

# *Human Capital and the Realization Path of High Quality Economic Development in China*

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**Abstract:** China's economy is in a critical period of transformation from a stage of rapid growth to a stage of high-quality development. This paper summarizes the connotation and theoretical development of high-quality through literature review. This paper analyzes the factors that affect the high-quality economic development, and puts forward the concrete realization path of high-quality economic development: innovation as the driving force to cultivate the new power of high-quality economic development. Innovation can be divided into technological innovation, institutional innovation and talent innovation, among which technological innovation is the core, institutional innovation is the guarantee and talent innovation is the fundamental. Therefore, the realization of talent dividend through human capital investment is the inevitable path to achieve innovation-driven high-quality economic development.

## 1. Introduction

Since the reform and opening up, China's economy has been growing at a sustained and rapid pace. After reaching a certain stage of scale and aggregate volume, China's economic development needs to move towards a higher level and a higher quality. High-quality development is a relative concept. It is a better, newer and more coordinated state based on the original development.

The main reason why China's economy has achieved a long period of rapid growth is to give full play to the advantages of being a latecomer, including the advantages of low cost of production factors such as land, resources and labor, and the advantages of large gap in technology level and great potential of technology introduction in the early stage of development. However, the role played by these advantages is gradually weakening, making it difficult to sustain the traditional extensive mode of economic growth featuring high pollution, high energy consumption, high input and low output. Only by tapping new and more powerful comparative advantages and recreating new driving forces can China's competitiveness be continuously enhanced. High-quality development is the only way to break bottlenecks in development and replace old growth drivers with new ones. Therefore, to explore the effective path of high-quality economic development has become a major theoretical and practical issue that China has to face.

Human capital is the capital embodied in human body, which is the sum of all kinds of production knowledge, labor and management skills and health quality. Human capital and economic development complement and promote each other. Generally speaking, the level of

economic development of a country generally determines the level of investment and accumulation of human capital, whereas the situation of human capital reacts on all aspects of economic and social production. Since the reform and opening up, China's economy has been growing at a sustained and rapid pace. After reaching a certain stage of scale and aggregate volume, China's economic development needs to move towards a higher level and a higher quality. China's economy has shifted from a stage of rapid growth to a stage of high-quality development. High-quality economic development means that China is at a crucial stage of transforming its development pattern, optimizing its economic structure and transforming the driving force for growth.

In making overall planning for economic development, we must put quality first and performance first, focus on supply-side structural reform, promote the reform of quality, efficiency and dynamism in economic development, and raise total factor productivity. These requirements also mean that attention must be paid to the improvement of human capital to provide a human capital system that can support and promote high-quality economic development.

With the help of literature research, this paper will answer the following questions: what is the connotation and evolution process of high-quality economic development, and what factors affect high-quality economic development? From a human capital perspective, what is the path to a high quality economy?

## **2. The Connotation and Theoretical Development Of High Quality Economy: Literature Review**

### **2.1. Connotation of High Quality Economy**

As for the definition of "high quality", it has not yet reached complete unity and is still in the stage of continuous exploration and research. Scholars have different understandings of the concept of high quality economy.

Liu (2019) analyzed the meaning of high quality from the perspective of economics, the core of which is to provide products or services that meet people's actual needs in life, and the degree of its use value is the judging standard of quality [1]. According to Ren (2019), high-quality economy is a dynamic process, which means that after the economic quantity grows to a certain stage, the kinetic energy will be transformed from the old kinetic energy to the superior new kinetic energy, and from the "factor and investment driven" to "innovation driven", so as to achieve efficiency improvement and structural optimization [2]. Wei (2019) demonstrated what a high-quality economy from macro and micro perspectives is. In macro perspective, sustainable economic development and structural balance should be satisfied, while in micro perspective, reliable products and satisfactory services should be provided [3]. Yuan (2019) put forward that high-quality economy means to achieve efficient, fair and sustainable economic development, and in order to achieve efficiency, fairness and sustainability, technological and institutional innovation is needed [4].

### **2.2. The Theoretical Evolution of a High-quality Economy**

In the early stage, economists believed that economic development was equal to economic growth, and defined the quality of economic development with the growth of data. The evaluation standard system was also relatively simple, mainly including Gross Domestic Product (GDP) and fiscal revenue. There are few empirical research literatures related to high-quality economic development, the research contents are not rich, and the research methods are single. Generally, the increase of economic index is regarded as a substitute variable of high-quality economy, and total factor productivity is used to measure the quality of economic growth.

With the continuous development of economy, scholars' understanding of high-quality economy is constantly updated, and relevant theories are also constantly improved. Xu (1988) emphasized the importance of quality in economic development, and proposed to realize quantitative expansion through qualitative improvement, and optimize and upgrade industrial structure to realize the transformation of economic growth mode [5]. Fu et al. (1990) discussed the importance of using technological innovation as a carrier to promote high-quality economic growth [6]. Ren et al. (2013) emphasized the transformation of economic development form from supply and demand management and paid attention to the improvement of the supply side [7]. Liu (2013) believes that economic development needs to be upgraded from an economy dominated by extension growth to one dominated by connotation growth [8]. Yao et al. (2017) believe that it is necessary to stimulate the vitality of market subjects, implement coordinated regional development, form a new pattern of all-round opening up, and strengthen the construction of ecological civilization so as to promote the realization of high-quality economy [9]. Yang (2019) started from the transformation of capital accumulation mode to promote high-quality economic development, and further elaborated the realization path from the perspectives of innovation, consumption upgrading and knowledge economy [10]. Zhang et al. (2019), on the other hand, innovated through technology, talent and capital to optimize the allocation of resources in the market and stimulate innovation subjects, so as to achieve the ultimate high-quality development [11].

### **3. Factors Influencing High Quality Economic Development**

#### **3.1. Innovation**

Innovation is the driving force for high-quality economic development. As China's economic development enters a new era, the net income from efficiency allocation based on factors will be gradually reduced. Only industrial reform centered on innovation can promote consumption upgrading faster and realize a truly high-quality economy.

Innovation is the main driving force of development. Although China has vigorously advocated the concept of innovation and accelerated the construction of an innovation-oriented country, there is still a long way to go. On the one hand, China lacks core technological innovation, and key achievements and inventions cannot be controlled in our own hands. The absence of key technologies and core components will greatly limit the development and quality improvement of enterprises. On the other hand, projects of industry-University-research cooperation cannot be transformed, and some innovations cannot be put into practice or tested by the market. Moreover, China's scientific research environment is still at the middle and low end, and there are still many problems in infrastructure and resource allocation. The audit of scientific research results is either too simple or too complicated, which greatly reduces the output of scientific research results.

#### **3.2. The Industrial Structure**

Optimizing the structure is an inevitable requirement for high-quality development. China's economic and social development is, on the one hand, a problem of aggregate supply and, on the other hand, a problem of structure. At the present stage of development, the contradiction between the structure is more prominent, so optimizing the structure is an inevitable requirement for high-quality development.

From the perspective of industrial structure, by comparing the added value of China's three major industries since the reform and opening up, it is found that the proportion of the secondary industry keeps rising, the tertiary industry develops rapidly and its proportion keeps rising, and China has gradually transformed from an agricultural country to an industrial country. However, the overall

level of China's industry is low, lack of market competitiveness, low processing level, need to be further transformed and upgraded. Industrial overcapacity, especially in the coal and steel industries, blindly pursues output and scale while ignoring the real situation of the market. As a result, the number of enterprises with losses keeps increasing, and in some cases, zombie enterprises will form.

The industrial structure is competitive power in the final analysis. To realize high quality economy, it is necessary to evolve from low value-added industry to high value-added industry. The upgrading of industrial structure is directly related to the success of high-quality development of the overall economy. All industries should actively respond to the new needs of the development of the new era and conform to the development of The Times. The primary industry should gradually transition to the secondary and tertiary industries. At present, there is a large imbalance in China's industrial structure, which mainly concentrates on the middle and low end and lacks international competitive advantages. The improvement and upgrading of industrial structure has an important impact on high-quality economic development.

### **3.3. Human Capital Structure**

The reason why the early economy can develop rapidly is that China has the advantage of demographic dividend. After entering the new era, with the gradual disappearance of traditional demographic dividend, it has become an important practical problem how to apply human capital to economic development so as to realize the smooth transition and high-quality development of the economy in the second transition period.

To develop the economy, it is necessary to improve the factor endowment and increase the accumulation of capital, especially human capital. China's development has entered a new era, so it needs more high-quality, long-term vision, innovative thinking talent to support. Jing et al. (2019) verified that the upgrading of human capital structure can promote high-quality economic development by using principal component analysis [12].

However, the traditional exam-oriented education is divorced from the needs of social development, which makes it difficult for many students to meet the requirements of innovative and entrepreneurial talents in the new era. The intense competition pressure and the cruel employment pressure make the talented person is imprisoned in the old, the standard thought system. The education system fails to provide the creative education needed for the new economy. In addition, China is short of high-end knowledge and talent resources. According to the Big Data report of Liepin, by the end of 2018, middle and high-end talents in China's intelligent manufacturing accounted for 35.89% of the middle and high-end talents in the whole manufacturing industry. By the first half of 2019, the national index of middle and high-end talent shortage shows an increasing trend.

## **4. The Realization Path of High Quality Economic Development**

### **4.1. Raise the Level of Human Capital**

The improvement of human capital has a positive and positive effect on economic development. Compared with the material capital input, the human capital promotion has a greater benefit and a longer impact. Upgrading human capital can effectively guide the operation of material capital, and high-tech material capital can better play its role by matching with high-level labor force. The promotion of human capital can play a great role in technology research and development and application, so as to promote the development of productivity and the improvement of labor productivity. In recent years, with the improvement of labor production skills and the increase of

investment in education, science and technology, the proportion of China's labor force, especially high-quality labor force, has been constantly increasing, and human capital has gradually become a new advantage of China's economic growth. Further improving the level of human capital is a decisive factor in promoting industrial transformation and upgrading, and is conducive to promoting high-quality economic development.

The value created by laborers is directly related to the degree of their labor ability, which is directly related to the degree of their education and training, knowledge and experience accumulation. Therefore, to improve the level of human capital, we must first increase the relevant investment in education.

First, we should raise the level of vocational education. Since the reform and opening up, China's economic strength has been constantly rising, while the market demand for talent is also increasing, the requirements are becoming higher and higher. Among them, with the rapid development of the manufacturing industry, the shortage of skilled personnel is a very long time to face the dilemma. To build a modern vocational education system is to meet the diversified needs of the people for vocational education, and to train batches of talents who can meet the needs of local economic development and enterprises through education and training, with various vocational colleges and vocational training institutions as the main carriers. This kind of human capital investment is conducive to increasing the future earnings of a country or a region. It can not only effectively make up for the shortage of enterprise talents and increase enterprise benefits, but also improve the income level of this group and thus improve the living standard. Therefore, it is ultimately conducive to promoting economic and social development.

Second, we should attach importance to and popularize basic education. As the foundation project of cultivating talents and improving national quality, basic education occupies an important position in the education system of all countries in the world. The level and popularization of a country's basic education determines the reserve level and innovation ability of a country's human resources in the future. In particular, we will promote the integrated development of compulsory education in urban and rural areas, attach great importance to compulsory education in rural areas, provide pre-academic education, special education and online education, and make high school education universal. This requirement is conducive to ensuring that every child can enjoy a fair and high-quality education. It is an objective requirement and an important driving force for China's high-quality economic development. Basic education needs financial support and preferential policies from the state, so the funds for basic education must be greatly increased. We should balance resources, promote the balanced development of compulsory education, eliminate educational inequality at the stage of compulsory education, and narrow the gap between different regions as far as possible. The allocation structure of education funds should be adjusted to ensure the proportion of education budget in basic education.

## **4.2. Talent Training as a New Driving Force for Innovation**

Innovation is the core driving force for high-quality development and the strategic support for building a modern economic system. In the context of increasingly fierce international competition for development and the transformation of China's driving force for development, we need to focus our development on innovation and give greater play to the advantages of high-quality, innovation-led development.

We will implement the strategy of innovation-driven development and focus on strengthening basic and applied research. We will not only aim at cutting-edge science and technology in the world and achieve major breakthroughs in forward-looking basic research and pioneering original achievements, but also expand and implement major national science and technology projects to



provide strong support for countries that are strong in science and technology and that are strong in quality. We should establish a national innovation system, with the reform of the scientific and technological system as the entry point, establish a technological innovation system in which enterprises play the leading role, the market takes the lead, and enterprises, universities and research institutes are deeply integrated. We should guide the establishment of industrial technological innovation alliances, promote cross-sector collaborative innovation, and promote the in-depth integration of science, technology and the economy. Competition in the final analysis is the talent competition in today's world, we should cultivate the innovative talents, create a large number of strategy of science and technology talents, science and technology talents, youth science and technology talents with high level innovation teams, we will deepen reform of the market configuration elements and promote talents, funds, such as scientific research achievements in urban and rural, orderly flow between enterprises, universities, scientific research institutions.

Innovation can be divided into technological innovation, institutional innovation and talent innovation, among which technological innovation is the core, institutional innovation is the guarantee and talent innovation is the root. So talent is the solid foundation of high-quality economy. The emphasis on talent training is directly related to the quality of economic development. Therefore, talent training should be regarded as a new driving force for innovation. School is the beginning of talent transport, the use of high-quality education mode, personalized, modern education, to stimulate the creativity of students to the greatest extent. We should vigorously support outstanding talents, provide them with assistance and convenience in terms of resources, funds and policies, and enable them to innovate and create in a good environment and master high-end and core technologies. We should build an innovative platform for exchange and cooperation, and learn to let advanced ideas collide with each other. We should foster a good environment for innovation, stimulate the vitality of innovation subjects in various ways, introduce advanced technologies and achievements and promote them in an all-round way, actively cooperate with excellent high-tech companies, support the development of start-up enterprises, and establish a variety of innovative enterprise incubation parks and industrial base demonstration zones.

### **4.3. The Institutional Guarantee of Human Capital Enhancement**

The promotion of human capital also needs to be matched with a variety of systems to improve. From the current situation of China's economic development, we should seize the opportunity, take measures to promote the improvement of the system from many aspects, to help improve the human capital.

First, promoting high-quality economic development and improving human capital should promote each other. Economic growth can directly lead to the optimization of human capital indicators to ensure the economic foundation needed for human capital improvement.

Second, we should promote supply-side structural reform, optimize industrial structure, provide a broader platform for human capital to play its role, and increase the rate of return brought by human capital enhancement. On the one hand, we will accelerate efforts to improve the industrial structure and reduce the share of traditional industries and increase the share of emerging industries. On the other hand, the mobility of labor across regions, industries and sectors should be promoted.

Finally, we need to deepen the reform of the talent system. Including deepening the reform of talent training mechanism, improve the "industry-University-research" integrated talent training mechanism, so that talents in first-class learning and scientific research environment growth; we will deepen the reform of the talent selection system to ensure that talented people continue to emerge and bring out to the greatest extent their creativity and innovation. We should also deepen reform of the system for the use of talents, provide a first-class platform and sufficient policy

support for their entrepreneurship and innovation, and enable all types of talents to unleash their maximum potential, reflect their maximum value and play their maximum role.

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