

The Functional Definition of Government in Western Human Capital Formation

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Abstract

Economic development in western regions of China depends largely on formation and accumulation of human capital, and the promotion of western human capital formation is the important responsibility of the government. Combining the properties and the function modes of functions of the government, the functions of government for human capital formation in the western regions of China are defined from two aspects of management function and service function.

Keywords: Government, Western region, Human capital formation, Functions

1. Introduction

The research about economic functions of the government has always been an important problem of economic research. Although different economists have different opinions on this, they can be divided into two basic theoretical paradigms: the first one is the theory paradigm that the government is only "night watchman", and the second one is the theory paradigm that the government should intervene in the economy. With the establishment of the socialist market economy, functions of the government have gradually become the focus of Chinese scholars. But after nearly 10 years strategic implementation for the development campaign of the western regions, there is no specialized literature in theoretical discussion on functions of the government on the development of the human capital in the western regions. There are only some related researches. For example, Lei stressed functions of the government in the process of promoting the transformation from private human capital to social human capital (Lei, 2002); Chen discusses the multiple roles the government played in the investment of human capital (Chen, 2003). Yu et al. gives an economic explanation for the government involving in human capital investment, they think that the government should play a main role in investment subject of human capital, and should increase favoring investment to the vulnerable groups and the western regions (Yu, 2004). Bao et al. analysis the significance of the government investing human capital and puts forward some suggestive measures (Bao, 2004). Song analyzes the necessity of the government playing its role and the function innovation of the government in the development of human capital (Song, 2004). Wang et al. discusses the role of the government in human capital investment (Wang, 2007). Li proposes that the government of underdeveloped areas should actively change and reshape the functions of human capital operation, such as the functions in the overall planning, organizing leading, system innovation, market standardizing and service providing (Li, 2007). Western economic development in China is not only the continuously increasing process of factor input in neo-classical sense, but also the innovation process dependent on the advancement of knowledge and human capital accumulation in sense of Schumpeter, so it is very important to study functions of the government in the development campaign of the western regions. Because there are the deterministic bias caused by pure physical capital determinism and the absence and the offside of the governmental functions in the progress of the knowledge advancement and human capital formation in western regions, there are both market failure and government failure in the formation of western human capital. At present, the fundamental gap between the western regions and the eastern regions lies that the basis of human capital in the western regions to adapt to modern economic and social development is weak. This is not only the result of the relatively backward economic in western regions, but in turn become the reason to enlarge economic gap between the western regions and the eastern regions, and finally become the underlying factor to influence and even determine sustainable growth of the western economy. Once the initial gap is formed, due to path dependence, it is most likely to be expanded continuously through "self-accumulation", leading to continued deterioration of human capital status in western regions. If there are no government forces to intervene this mode, the bottleneck of human capital and backward western economy will likely to be a vicious cycle of reciprocal causation, "Matthew

effect” phenomenon of talents will appear, and the western economic development will be hindered ultimately. Therefore, defining functions of the government in the western human capital formation clearly is the key link to promote economic development of the western regions.

2. Service functions of the government in the western human capital formation

In human capital formation, service functions of the government are mainly manifested in:

2.1 To Improve the Human Resources Market and to Build Knowledge Transforming Platform

First of all, to establish and perfect the talents market in western regions relying on the government, and to promote the continuous development of the talents market; secondly, to strengthen information infrastructure and to provide the information services of human capital investment; thirdly, to establish official intermediary organizations, and to regulate civil intermediaries; and finally, through efforts of the government, to build the western knowledge transforming platform, and to find approaches to make industrialization of science, technology and innovative knowledge(Sun, 2008).

2.2 To Perfect Social Security System and to Increase Health Investment in Human Capital

Health is a kind of capital, “one of the main significances of life expectancy in population is to increase economic stimulus to invest in the education, health, job training, and population flows” (Schultz, 1990). Willing to be health will motivate people to invest in human resources, thereby help to improve labor qualities, and to promote economic development. Health problems are directly related to economic conditions. The serious shortage of health investment becomes an important constraint to human capital accumulation in the western regions. Therefore, the government should set up a sound security system with wide coverage in the western regions. On the basis of having school to receive education and having place to live, to ensure that all the people enjoy their rights to take medical and age care, so as to build a harmonious society.

2.3 To Create Environment for Talents Growth by Improving the Relevant Policies and Systems

Human capital formation depends on development of different levels including the micro, medium and macro levels. The main function of the government is to provide a sound policy and institutional environment of human resources development through making relevant policies and the system provisions. Unreasonable policies and systems are the main factors to constraint the development of the talents and to lead to wastage and outflow of the talents currently. Therefore, the government should further improve the relevant policies and systems to promote the development of human resources. It should to build the hardware facilities for human resources development vigorously, to introduce a social-oriented and public service, to achieve the trinity of the information provision, online services and management; the government should increase investment in public education, especially through the effective way to increase educational investment to the vulnerable groups; should establish a pluralistic social evaluation mechanism and life-long education system. The development of human resource should be diversified; the talents in different areas, industries and types should have distinctive development routes and evaluation mechanisms. The government should provide a diversified mechanism for value realization to qualified personnel, so that people in different areas and different positions from all walks of life have their own unique space for development, the talents who have achieved a success will be able to receive social recognition and obtain status and benefits adapted to their capacity and contributions. The diversity of value-oriented human resources is conducive to ensure that the type, quantity, structure of the talents should adapt to optimization and upgrading of the industrial structure and meet the requirements to the comprehensive development of the society.

2.4 To Broaden the Investment Channels for Education and to Accelerate Human Capital Formation

Because of the externality and risk of human capital investment, the investment from individuals and enterprise are insufficient; the country has become major investor in human capital formation. Being a developing country, inadequate investment in public education of China is an important reason for the low quality and the scarcity of human capital. To effectively develop human resources, the investment channels of human capital must be broadened. At present, the world’s average level of expenditure on education in GDP accounts for 4.9%, which of developed countries are 5.1% on average, less developed countries are 4.1% on average, while China was only 3.48% in 2008. Being limited by financial capacity of the western local governments, the scale of investment in education of the western regions are lower than that of the eastern regions; on the other hand, income of the residents in the western regions is generally lower than the residents in the eastern part, household expenditure on education are extremely limited comparing to the eastern regions. So the state should invest more money to support the western talents engineering, should increase investment in education, in particular, should increase investment in rural education, and to mobilize all sectors of society to invest in education, to encourage

individuals and enterprise to make long-term investment in the human capital, skills, technology related to the long-term economic growth, so that public education can transform from arranged by the government previously into arranged by the government, enterprises and society altogether, so more investment in education can be added and people will have more educational opportunities than before (Song, 2004).

3. Management Functions of the Government in Western Human Capital Formation

In western human capital formation, the administrative functions of the government include:

3.1 Prediction Function and Planning Function

Prediction is a scientific analysis to facilitate human activity through estimating future results of the future incidence or current incidence and reducing its possibility space to a certain extent. Its function is to correctly grasp the future uncertainties or unknown events which play an important role on the current decision-making, to provide relevant information or data, to form a feasible plan and to serve the strategic decision-making and planning (Feng, 2002). Human resources planning can make the western regions adapt better to the changes from internal and external environment, provide a good foundation for human resource development and optimal use. Forecasting and planning by the government has two advantages. The first advantage is information superiority. The government has the advantage of scale economies in information acquisition, possession and processing. The government plays an irreplaceable role for its unique advantage in the periodic disclosure of macro information and identification of micro information. The second advantage is, as a manager of public affairs, the government has the advantage of policy guidance. The government can identify and guide the investors to invest according to the socio-economic development planning and industrial development policy made by the government. As a major investor in the western human capital, the government should not only follow the self-developing pattern of human capital formation, but also must meet the social-economic development needs in the investment to human capital. The problems that the structure of western human resource is irrational, excessive and shortage of qualified personnel are coexist, and personnel training and the needs of society are detached are related to the lack of human resources planning which is scientific and matched with social-economic development strategy to a large extent. Therefore, in order to improve the objectivity and effectiveness of human resources development and make it really become strong support to the western economic and technological development, it need the government to strengthen macro-forecasting and planning functions of human resources management, put the human resource development and human capital accumulation into the long-term development strategy, focus on the overall management of the long-term human resources development. The government should effectively control the development scale, speed, structure and efficiency of all kinds of talents to avoid shortage, merchandise or excess of certain types of personnel, and control the costs of training, use and mobile as well as other links of human resources macroscopically to improve efficiency and investment returns of human resources.

3.2 Organizational Function

The organizational function of the government in the formation and development of western human resource has main features including: first, at the level of education development and training, combined with development needs of local characteristics and competitive industries, to educate and train by organizing and using local education resources effectively. Second, to train local talents needed through the way of sending out and inviting in. That is, the government should to send personnel to go out and learn advanced production techniques, management methods, management techniques in a planned way, as well as to attract talented people from outside to come to the western regions to start their business. Third, to organize local farmers to go out to work in a planned way, making them expand their horizons, learn more skills and establish a market economy concept, through “learning by doing” to develop rural human resources, and to accumulate human capital to serve for the western regions in the future.

3.3 Coordination Function

First of all, regional disparities in China are significant. After 10 years development of the western regions, the relative gap between the western regions and the eastern regions becomes narrow gradually, but the regional gap will continue to exist in the long term, resulting in grossly unfair in education between eastern and western regions and backward situation of the human capital level in the western regions. The central government should coordinate regional disparities in human capital formation between the eastern and western regions to improve unfair proportional distribution of education resources and to bridge huge inter-regional gap in human capital formation.

Secondly, the government should also play a coordinating function in the personnel structure. According to

human capital theory, investment incomes from primary education and vocational and technical education are higher than income from higher education in less developed countries and areas. Primary education plays an indispensable role in human capital formation of a country, vocational and technical education is a powerful lever to support rapid economic development of countries and regions. The development of world economy also shows that economic development level (income level) has positive correlation with vocational education, that is to say, developing vocational education vigorously can speed up the pace of economic development. In addition, according to experience statistics, there has been a high level of inter-regional mobility of high-level talents, and talents in general tend to flow in more small-scale or in the local inter-industry, so the ratio of general personnel training and high-level professional personnel training should be coordinated. In training highly qualified specialists, it also needs to control and coordinate the proportion according to the economic and social development.

3.4 The Guiding and Control Functions

“The super-stable structure of old ideas and habits” exists in the western regions (Zou, 2001). Poor market consciousness hinders human capital formation in the western regions. This is entirely different to the spontaneous formation of human capital accumulation in the market economy of the eastern regions. In the eastern regions, the sense of market participation becomes the foundation of the economic development. Human resources in the western regions are formed through engaging in trade and other intermediate activities. Capitalization and accumulation of human resources promote economic development further, and the economic development has led to the development of division and the deepening marketing, division of labor and specialization and deepening of the market led to the accumulation of human capital. The accumulation of human capital, professional improvement and economic development made more people have a sense of participation, to enable more people to participate into the market, so a virtuous circle is formed (Li, 2007). In human capital formation of the western regions, there is the constraint of “informal system”, therefore, the government must stick tightly to the economic development, combine the reforms of “informal system” and the “formal system” closely, through both educational campaigns, demonstrations and improvement of the formal market system to promote conception changing of the western people, to shape new culture and new concepts adapted to social change and market economy (Zou, 2001).

3.5 Function of Supervision

Function of supervision in human resources formation is firstly in supervision of educational institutions. In the process of switching from planned economy to market economy, differentiation will occur in the traditional education areas. Because of serious shortage of the financial capacity in the western regions, education as a public utility runs difficult. For lacking the financial guarantee, local governments often develop public education through the market approach. But running schools by the government forces and by the social forces have different objectives. Although private education organizations have the function of human capital formation, they have target to make profit too. The supervision of private education organizations is the government’s responsibility. In addition, market-oriented medical institutions and universal moral hazard of doctors also have a direct impact on human capital formation in the western regions. Allocation of human resources according to market rules remains many man-made obstacles, and all needs the government to supervise.

4. Conclusions

The government plays an important role in promoting human capital formation in the western regions. In human capital formation, service functions of the government are mainly manifested in: to improve the human resources market, and build knowledge transforming platform; to perfect social security system in the western regions and to add the health investment of human capital; to improve the relevant policies and systems to create the environment for talents developing; to broaden investment channels of education, and to speed up the human capital formation. In human capital formation of the western regions, the administrative functions of the government include: to adapt to the change of internal and external environment, to strengthen forecasting and planning of human capital development in western regions to ensure the balance between total supply and demand of human capital in the western economic and social development; to organize and use local educational resources and combine with the development needs of dominant industries, to carry out education and training actively, to adapt the way of sending out and inviting in to train local talents needed urgently. Designing plans to organize the local farmers to work outside, through “learning by doing” to develop rural human resources, to play organizational functions of the human capital accumulation in the western regions effectively; the central government should to coordinate regional disparities of human capital formation between the eastern and western regions, and the local government must also play a coordinating function in training of human resources.

At the same time, the government should through educational campaigns, demonstrations as well as improvement of the formal market system to promote conception changing of the western people, and to perform guiding and control functions properly.

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