the promotion of sustained development of the Chinese economy, which needs to be fully addressed by scholars. Henceforth, conspicuous understanding of the status quo of China's employment problem and quest for a clear

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stance of public policy promoting employment are essential requirements for the promotion of employment in the country.

Public expenditure policy is an influential tool for a state's macro regulation and control; and there is a mass correlation between public expenditure policy and employment level. Public expenditure policy influence aggregate demand and supply as well as economic-cum-industrial structure; and thus, it will cause changes in aggregate employment and employment structure. Therefore, conspicuous understanding of the status quo of China's employment problem is necessary to develop employment promoting policies.

Strategic approach to human resource development is a prerequisite in the globalization era; and therefore, continuous training of employees is essential. The existence of employees at the organizational level who do not manage to professionally adapt to the changes occurring in the conduct of activities is a cumbersome altercation for managers.¹ Laura Alonso-Díaz et al. have designed, implemented, and evaluated a program for educational excellence, based on the integrated use of virtual platforms and synchronous virtual classrooms in employment training.² Pierre-Jean Messe et al. use a difference-in-differences approach to study the effects of higher firing taxes and subsidies on hiring on firms' incentives to sponsor training, and the effects tend to be higher among low-skilled workers.³ Professional training is prerequisite for strategic human resource management along with other components like talent

¹ Cristina Manole, Cristina Alpopi, and Sofia Elena Colesca, "The Strategic Role of Human Resources Development in the Management of Organizational Crisis." *Economia Seria Management* 14, no. 1 (2011): 207–21.

² Laura Alonso-Díaz, Prudencia Gutiérrez-Esteban, and Rocío Yuste-Tosina "Training for Employment through Virtual Training Models: Description of a Research Project," *Procedia – Social and Behavioral Sciences* 139 (2014): 456–63.

³ Pierre-Jean Messe and Bénédicte Rouland, "Stricter Employment Protection and Firms' Incentives to Sponsor Training: The Case of French Older Workers," *Labour Economics* 31 (2014): 14–26.

development, performance development, leadership development, and organizational development.⁴

Contemplating current situation of China's employment is eye-catching for many scholars of china as well as from other countries in the world due the immense economic growth of china from a fiscal point of view in order to explore measures to ease the employment pressure. Jia Kang suggests strategic thinking to solve the altercations of employment tacitly, and the strategic speculation should include financial support for the development of labor-intensive enterprises and increasing employment opportunities in rural regions.⁵ Su Ming proposed that the government should adjust the structure of fiscal expenditure to increase investment levels of government funding to strengthen vocational education and training and to optimize education and training institutions to improve the quality of training and the employ-ability of workers. Zhao Man and Gu Yonghong argued to improve the efficiency of employment expenses utilization. It is necessary to the characteristics of the employment expenses utilization to develop employment expenditure performance management approach in the use of financial resources.⁶ Wang Zhenyu and Lian Jiaming are of the view that employment has become a primary task facing China's economic and social development; and therefore, relevant fiscal policies need to be adjusted urgently to increase employment supporting measures.⁷ Zhu Cuiping and Jiang Zhihua proposed to accelerate the development of the public finance system; raise fiscal expenses to increase employment, entrepreneurship training, and human capital

⁴ Po Hu, "Theorizing Strategic Human Resource Development: Linking Financial Performance and Sustainable Competitive Advantage," *Online Submission* (2007).

⁵ Jia Kang, "Taking Effective Measures to Alleviate Employment Pressure," *China State Finance* 10, no. 2 (2003).

⁶ Zhao Man and Gu Yonghong, "Research on the Performance of Financial Expenditure and Policy Suggestions," *China State Finance* 19, no.1 (2009): 54–55.

⁷ Wang Zhenyu and Lian Jiaming, "Research on the Current Countermeasures of Finance and Taxation," *Taxation Research* 5 (2009): 18–23.

investment; and to establish supportive employment services system.⁸ Gu Weiwei proposes that the government should increase investment on human resources of rural migrant workers.⁹

The following paragraphs discuss the current situation of China's public expenditure policy in employment training and its implications based upon the statistical data of aggregate public expenses of employment and social security, GDP, and employment rates from 2007 to 2014 from documents issued by central government in China.

China's Public Expenditure and Management for Employment Training

In order to promote employment, most of countries in the world have set up public expenditure to support employment; and it is generally called Employment Services Expenses; in China, it is called Employment Expenses. Employment expenses have not been allocated separately from public exchequer but are being disbursed out of social security subsidy expenses (i.e., employment subsidy) since the beginning of 2003. During 2003–06, the central government and local governments had arranged the accumulative total of special re-employment transfer payment funds of about 184 billion Yuan. In 2007, the central government continued to arrange employment subsidies of 24.5 billion Yuan. In 2009, the central government allocated 42.02 billion Yuan of employment funds.¹⁰ Public employment expense is the core financial resource and basic supporting strength for the sustainable employment policy and adjusting the scale and direction of public expenditure to increase employment; and it has made important contributions to ease the employment pressure.

⁸ Zhu Cuiping and Jiang Zhihua, "Research on the Effect and Policy Suggestion of Fiscal Expenditures on Employment," *Journal of Yunnan Finance and Trade Institute* 3, (2010): 53–61.

⁹ GU Wei-wei, "On the Role of Government in Employment Support of Migrant Workers," *Science Economy Society* 2 (2013): 76–80.

¹⁰ Man and Yonghong, "Performance of Financial Expenditure," 54–55.

Current Situation of Public Employment Expenditure in China

The current level of public expenditure on the promotion of employment is not sufficient to meet the need and to deal with the severe employment situation. Moreover, China's public expense on employment accounts for a very low ratio of its GDP. In general, labor market programs in the majority of OECD countries account for more than 3% of their public expenditure and 1% of their GDP.

In China, the employment subsidies and subsidies and grants for living expenses of workers from state-owned enterprises accounted for only 1.06% of the public expenditure and 0.19% of GDP in 2004.¹¹ China's public expenditure in employment primarily focuses on unemployment security and subsistence allowances for the urban poor. The employment training funding is clearly insufficient. Though, the public expenditure can only play a temporary role to cushion unemployment, increasing employment training fund can help solve long-term problems.

The total public expenditure of employment and social security increased to 1596.89 billion Yuan in 2014 from 544.72 billion Yuan in 2007, corresponding to the growth of GDP from 26801.94 billion Yuan in 2007 to 63591.00 billion Yuan in 2014 and working population from 753.2 million persons in 2007 to 772.5 million persons in 2014).

Evidently the unemployment problems were alleviated to some extent, which is closely related to the proactive fiscal policy. Therefore, the multiplier effect of public expenditures is not only to promote the economic growth but also for a significant increase in total employment.

¹¹ Liu Yanbing and Ma Yongtang, "Comparative Research on Public Finance Investment in Employment," *China Labor* 6 (2007): 29–32.

Table 1. The Increase Statement of China's Public Expenditures, GDP and Employment Population in 2007-2014

Year	Fiscal Expenses of Employment and Social Security (billion Yuan)	Growth Rate of Fiscal Expenses of Employment and Social Security (%)	GDP (billion Yuan)	Growth Rate of GDP (%)	Employment Population (million persons)	Growth Rate of Employment Population (%)
2007	544.72	/	26801.94	/	753.2	/
2008	680.43	25.91	31675.17	18.18	755.6	0.32
2009	760.67	11.79	34562.92	9.12	758.3	0.36
2010	913.06	20.03	40890.30	18.31	761.1	0.37
2011	1110.94	21.67	48412.35	18.40	764.2	0.41
2012	1258.55	13.29	53412.30	10.33	767.0	0.37
2013	1449.05	15.14	58801.88	10.09	769.8	0.37
2014	1596.89	10.20	63591.00	8.14	772.5	0.35

Sources: The data is from the Website of National Bureau of Statistics of China, <http://data.stats.gov.cn>, 2016.6.26.

Management of China's Employment Training: Division of Responsibilities

China's public employment training is managed by different departments. The main departments are human resources, agriculture, education, and science and technology. Apart from these main departments, finance department, the Woman's Federation, and Communist Youth League are also involved in public employment training. A number of documents regarding public employment training programs are issued jointly by several departments, and local governments have also established public employment training coordinating organizations; still the management and operation of these training programs present urban-rural division.

The rural labor force training involves more than ten administrative departments. Each department has its own training tasks and has developed its own standards and utilization methods, which causes dispersion of funds. Multifarious administrations and serious selfish departmentalism increase the operation cost of organization, therefore, results in the loss of institutional efficiency and productive outcome.

Problems and Issues of Public Expenditure Policy vis-à-vis Employment Training

Fiscal Investment and Structure of Public Employment Training: In China, fiscal investment on employment training is evidently inadequate; the very low proportion of total fiscal expenditure is used for employment expenses, especially local financial investment on employment is too slight. Training education investments and the labor force quality are closely connected but the portion of investment for training education is also very low. Therefore, it could be the reason of low levels of expertise among labor though having a very large work force. This is the reason that it is difficult to reach the final goal of industrial development.

Employee's Training Investment System: There are some problems in employment training in China; like training institutions are not standardized, training costs are too high, and training contents do not fulfill the requirements for development of economy and society. Elsewhere in the world, employment skills and training programs are generally carried out according to government's planning; and in order to invest in this sector, the governments establish vocational institutions, provide funds to universities, research institutions, and training institutions. Comparison between China and rest of World is different. China's government allocated funds in public employment training are temporary, flexible, and decentralized, which affect coordination and training funds disbursement. In the present system of training for rural workers, there are numerous problems regarding management and disbursement of employment funds.

Employee's Training Subsidies: There is not a unified standard of employment training subsidy. Moreover, subsidy standard is too low, which affects enthusiasm and training impact. In 2007, for example, a document was issued formally by Wuhan government that training provided by "Sunshine" employment training project must be more than one month in school followed by 1–2 months practice. But as a result of rising prices, most of peasants in Wuhan city are reluctant to pay and attend training programs, it affected training

quality in institutions due to lack of money.¹² Therefore, it is necessary that government must increase employment training subsidy.

Investment Body: In China, employment training in city and town is invested by the finance department and increases fiscal pressure on the state and local governments and also affects the efficiency of employment training. The enterprise is also an important beneficiary of employment training programs and should pay certain amount of money for training projects. Sunshine employment training project follows the principle that the government and workers should share the burden of training expenses. Workers are the direct beneficiary of employment training, and according to the principle of “he who benefits bears the expense,” the overwhelming majority of training cost should be borne by workers. However, workers’ income is very poor, and asking them to share employment training cost is not realistic.

Policy Recommendations

Okun’s law demonstrates that the economic growth and employment has a positive correlation, but the economic growth and unemployment has a negative correlativity. According to the data of National Bureau Statistics of China, in the 1980s, the increase of one percentage point of the GDP increased 2.4 million jobs, but since the 90s, it increases only 0.7 million jobs. The related research shows that the increase of one percentage point of the GDP will now increase about 1 million jobs.¹³ In order to resolve unemployment, the government should pay full attention to the role of economic growth, keep a certain range of investment and economic growth, continue to implement proactive fiscal policy and a moderately easy monetary policy, maintain the continuity and stability of the policy, and strictly ensure implementation of the policies. Following are some policy recommendations on the basis of our research:

¹² Hu Zaiguo, “An Analysis of the Cause and Means to Solve the Problem on Absorbing Students of Employment Training Provided by Sunshine Project and Rain and Dew Plan, 2009,” accessed May 29, 2016, http://www.Hbagri.gov.cn/yg/hrregister_rule.asp.

¹³ Cuiping and Zhihua, “Expenditures on Employment,” 53–61.

Need to Increase Budget for Training Programs by Local and Central Governmental Bodies: Low level of employment training cannot only be attributed to the lack of investment by enterprises and individual employees but also to the low level of local government's investment. Training costs should be shared by central and local governments according to the principle of cost-benefit symmetry. The governments should continue to increase the investment in public employment training programs.

Monitoring of Employment Training Budget Performance and Training Expenses: In December 2008, the Ministry of Finance and the Ministry of Human Resources and Social Security issued notification regarding the use and management of special funds of employment training and the related problems. The local governments should also allocate special employment funds according to employment situation and employment targets in their regions and should make special efforts to monitor employment training budget performance and use of training expenses.

Establish an Incentive Mechanism for Multi-side Participation in Employment Training: An incentive mechanism should be set up to promote multi-side participation in employment training programs. Enterprises and individuals would be more and more motivated to commence and join employment training programs if an effective incentive mechanism can be devised and implemented.

Rate of Employment as Main Index for Evaluation of Employment Training Expenditures Performance: It is difficult to supervise the process of public employment training. The measurability of performance is poor. The rate of employment can offer a strong measurability in this regard. The purpose of employment training is to help the unemployed get employment, so taking the rate of employment as main indicators of public employment training expenditure performance evaluation conforms to the public employment training purpose and also has strong suitability.

We need to establish good and effective organizations for the smooth sailing of training programs for the betterment of employment. Employment training expenditure evaluation measures need to enhance the awareness of fund allocations, gradually build a

tracing mechanism of employment training expenses efficiency, and improve the mechanism of financial fund management and utilization.