Raise of the Quality of the Labor Force in China:
On the Basis of Intellectual Capital Theory

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ABSTRACT

In the era of knowledge economy, improving quality of labor force has great effort on enhancing innovation ability of Chinese enterprise and improving competitiveness of the whole country. Currently, the quantity of Chinese labor force isn’t enough mainly due to several reasons: firstly, population policy emphasized “quantity” rather than “quality”; secondly, the structure in labor force market is irrational; thirdly, big differences exist in labor quality between urban and rural areas; fourthly, intellectual capital investment in education and training has been far from enough. However, Intellectual Capital theory has provided a solid theoretical basis for the author to improve labor quality. It suggests setting up an active policy to promote intellectual capital investment; strengthen intellectual capital investment in education system; encourage more and more Chinese enterprises to use Intellectual Capital business model in management; and set up special founding for young generation.

Keywords: Business Model, China, Chinese Enterprise, Chinese Labor Force, Intellectual Capital Theory, Labor Quality

1. INTRODUCTION

“What is the most valuable thing in the 21st century”? The answer is very clear: “The talents!” The popular phrase shows that personal quality is the core element in competition in the era of knowledge economy. We must attach importance to the cultivation of talents and the improvement of population quality. Improving labor force quality is undoubtedly one of the most popular research topics in economics. Intellectual capital theory would provide an important theoretical foundation for this study.

2. BRIEF INTRODUCTION ON INTELLECTUAL CAPITAL THEORY

American economist Mr. Galbraith first camp up with the concept of Intellectual Capital in 1969. In 1983, American professor Paul Rome from the University of California pointed out the ‘Four Factors of Production theory, which included capital, non-technical labor, human resources (which can be measured by the length of the education period) and he took knowledge as one of the important factors of production. In 1991, American expert Mr. Thomas Stewart published his book that “Intellectual Capital would become the most valuable asset in Amer-
“...” In his book, he thought that Intellectual Capital was the most valuable asset which could bring profit to an enterprise, organization and country. In 1996, Mr. Leif Edvinsson (known as the father of Intellectual Capital in Europe), a professor from Lund University Sweden, said that Intellectual Capital was the sum of material capital and nonmaterial capital of the knowledge enterprise. In 1997, Mr. Stewart thought further that the skills and knowledge of an employee, the loyalty of the customer, the culture of the company and the team knowledge in regulation and operation, could be included into Intellectual Capital (Liu, 2001).

From Table 1, we know that the connotation of intellectual capital contains human capital, intellectual assets and intellectual property. Among them, human capital is the foundation of the other two. Mr. Schultz, Nobel prize laureate in economics, pointed out that the raise of personal ability and extend of human’s life due to education, health care, population movement and other investments, is also the form of capital accumulation. Human resource would be an important resource in economic and social development. From the perspective of enterprise, raising the skill level of working team and the ability of solving problems would be probably through intellectual capital investment by education and training system in enterprise. Such ability would make up human capital, which is not only the source of enterprise innovation and the improvement of performance, but also the foundation of realizing the value of intellectual capital investment.

In the enterprise, human capital mainly refers to the rich experience of senior skilled workers, creative research stuff members and the senior managers who would master the core competitiveness of enterprises. Their experience and knowledge, technical skills, creative thinking is abstract. In addition, they also have obvious characteristics of property rights and mobility. This is difficult to manage and control, but just because of these knowledge workers, they can make more contribution in science and technology innovation and bring more profits from intellectual capital investment, especially in the era of knowledge economy (Zhu, 2009).

In short, intellectual capital theory has provided a solid theoretical basis for us to improve the labor quality, especially in the development of economy reform in China.

### 3. PROBLEMS EXIST IN QUALITY OF LABOR FORCE IN CHINA

The quality of labor force means physical quality and mental quality which includes personal working skill, knowledge, intelligence level, cultural background and so on.

Intellectual capital theory focuses on the accumulation of human knowledge, the improvement of labor quality, the innovation in science and technology and etc., In fact, the usage of intellectual capital business model can help enterprise get more profits in production. From economic point of view, the qualified labor force needs healthy body, creative way of thinking, advance knowledge and intelligence. Generally speaking, the qualified labor force can make more contribution in the work and promote economy development in the world.

Since economy reform in 1989, labor quality in China has been achieved greater development than before, but up to now there still exists some problems, for example: the amount of population is still large, the overall

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