

# A New Perspective of Enterprise Human Resource Management

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**Abstract:** In the new century, the traditional model of enterprise human resource management is facing the challenge of the times, improving the human resource management of enterprises, and must innovate the concept of enterprise human resource management. After the 1950s, some economists established the theory of human capital, not only can more effectively explain the problems of modern social economic growth, but also on the enterprise's human resources management contribution to a positive impact. This paper introduces the concept of human capital and human capital investment into enterprise human resource management, which opens up a new perspective for enterprise human resource management. In this paper, we will first define the characteristics of human capital and the main body of human capital investment, and then analyze the meaning of various human resource management behaviors from the perspective of capital investment, estimate their benefits, costs and risks, and finally use scientific means to establish investment decision model and risk control mechanism, to maximize the effectiveness of human resources, so that the management behavior of enterprise's human can bring more revenue for the enterprises, thereby enhancing the competitiveness of enterprises. At present, the scientific operation of human resources is the key to the healthy development of enterprises.

**Keywords:** Information; Investment; Job Opportunities; Human Capital; Productive Wages; Special Training; General Training; On-the-job Training; In-service Investment

## 1. Human Capital and Human Capital Investment

Human capital refers to the knowledge, technology, information, health and morality of the specific behavior subject, which is obtained by increasing the future utility or realizing the value increment, through the conscious investment activity, with heterogeneity and marginal revenue, The sum of credibility and social relations, is reflected in the labor of the capital of the value of the firm. In the activities carried out by humans, some activities affect the current or future monetary income; and other activities affect the current or future mental income, that is, consumption. By increasing the impact of human resources on future monetary and psychological income activities, we call it human capital investment. [Gary S Becker. 'Human Capital.' Peking University Press, 1987.1] investment in human capital can have two main effects:

- (1) The impact on the value of human capital. The influence of knowledge, technology, information, health, morality, credibility and social relations on the person, will change the value of the capital of the laborers.
- (2) The impact of human capital on the conversion rate of actual production capacity. In other words, human capital investment can also act on the efficiency of human capital use.

According to the above discussion, in order to facilitate the discussion of human capital investment in this paper, we can make a more descriptive description of human capital investment, that is, the behavior or expenditure of human capital

value and human capital utilization can be classified as the scope of human capital investment. This kind of human capital investment mainly includes the following forms:

- (1) Formal school education
- (2) On-the-job training
- (3) Health care
- (4) Migration
- (5) To collect information on prices and income

The first three mainly focus on the changes of the structure and quality of human capital, and then the two are more biased towards changes in human capital utilization.

## **2. The necessity of introducing 'human capital' and 'human capital investment'**

In the traditional economic theory, the concept of capital is narrow, it is limited to the interpretation of physical capital, construction, equipment and inventory, and human capital are seen as a production of production materials. In the classical concept of labor, labor is seen as the ability to engage in physical labor, and this labor requires only a small amount of knowledge and skills. Therefore, the human capital between individuals and their conversion to the actual productivity of the efficiency is basically no difference, human capital is the product of investment, rather than the object. However, with the technological revolution brought by the industrial revolution and the advent of the era of knowledge economy, the use of traditional theories in the narrow concept of capital and labor to explain the economic growth has been gradually inadequate, such as capital - income ratio decline, resource productivity And the rapid growth of the actual wages of employees and other economic phenomena cannot be clearly stated, the labor force and the capital of the re-understanding is imminent.

Human capital theory founder Theodore Schultz in the 20th century, 60 years based on a large number of empirical analysis, the following conclusions:

The huge difference in income is largely reflected in differences in health and education.

(2) The decline in capital-income ratio is a sign that human capital is growing. In the real world, as the economy grows, the capital-income ratio is declining. This contradiction does not indicate that the increase in this rate is not a prerequisite for economic growth, but that the capital considered in the estimate of this ratio is only part of the total capital and that part excludes human capital. However, human capital is undoubtedly in accordance with a more than the reproduction of capital (non-human) high rate of continuous growth. Therefore, we cannot conclude that compared with the income, all the capital stock has declined by according these estimates. If the ratio between the total capital and the income is roughly the same, the decline in the capital-income ratio is merely a signal that indicates a growing human capital.

(3) The growth of human capital is the main reason for the improvement of resource productivity. From one business cycle to another, the difference between national income growth and national resource growth is defined as resource productivity. With the growth of the economy, resource productivity is also greatly improved, and this improvement may come from two kinds of strength: the scale of income and the quality of inputs improved dramatically. For the latter, human quality improvement is more important than material quality improvement.

(4) The growth of real wages comes from the investment in human capital. The substantial increase in workers's real wages can be said to be a return on human investment. Unit labor has actually increased by the steady growth in the number of workers' average human capital, and as part of human investment, the human capital component has become very large.

(5) The return on investment in human capital has tended to exceed the investment rate of return on physical capital. In the national economic income, relying on the proportion of property income has been relatively decreased, relying on the relative proportion of labor income has increased, which human capital contribution to economic growth also increased, in short, with the increase in human capital. The economic value of the time has improved.

According to the above theory, we can conclude that the introduction of human capital and human capital investment theory has great impacts to the analysis of the national economy, small impact to the enterprise management decision-making, are very necessary and effective. Competition between enterprises is a large part of the competition of human capital, and with the knowledge and technology and other human factors in the role of business management has become increasingly prominent, business knowledge of human capital and human capital investment is even more important.

### **3. Business and the roles of employees**

After introducing the concept of human capital and human capital investment into enterprise management, it is very important to define the role of enterprises and employees in investing in order to analyze and elaborate the human capital investment of enterprises.

#### **(A) The role of employees**

##### **1 Owner of the capital (carrier)**

According to the definition of human capital, human capital is attached to the sum of the various values of the human body. Therefore, the owner of human capital is a person, that is, employees, but not business. The ownership of human capital is innate and cannot be deprived.

##### **2 Investor**

Employees choose to work in an enterprise, as if their own part of the human capital or all into a certain investment portfolio with a certain investment.

##### **3 Direct beneficiaries**

Employees choose to work in a business, that is, their own capital into a business, through the acquisition of wages and other benefits to enjoy the investment income. At the same time, the enterprise's human capital investment behavior, such as on-the-job training, so that employees have their own human capital value, and in the labor market to obtain higher pay.

#### **(2) The role of the enterprise**

##### **1 The user of the capital**

The enterprise has no ownership of human capital and has the right to use human capital only for a specified period of time (within the term of the work contract) and under certain conditions.

##### **2 investment project provider**

An enterprise is not a capitalist and is closer to the provider of an investment project. Different enterprises, because of their business conditions based on the development of management decisions, human resource management behavior is also different. If these management actions that influence human capital and its conversion rate are considered as the type of human investment, the firm can be seen as an investment project with a combination of investment types

##### **3 Indirect beneficiaries**

Human capital investment does not directly increase the assets or income of the enterprise, its role in the enterprise is indirect. As the enterprise has the right to use human capital, the staff of human capital and its conversion to productivity efficiency improvement, will eventually act on the overall productivity of enterprises, so that enterprises to obtain

higher profits.

#### The type of business investment

As mentioned above, an enterprise is a provider of investment projects, and investment projects are formed by different types of investments and their combinations. For the sake of subsequent discussion, I will describe some of the types of investments associated with corporate human capital investments, which are defined as in-service investments.

#### An on-the-job training (I. Overview)

On-the-job training will improve the marginal productivity of employees in the future. In most human resource management theories, training and development is defined as a planned learning experience designed to provide workers with the skills they need to complete their present and future work. In Becker's theory of human capital, on-the-job training not only include the training required to improve the work described above, but also some behavior that increases the efficiency of human capital use. Obviously, the above definitions do not apply to the on-the-job training explanation of. In order to better understand the meaning of on-the-job training in this paper, according to Becker's theory, I first divided it into general training and special training, respectively.

#### (1) General training

General training refers to not only increasing the marginal product of such training enterprises, but also because of the mobility of employees, but also increase the training of other enterprises' marginal products. This is a training that can bring the external economy to the labor market.

When general training is the same in all firms, and the marginal product of all firms increases by the same rate, general training becomes complete general training. Under the assumption that the firm's wage rate is determined by the increase in the average marginal product of the market, the wage rate and the marginal product increase the same amount, and the firm will not receive any training income and the proceeds will be fully owned by the employees.

#### (2) Special training

Special training refers to the increase in the marginal product of other enterprises, and can greatly increase the training of marginal products offering such training enterprises.

When special training staff are used for other businesses, there will be no impact on the marginal products of other enterprises. In the same wage scenario, if the labor market is large enough, the wage rate will remain unchanged and will not increase as the marginal product of the firm. When providing complete special training increases, the firm will receive full benefits from the full training, it will not be able to derive benefits from full special training.

Special training not only on the staff and knowledge and technology related to the improvement of human capital, but also may be applied to the objective conversion rate of productivity human capital of the (human capital objective utilization). The so-called objective conversion rate (objective utilization rate) refers to the change in the human capital conversion rate of employees due to certain behavior of the enterprise, rather than the employee's willingness to change. For example, companies can learn more about employee capacity and potential through various methods -examinations, work, tests, and mistakes in various departments -thereby making more efficient use of labor and improving the use of employee human capital rate. And because of some incentive mechanism, employees spontaneously improve labor efficiency and increase the conversion rate of their own human capital, which does not belong to the objective conversion rate (utilization rate) category.

Through the above general training and special training, I will define the on-the-job training involved in this article as follows: the enterprise's ability to improve the staff's ability to complete current and future work and increase the objective conversion rate of the employee's human capital.

#### (B) Income and cost

The cost of on-the-job training includes the time and effort of the trainee, the 'education' provided by others, the equipment and materials used. And its income for employees, is their own human capital value and productivity improvement, and then caused by the rise in wages; for enterprises, that is, the increase of the marginal product. The costs and benefits of on-the-job training are not entirely undertaken by one of the firms or employees. For clarity, I introduce the formula for the costs and benefits associated with serving training in Becker's human capital.

(1) Note: Employee's salary during training

: Marginal products during training

The ratio of corporate income earned to the total income of the training

Analysis of this formula, and the difference & is the amount of staff to pay the cost of training to pay the cost of staff to pay the on-the-job training costs, then:

Set the cost of on-the-job training paid by the firm:

(3) Set the total revenue in on-the-job training, according to Becker theory:

At that time, that is, in the case of full special training, the enterprise receives all the proceeds of the on-the-job training, and the employee's salary during the training period is equal to the marginal product, that is, the employee will not pay the training cost in the form of deducting wages, and the enterprise is responsible for all the training costs. At that time, that is, in the case of general training, employees receive the benefits of all on-the-job training. During the training period, the staff will pay the full training cost in the form of deducting wages. Often, the on-the-job training provided by the firm will not be completely complete training or complete general training, but the integration of the two, so the cost and benefits of on-the-job training will be shared and enjoyed by the business and the staff, , but by the type of on-the-job training provided by the enterprise. In other words, when the on-the-job training provided by the enterprise tends to be completely special training, the value is close to 1, and the firm will increase its cost of on-the-job training, and the greater the benefits of the on-the-job training obtained by the enterprise. As the trend approaches to full training, the value is close to zero, and the firm will reduce its cost of on-the-job training, and the smaller the benefits of on-the-job training.

(C) Risk

Because employees rather than the enterprise is the carrier of human capital, the loss of employees means that the expenditure on business and on-the-job training may suffer.

At that time, the enterprise suffered such losses. According to formulas (3), (4) and (5):

So, when the total revenue of on-the-job training is less than the total cost, the firm will face the risk. According to the formula (4) we can see that by the period of the marginal product and the number of employees in the impact of the number of periods. The larger the marginal product is, the steeper the curve is over time, the shorter the cost recovery period, the less the risk of the loss, and vice versa. The lower the employee's liquidity preference, the longer the duration of the job, the less risk the business suffers from such losses, and vice versa. As firms are more likely to spend on special training, this risk is more biased towards special training.

Compared to the general training, as companies are more willing to pay for special training, when the enterprise lost the special training of employees, the loss will be greater. At the same time, however, it is noteworthy that, because special training is not an external economy, employees who receive special training are less likely to get higher than the original wage rate when flowing to other businesses. As a result, employees with special training have relatively low their mobility preferences.

Investment opportunities for employment opportunities

(I. Overview

We can find a better job by talking to friends and visiting companies through a certain period of time by reading the expropriation of advertisements in the employment agency and the job advertisements, or by Stigler's words through 'seeking' work. When new jobs require geography to migrate, they also spend time and resources on the migration. These expenditures constitute an investment in job opportunities information.

#### (I) Gains, costs and risks

For convenience and ease of understanding, we can see investment in employment information as an investment similar to on-the-job training. On-the-job training is to improve the productivity of the existing employees, that is, in the enterprise can use the same amount of human capital in the case, by improving the quality and utilization rate to improve the use of human capital to obtain the benefits. Investment in employment opportunities information is the direct purchase of human capital, that is, by adding to the enterprise with a certain quality and suitable for the number of human capital to improve the use of human capital to obtain the benefits. Therefore, the estimation of such investment income, cost and risk can be applied to the three estimates of on-the-job training. It is noteworthy that, in the estimation of such investments, the determinants have changed.

Becker believes that the cost of finding a job by the employee or by the firm depends on the impact of the job change on the opportunity to choose: The greater the chances of job change, the greater the cost of the job that must be paid by the employee. In the other words, when the industry in which the industry and the region, the more job opportunities, the more intense competition in the labor market (for enterprises, the staff of the contrary), the closer the  $a$  to 0; when the industry in which the industry and geographical, employment opportunities will become less, the smaller the labor market competition, the closer the  $a$  to 1.

Three increases in productive wages

#### I. Overview

Productive wages, which can increase the productivity of wages. increase the productive wage, the staff have two aspects:

- (1) To promote 'spiritual' influence. In short, it is an incentive for employees to improve their human capital in charge of the conversion rate.
- (2) For external investments. The external investment is, employees outside the enterprise behavior investment, such as for staff health care, better diet and regular school education. Enterprises pay more than ever before, so that employees can have more income for the above examples of 'external' behavior, and ultimately improve the staff's own human capital value.

In the discussion of this article, we can make productive wages more broadly. It can not only be the material workers get the wages, it can be a kind of spiritual treatment.

#### (B) Income and cost

Unlike the two types of investment described above, the cost of increasing the cost of productive wages is borne by the firm, which will be the employee's income.

Introduce Becker's formula on such investments:

$$MP + G = W + C = (7)$$

Note:  $MP$  : The marginal product of the employee

$G$  : The proceeds from the increase in productive wages

$W$  : wage

$C$  : The cost of the enterprise to increase the productive wage (ie, the additional wages paid by the employee)

: Total salary earned by employees (income)

Since we have broadened the productive wage in this discussion, it can not only contain material remuneration.

Becker believes that the impact on the productivity of enterprises more special, the stronger the monopoly power of the enterprise, the longer the labor contract, the greater the contrary, the greater the impact on the productivity of enterprises. The weaker the monopoly power of enterprises to buy labor, the shorter the contract, and the smaller the G. It can be seen that such investment is also the role of the staff's own human capital value and its conversion rate, and then affect the productivity of employees, resulting in changes in the marginal product for the enterprise to bring the final income. As a result, we can see the increase in productive wages as a completely special training, with estimates of their benefits, costs and risks, with reference to special training in on-the-job training.

#### Establishment of Enterprise Human Capital Investment Decision Mode

##### AI revenue - cost optimization model

When firms spend less on their in-service investments to get more revenue, the greater the net profit they receive in the project on human capital investment, the greater the cost-cost optimization. Based on the above analysis of the benefits and costs of various in-service investments, a revenue-cost optimization model is established.

##### (A) The objective function

Assuming that the on-the-job investment is independent, we can build the simplest one to maximize the objective function:

##### (8) Note: Net profit on behalf of the investment.

According to the formulas (1) to (7), we can draw the net profit of various in-service investments. In order to facilitate the distinction, I will use the subscripts 1, 2 and 3 to represent the in-service training investment, employment information investment and increase production Sexual wage investment.

According to the formulas (8) to (12), the maximized objective function is:

Set the as the discounted value of the employee's liquidity preference, the discount value of the future income of the employee in the future, the discounted value of the future income of the new enterprise, and C is the pay for the employee's choice Cost, S for the staff to choose the net income of the flow.

This can be obtained, in order to reduce the liquidity preferences of employees, employees in the enterprise during the working period, reduce the human risk, the enterprise can take the strategy:

- 1) Reasonable setting of on-the-job investment to enhance the effectiveness of each on-the-job investment.
- 2) Compared with the rigid wage system, more tend to use performance pay.
- 3) The establishment of long-term contract, the provisions of the punishment of employee turnover.

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