

Assessment of Human Resource Management Environment in China: Past, Present and Future

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Abstract

With the rapid transition and development of the Chinese economy, the HRM in China is hot topic for researchers as approach to managing human resources has changed significantly in China over the last twenty-five years as its transformation from a state planned economy to a market-oriented economy continues. The main aims of this article are two-fold: first, to provide an overview of the key developments in Chinese Human Resource Management; second, to highlight the key HRM challenges in China and delineate future foci. The article is structured along three sections. The first section summarizes the historical developments in Chinese HRM and highlights the kind of HR management practices being pursued in China. Section two focuses on the emerging and concurrent HRM challenges in the Chinese business context. Finally, the last section proposes the future focus of HR in China, drawing upon the current challenges.

Keywords: Chinese HRM, Evolution, HR challenges, Future foci.

1. Introduction

A dynamic workforce, global competition, advances in information technology, new knowledge, demands for sustainable performance, and a host of other changes are forcing organizations to constantly examine and reevaluate how they operate (Lawler & Worley, 2011). Countries and Organizations across the world are utilizing new technologies, changing their structures, redesigning work, relocating their workforces, and changing work processes to respond to an increasingly demanding unpredictable and global competitive environment. But are organizations changing their human Resource management policies, practices and processes? Are they redesigning their HR functions? (J. Boudreau, E.E. Lawler 2014). We tried to find the answers of above questions in Chinese HRM context.

During the past 10 years, China's annual economic growth rate ranged from 8% to 11.9% (for example, 8.7% in 2009) and 7.4% in 2014 in spite of the global recession (China Daily 2014). Two main reasons could explain China's remarkable economic growth: institutional changes and resource utilization. These two reasons also provide an important context that helps to explain the development of HRM in China (M. Zhang, 2012). Thus, before the contributions of this paper are discussed, it is necessary to have a snap shot look at the historical context in which HRM in China is embedded. Today China, the second-largest and fastest-growing market in the world, is facing a quite challenging transition, but it also indicates robust market potential and a clear reform strategy for a bright future in upcoming time. China is transforming from an export-oriented economy to a service and domestic demand-oriented one, which is good for rebalancing both within China and in the global markets (Daily China 2014). Needless to say, in the pursuit of strategic goals there are many issues that still need urgent attention-among these issues is better management of Human Resources have become crucial for China's sustained economic growth. China needs to bring key reforms in particular Managing its HR and enterprise level of HRM that could bring enormous benefits to the national economy. China's leaders recognize the importance of Quality of HR and productivity to China's economic future. It is undeniable fact that Human resources are indispensable and vital ingredient to achieve such cherished socio-economic goals as depicted in above lines. In this scenario it is imperative for Chinese organization to manage their Human resources effectively in order to be competitive and maintain its bottom line as well as to be able to survive and thrive in upcoming global, local challenges. Hence our motivation and choice to study the HRM in China is self explanatory and need of the time with the hope that this paper can contribute substantially in developing better understanding of the topic and propose potential insights and guide the researchers for future research orientations.

1.1 Historical Developments in HRM in China.

Given its historical diversity and uniqueness, summarizing the development of HRM in China is daunting and challenging task given the different perspectives found in the literature and prior studies reported. Summarizing the history is beyond the scope of this paper. However, we would like to use a summary approach to describe the development of HRM in China. From 1949 to 1979, China had a completely centrally planned economy; all industries were owned and run by the state. Personnel management was characterized by the 'iron rice bowl' (tie

fan wan), which ensured ‘jobs for life’ and a ‘cradle to grave’ welfare policy (Warner, 1993, 1995). Before the beginnings of the transition from a centrally planned economy, the system of three “old irons”; the iron rice bowl (guaranteed lifetime employment), the iron chair (selection based on political orientation, absence of punishment for poor business performance), and iron wages (a state –administered, inflexible wage structure and low wage policy) was prevailing. With this system employees were assigned to state-owned enterprises and received guaranteed lifetime employment. The fundamental objective of such policy was full employment to everyone however; serious short comings of this system such as overstaffing, lack of motivation and inefficient use of labor were rampant. The fundamental transition of China’s economy occurred in 1978 initiated by Deng Xiaoping who made many reforms to the system, known as the breaking of the “three irons”. Consequently, three new systems were introduced including the establishment of a labor contract system, a floating wage system, and a manager engagement system (e.g. decentralizing economic decision-making powers so that managers had increased authority and responsibility (Cindy Wang, 2002). Many authors have highlighted the core problems of HRM in this period. Child, (1994) argue that the concept of HRM was largely absent in China prior to the return of foreign firms in the 1980s. Young people were usually assigned to jobs by the state, and the HR function was purely administrative in nature (Ding & Warner, 2001; Gittings, 1995; Lewis, 2003). Foreign firms encountered many difficulties. Employee productivity was much lower than expected; employees were commonly late, were unmotivated and difficult to train, had virtually no valuable skills, napped during work shifts, and left work early without permission (Mann, 1997; Warner, 1995; Wong & Maher, 1997).

The core concepts of HR management were progressively incorporated into China from the middle and late 1980s, however the modern practices of HR management were not applied on a large scale (Shuming Zhao, Juan Du. (2012). After the open door policy 1978, China has led and emerged to impressive growth and significant integration of the country into the global economy. This consecutively has had a profound impact on managerial practices. (Cherrie Jiuhua Zhu (2013). In the mid-1990s the modern HRM concepts started to influence the Chinese business environment (Zhu et al., 2007). With China joining the World Trade Organization (WTO), most organizations gradually changed their HRM policy and practices by adding an international dimension (Zhu & Warner, 2004). Consequently Chinese practitioners and researchers had begun to apply and implement HR management into the personnel management practices of businesses and government. The results of the survey conducted by Zhao (1999) showed that industries had begun to implement and improve HR management functions through recruitment, training, pay and performance appraisal, as well as improvement of professional skills. Some enterprises implemented an annual salary system which motivated entrepreneurs, intensified self restriction (Shuming Zhao, Juan Du. (2012). Warner (1997) describes that the China through CERs had substantially upgraded old style ‘command economy’ to a new ‘socialist market economy’ forcing changes in the way enterprises have operated. Such changes include changes in the way that human resources are managed. New Labor Law 1994 was a breakthrough in the Chinese HRM history as it provided the guidance for managing human resources to both state owned enterprises (SOEs) and MNEs, clarifying the rights and responsibilities of both employers and employees. According to Gary Dessler (2004) era of 1994-2004 was a period of enormous progress for HRM in China in which enterprise managers had to adapt their practices to the new necessities of global competition. China’s enterprise managers made substantial progress in instituting modern HRM

Practices thereafter.

1.1.1 Paths of development of China's HR management.

Zhao Shuming (2012) sketches the developmental path of HRM in China from 1978 to 2008. According to him HRM in China has evolved through three paths (1) the introduction stage, (2) the probing stage, (3) the systematic intensification stage. The starting point of the introduction stage is 1978, when China launched economic reforms and the opening policy (M. Zhang (2012) rewiring the paper argues that “Zhao and Du's narrative indicate that China imported and adopted the U.S. practices gradually (but increasingly) at the micro level of HRM (selection, training, performance appraisal and compensation). Companies in China learned HRM in a market economy from scratch, but have been active in learning principles and practices through many avenues: MBA business school courses, business training, visiting abroad, joint ventures, foreign investment companies, consulting services and so forth. China's dramatic economic reform provided an experimental setting for companies to test their HRM ideas and practices. For 30 years, Chinese companies have accumulated experiences in managing their human resources in a market economy.” Tracing further into changes of HRM function in china in the past we can find that HRM has become broader and more strategic, coherent and integrated employment policies, programmes and practices integrated into organizational strategic planning. However beside these developments the competitiveness of HRM field has been questionable. As Connie Zheng and David Lamond (2009) have critically evaluated the development of Chinese HRM practices of thirty years (1978–2007) argue that HRM in China is not treated as a mainstream subject of study and specific model of China HRM is yet to be fully developed. Research focused on HRM practices among Chinese firms is seen to lack theoretical rigour, and considered to be unlikely to make a significant contribution to enhancing global

knowledge in the field. From roles of HR management point of view (Zhao, 2002), argue that the development of China's HR management has evolved with three distinct stages. The first stage involves administrative roles that primarily concern administration management, and personnel files/archives management, second stage involves supportive roles, describing most human resource practices that provide employees with supportive activities and services. The third stage involves strategic roles, referring to the contributions to organizational objectives and to the protector of the organizational ethic. Child & Tse, 2001; Connie Zheng and et al (2009) argue that "By the middle and late 1990s, policy makers realized that HR management required substantial reforms and modern practices ought to be introduced, with that, the practice of HR management began to be widely applied. Nevertheless, at that time the reform of the enterprise management system and the economic system in the labor market did not provide strong support for the establishment and improvement of rules and regulations necessary for modern HR management to be readily implemented. Because of the dynamic changes in the external environment during the 21st century, HR management reform is further growing and developing in an international, market-oriented, and professional dynamic. With China's accession to the World Trade Organization (WTO) in December 2001, China has been facing a more complicated market and operational environment. In order to maintain the healthy development of Chinese enterprises, a long-term undertaking must be examined that focuses on a human resource management pattern suitable for these enterprises. Although China has witnessed a rapid transition to the market economy, the old administrative system of national economic activity still has important influences. (See Child & Tse, 2001; (Zheng & Lamond, 2009) Drawbacks and Less development of HRM in china could be attributed to imperfection of the market system at that time, such as the ambiguity of rights and liabilities within an enterprise. These drawbacks resulted from the vague property rights system, the administrative overreach of internal management systems of the state-owned enterprises, and the development of the professional human resource market management. Zheng and et al (2009). From the late 1990s until now, the reforms and refinement of human resource management has systematically intensified, which is reflected in the growing importance that China has attached to changes in corporate understanding and improved development of HR management (Xiong & Zeng, 2008). During this phase, China's labor market has experienced a relatively full growth; the labor law is one step closer to full implementation; the HR management in government has been enhanced; businesses now encourage autonomy among their employees and pay more attention to the effective practice of HR management. During the systematic intensification stage, HR management became a significant part of business management. Meanwhile, the academy has made significant contributions and progress.

2. Key Challenges Facing HR Management in China

In recent years, HRM challenges have increasingly taken center stage in China and in other transition economies (Ahlstrom et al., 2001; Chen, 2001; Ding & Warner, 2001; Kamoche, 2001; Schlevogt, 2001a, 2001b). According different observers, the five biggest challenges currently facing China HRM are the changing role of HR, the impact of technology, increasing globalization, the measurement of human capital, and the need for HR leaders to meet the challenges of rapid change (Richards, 2002b). In the following section we have presented fresh look on concurrent Challenges of HRM in china along with these aforementioned challenges.

2.1 The Talent Conundrum:

The scarcity of talent is an imminent concern in Chinese Organizations. Despite huge population numbers; China is short of talent, which is predicted to become a major barrier in current and future growth (Ma & Trigo, 2008). Despite the fact that China produces 5 million college graduates a year (Gupta, & Wang, 2009; p.175), the competition for hiring and retaining talent has become intense (Dickel & Watkins, 2008). The graduates coming out of Chinese educational institutions do not have the skills and perspective for which MNCs are looking (Fenton, 2008). According to a research study by McKinsey Global Institute (MGI) a large number of university graduates are hired by domestic organizations but these graduates are not suitable for MNCs in China and for Chinese companies with international ventures (Farrell & Grant, 2005). In 2003, China had 8.5 million graduates with professional experience and additional 97 million people qualified for various staff positions. However, a survey among human resource professionals revealed that less than 10% of Chinese candidates were suitable to work for a foreign company in various medical, financial and engineering jobs (Farrell & Grant, 2005). According to Yang (2005), demographics predict that supply of entry level workers will shrink. As the global economy is rapidly transforming from manufacturing to service and from industrial to information technology, the demands of the new workplace are changing. According to Michaels et al., (2001) in 1900, only 17 % of all jobs required knowledge workers but such a demand has now increased to 60%. The companies are also demanding higher managerial and communication skills in order to survive in a competitive marketplace (Dickel & Watkins, 2008). China lacks world-class managerial talent required by multinational corporations. The greater concern is the managerial skills. According to the study conducted china will need 75000 people in managerial positions and currently has only 5000 people on the labor market (Farrell & Grant, 2005). Multinational corporations find themselves competing with restructured Chinese companies which have raised the need for

effective human resource talent management strategies which makes it a major concern for western multinational corporations. (Cheung, 2008; Ma & Trigo, 2008; Taylor, 2007). Some of the shortage is the result of high demand from thousands of companies from all over the world setting up businesses in China, but much of the problem stems from two factors: education, or the lack of, and demographics. The World Economic Forum estimates that demand for talent in China will grow by 5% annually through 2020. Meeting that demand will require the country to spend 4% of GDP on education. The mobility factor is also one obstacle in talent acquisition. The government has strict limits on mobility. Local governments can restrict subsidized housing, education, and health insurance to long-standing residents, making the cost of relocation very expensive for many (Raghav Singh, 2012). Chinese Businesses need to adopt a long-term approach to ensure they have the right talent to achieve their business objectives. A robust recruitment strategy can ensure a company's business strategy is supported by having talented people to execute it. Every year, millions of fresh graduates from Business schools and other majors and many more experienced professionals around, the presence of a gap between the industry needs and the quality of talent available is alarming for the Chinese economy. Although the main reason behind talent scarcity may be the fact that the demand for talent is increasing in China, but the short supply of best sets of skills to some extent, raises questions on the quality of education system. The gap between the industry and the academic sector needs to be bridged by working closely with students, educational institutions, training infrastructure and government has to formulate seriously on clear talent management strategy and vision. Considering the level of competition and shortage of talent, both MNCs and Chinese companies need to evolve new strategies in human resource management in China. These strategies should emphasize recruitment, management development, and compensation (A. Aziz a, M. Ogbolu (2012).

2.2 Workforce Expectations:

Generational differences are still not understood well and it is critical for managerial research (Westerman and Yamamura, 2007). Knowledge of the differences among the various generations in the workforce will help organizational leaders in making important decisions about human resource policies and practices (Sullivan *et al.*, 2009). Among the differences, life experiences and social trends are the reasons that affected behaviors, communication approaches, and viewpoints between older generations and the young Generation because the latter are exposed to a vast array of media and educational opportunities, and grew up in a more global environment (Timmermann, 2007; Hammett, 2007; O'Bannon, 2001). Managers will be more effective if they understand factors that influence their employees' attitudes. In order to lead and coach employees effectively, being aware of the influences of one's own generational outlook is the first step (Douville, 2001) and it is crucial to reduce conflicts or clashes (Pekala, 2001). This phenomenon is equally true and also applicable in China. According to Shen *et al.* (2007a) that younger people in China demand more from their leaders and are willing to change jobs if the leadership is inadequate.

Despite the skills shortages, in comparison with older employees, younger workers in China are more highly educated. With the shift of the younger employment force from Generation X to Generation Y (also known as "Millennial") companies are finding that there are different attitudes and work habits that need to be incorporated into the existing culture. These workers also appear to have entirely different needs, aspirations and value orientations. Further, younger workers are not solely looking for a position that will offer job security, better wages and working conditions; they are also focused on aspects such as challenge, a meaningful job, autonomy, and the ability to use one's own discretion on the job. Organizations need to recognize and understand the different factors that appear to motivate the younger population. Managers thus need to learn to manage employees with different needs. On the one hand, they need to address individual aspirations and needs, while on the other hand, they need to create policies that are uniform for multiple generations in the workplace in order to be, and be seen as fair. It will be critical for them to shape their recruitment practices to attract the right level of talent and enact retention strategies that reflect the changing dynamics of the work force. With companies now having different generational mentalities and priorities, the corporate melting pot has new challenges ahead (Jon Burgess, undated). Newer, younger employees are less committed to staying with the same company, whether they have a loyalty problem, see better opportunities elsewhere, or just get bored with their jobs. Advancement Expectations are higher. Younger employees expect promotions much faster than previous generations. Work Attitudes are also different. Chinese Organizations must have to adapt their workforce management policies to better reflect the shifting expectations of their Human Resources.

2.3. The Macro Structural changes and Leadership vision.

F.L. Cooke, (2012) argues Chinese state has strategic role in influencing human resource management (HRM) practices. State and other institutional actors with a collaborative relationship can promote HRM ideas by targeting actors in different ways on different HRM issues. The role of educational institutes and business schools in management development has been universal. HRM practices through institutional isomorphic changes in emerging economies can be supportive in achieving national development goals. As China is in the process of modernization, it has attempted to reform its large-scale industrial enterprises and to address the problems of change in pursuit of this goal China needs highly trained and highly educated individuals who can

work in a dynamic domestic and global marketplace (Serena Rovai 2010). China's performance during its period of economic transition has been remarkable. Despite its success in the post reform period, a number of difficulties for China still remain to be overcome. As a consequence the tasks facing China's leaders are immense and precarious. There is the need to maintain growth and generate employment without increasing inflation, while bringing about much needed reform of the social sector (Charles Harvie, (1999). Recently In the third plenum of reforms China's focus on the shift to a high-productivity, high value-added, consumer-based economy, and doubling average incomes by 2020, to achieve 70 percent-plus urbanization by 2025 and to have the world's largest supply of graduates. If it succeeds, China will quickly surpass America as the world's largest economy. By 2025 it will probably move from middle-income status to high-income status and make around 1 billion of China's 1.3 billion populations "moderately prosperous" middle-income. Relaxing one-child policy, opening the country and its people to vast new opportunities and will substantially raise the birth rate, contributing up to 2 million new children in 2014 . a 15 percent one-year lift that will only further boost consumer morale and spirit (*The Boston consulting group* 2013). Beside this, efforts to build out C-9 (the top nine universities in China) investing of more than \$1 billion in major campuses. Funding committed to attract top faculty, build state-of-the-art facilities, and recruit the very best students aiming at China to lock into a global war for intelligence, education, and skill. Such developments are good omen for over all developing better work conditions and more work opportunities as well as competitive work life hence better practices of HR.

2.4. HR Competence and Professionalism in knowledge economy

Professionalism is an important indicator of market maturity. Changes of the market environment pose challenges of professionalism for employees working in HR management (Zhao, 2008). With the advent of the knowledge economic society, HR management professionals are expected to become a key resource within the organizations. In a series of interviews with MNCs in China, talent was by far the most consistently and frequently cited factor that would critically affect business success (Yeung, Warner, & Rowley, 2008). Related to the issue above, Chinese managers are facing the increasing pressure of professionalizing their conduct. This is confirmed by a survey of 300 middle-level Chinese managers in which 86% of them agreed that it has become imperative for organizations' leaders and managers to professionalize their practices (Li, 2003a). This looming shortage of home-grown talent is said to arise due to few university graduates having the necessary skills for the growing services sector (including little practical experience and still poor levels of English) (Malila, 2007), and a lack of employee mobility between provinces and the few major commercial centers (Farrell & Grant, 2005). To date, many of the problems faced by China are largely caused by the shortage of qualified managers (Benson, 1996; Child, 1994; Vanhonacker and Pan, 1993). The dearth of managerial competence in China can partly be attributed to the mode of industrialization. For a system that is bureaucratic rather than market-led the skills managers require are more relevant to coping with the bureaucracy than managing the modern, competitive economic environment. Furthermore, the shortage of good quality institutions to train managers is a barrier to management development (Borgonjon and Vanhonacker, 1994). China's HR professionals are not always equipped to handle the complexities of China's talent marketplace, and companies need to improve the effectiveness of their HR processes, programs, and leadership. Indeed, with cutting-edge HR concepts still relatively new to China's HR managers, the need to boost HR competency is critical to business success. Chinese HR professionals must quickly learn the complexities of more strategic HR solutions, and not just the tactical implementation and execution of compensation and benefits strategies (China business review 2007). Given China's phenomenal economic expansion, corresponding social and administrative complexities, and their continuing effort to globalize, it is imperative that Chinese organizations ensure better equipped talent pools of middle and top managers in the coming decades (Jia Wang, 2004). The pendulum has to swing back to the specialist HR generalists which have been managing HR concerns in china need to be replaced with specialist HR practitioners. Strategic thinking should be HR's new core competence adding strategic value to the business.

2.5. Managing Migrant Labor Force

China with striking regional disparity in income levels along with a huge income gap along rural and urban areas has substantial numbers of migrant workers (Li Shi 2008). The number of rural urban migrant workers have increased with gradual loosening of administrative barriers on labor mobility. However managing these workers is a daunting task for China. Although Chinese government has made great efforts to improve social and economic conditions of migrant workers but due to "hukou system" migrant workers are discriminated in terms of employment practices and public facility. Exploiting the talent of 250 millions migrant workers should be priority policy agenda for Chinese leaders. Although the government shows its concern for migrant workers, such as passing laws to defend their rights, providing free judicial aid and so on, there is still a long way to go to thoroughly solve the migrant worker problems of living, sanitation and medication as well as deterioration of their children's education, the wage arrears and rights protection.

The emerging urban markets from which and to which skilled employees are drawn are changing China's human resources (HR) landscape. So far, most skilled employees have flowed into the first-tier cities-

Beijing, Guangzhou, and Shanghai-which have relatively high salary ranges, large populations, and strong GDP growth. But demographic shifts, such as the expected migration of 150 million rural Chinese into urban centers over the next decade, will likely blur the distinction between first-tier cities and the hundreds of second- to fifth-tier cities. The growth of these centers will undoubtedly influence the evolution of China's mass markets and future recruitment and retention strategies. China's rapidly aging workforce will also affect companies' HR strategies. As companies set up or expand their operations, they should consider these and other long-term labor market issues (China business review 2007).

3. Future Foci

Winston Churchill once said, "The further backward you look, the further forward you can see". Realizing the imperativeness of the HR function to the successful and sustained growth of the Chinese economy, it is vital that HR professionals truly address the issues discussed above, and invent ways to correct discourse, so that they may truly become strategic partners. The future of HRM in China will probably be influenced by multiple factors among which we see is critical changes of policymaking which can be instrumental in shaping the future of HRM in China. In following section, we discuss the critical areas where HR will need to focus for the foreseeable future, if Chinese businesses are truly to be able to capitalize on the tremendous opportunities that are available to them due to the growth of the economy.

3.1 Re-inventing HRM:

In the Past, HRM in China has focused on processes, policies, and practices borrowed from west. Indeed, HR professionals have much inspiration from the west often tried to operate counter-intuitively with one size fits all orthodoxy mentality by going against the grain of societal norms, perhaps HR leaders wanted to appear as being more evolved, or in their attempts simply to adopt foreign practices, especially in MNCs. So, for example, they have treated Chinese cultural traditions as detestation to what they believed to be progressive, professional, practices. Instead, they need to co-opt Chinese cultural traditions into their policies and practices, so that employees feel more "at home" in their workplaces. In this connection, a recent analysis of the "Chinese Way" has proven that following such an approach can lead to tremendous benefits for organizations. Next, Chinese HR professionals need to move from traditional transactional HR to strategic HR, by emphasizing results over processes. While technology can be a tremendous asset in the execution of organizational policies, it should not become an alternative to the humane side of human resources. Legislation should be instrumental tool for modifying the HR practices. Anti-discriminatory measures, which have been enshrined in legislation since time to time should be extended and integrated for compliance of employment conditions vigorous reinforcement of minimum wage law, equal opportunities law, and the regulations regarding temporary workers are crucial to the protection of individual rights in the work place. Due to a more diverse composition of workers embedding different human capital levels and demographic characteristics in China, HR departments has to develop another set of approaches to enable them to attract and absorb new employees with different employment backgrounds. The integration of foreign workers from different countries into the labor market may be absorbed specifically in certain industries.

The significant challenge to the China HR profession is the vast gulf between the HR industry and academia. The discrepancy between theoretical and practical HR has long-term consequences for the profession. Due to the absence of industrial role modeling at business schools, HR students also do not get ample opportunities for realistic applied research projects at business organizations. Two types of changes, incremental-evolutionary and drastic-revolutionary with institutional approach are needed to harmonize disparate HR practices, resulting in business efficiency and improved employee satisfaction. Education system should be oriented towards producing educated youths having occupational skills. Chinese HR community has to embed evolutionary thinking approach combined with revolutionary approach in convincing management that they can deliver strategic results with a positive attitude and multi-dimensional approach, which shifts emphasis from HR traditional focus as expert administrators, to develop multi-skilled and multi-functional departments that adds value to the organization on the whole. The speed of convergence of HRM practices into best practices tends to be accelerated with the removal of the barriers to labor mobility, the development of a mature labor market, and the rapid technological progress on macro level. Under the globalization phobia upbringing and re-inventing of HRM is mandatory in order to high per formative environment. With rising significance and sophistication of paradigms changes in economical and social scenario pretense superior intellectual demands of HR. China's socio-cultural compactness is not a gloomy barrier but conventional administration mindset is leading towards misallocation and misdirection of HR function that is not delivering up to expectations. At present, more than ever before to foster effective indigenous based changes in the field of HRM is imperative to maintain competetativness as well to emerge as future leaders.

3.2 Educated Generation with Expectations to match

A record seven million students graduated from university in China this year (Ministry of education 2013), China has created an educated generation with expectations to match. But the growing worry for the country's

leaders is that there are not enough decent jobs to go around. In 2012, China's total population stood at 1.35 billion. The working age population (those aged between 15 and 59 years) was 937 million, down 3.45 million from the year before (CNB, 2013). China Household Finance Survey in 2012 puts China's youth unemployment at 8.1 %. Others suggest that the rate to be as high as 20 %. China's youth unemployment issue has a rather different characteristic: On the one hand, high-school-level-educated youngsters are more likely to find jobs given that there is a shortage of such labor. On the other, there is a big pool of qualified graduates who are having a hard time to find the jobs that they desire (China Household Finance Survey in 2012). The observation from the survey is perhaps not that surprising; China's economic miracle has so far been driven by three sectors: export-driven manufacturing, construction and large energy and capital intensive heavy industries dominated by the state, none of which offer large number of white-collar jobs suitable for university graduates. This highlights a fundamental issue: youth unemployment in China is a structural rather than a cyclical problem – the country is not creating a sufficient number of high-quality positions to soak up its educated youngsters. Worse yet, the number graduates and the number of institutions of higher education have been on the rise over the past two decades. At the same time, most universities are more interested in pursuing revenue and growing themselves in size. The result is that there is little motivation to enhance the quality and the employability of their students. China faces structural unemployment, mostly resulting from a mismatch between the conditions and nature of jobs and the skills and expectations of the young generation. A broader policy agenda is needed to address the deeper issues underlying the problem of structural unemployment. Otherwise, the strange phenomenon of unemployment and labor shortage is likely to coexist for China's young generation, be they college graduates or second generation migrant workers (Zhao Litao & Huang Yanjie, 2010).

China, Being surplus labor force economy, the imbalance between the shortage of skilled labor and oversupply of Unskilled and semi-skilled workers are major concerns for HRD policy at both national and enterprise levels has become so critical in recent years (see: Benson and Zhu, 2002). The needs of employers and the demands of employees are increasingly out of sync, and this dislocation is only likely to worsen as growth continues to slow and the economy moves away from a reliance on exports towards greater domestic consumption (China labor bulletin 2103). According to National Bureau of Statistics (NBS) China's working age population (ages 15-59) had declined in 2012 by 3.45 million, or 0.6 percent, marking the first decline in working population "in a considerable period of time. This means the end of the demographic dividend, which is a productive advantage brought about by a large labor force and a low dependency ratio—Such labor force implications definitely will have impact on overall HRM practices in China. In addition to its own indigenous challenges, there are several other issues with which China's emerging HR function must contend. A large portion of China's labor force lives in rural areas, out of which over 106 million people are expected to move to metropolitan areas between 2003 and 2010. The restrictions on mobility of labor force have impact on talent search and demographic wage discrimination.

3.3 HR in a Globalized Environment:

Globalization speeds up the competition for human resources among nations. In East Asia, increasing pressure on developing HR for better economic performance has led governments to implement more skill development policies (Ying Zhu, 2004). The more rapid pace of internationalization and globalization leads to a more strategic role for Human Resource Management (HRM) (Novicevic & Harvey, 2001; Scullion & Starkey, 2000). The development of global leaders will become a priority for the academic and business worlds (Drucker (1998). In China, with the emergence of international capital and technology, many industries and enterprises have changed their competitive patterns, with international competition localized and local competition internationalized. Chinese companies also are faced with the real challenge of insufficient numbers of skilled global leaders. Companies should cultivate their global collaborative abilities and team spirit through resource flow in transnational networks formed by business units, community, and economic management. Greater attention to recruiting and maintaining skilled talent within HR management is the essence of an organization's success, and a prerequisite of to an organization's competitive edge (Zhao, J. Du 2012). Chinese HR managers will have to develop a global mind-set that is attuned to accepting and respecting differing viewpoints, attitudes, and beliefs. Short-term strategy of "Buying talent" should be replaced with long term strategy of "Developing talent". Network leadership is a term used by (Evans et al. (2002) indicating HR should have: an awareness of leading edge trends and developments in the internal and external labor market, the ability to mobilize the appropriate human resources, and a sense of timing and context (sensitivity to what is going on at both local and global levels). Chinese managers need to apply network engineering to mobilize talent programs to better handle in deploying their talent in emerging markets to enjoy a significant competitive edge in the global market place.

3.4 Managing a Multi-generational Workforce

As workforces have progressively become more diverse in race, gender, ethnicity, and generation, the workplace has become progressively more challenging for human resource management practitioners (Zemke *et al.* 1999). Organizations all over the world in today's rapid growth context are faced with the challenge of understanding a multi-generational workforce and devising policies and processes to build collaboration between

them. (Vasanthi Srinivasan, (2014). In today's business environment, people from different generations work side-by-side. Because each generation has its own unique values, set of skills, and characteristics, having employees from different generations has created its own challenges and opportunities for managers (Gursoy et al. 2008). Therefore, it is vital for managers to understand the underlying value structure of each generation and differences in values among those generations if they want to create and maintain a work environment that foster leadership, motivation, communication and generational synergy (Smola and Sutton, 2002). This issue as the Chinese economy continues to grow, and organizations get larger and spread their wings globally, employees often feel lost and disconnected from their organizations. This, coupled with high turnover rates, and generation gaps between managers and junior employees, means that organizations will need to come up with creative ways to keep the workforce engaged, and feeling like they all belong and can contribute.

According to figures from China's National Bureau of Statistics China's working-age population began to decline, despite this demographics changes young workers have different ideas and higher expectations in work life than their predecessors, not only regarding pay. Companies are expected to offer better conditions to attract and retain workers or else look for opportunities to automate (China's Pearl River Delta study). Workers born in the 1970s typically had limited education; they grew up when China was still backward and had little exposure to the outside world. Workers born in the 1980s have more technical expertise and depend heavily on working in a particular industry. Those born in the 1990s don't even want to work. Most of work force does not want a manufacturing life. Securing a home is major expectation for migrant workers. In comparison with older employees, younger workers in China are more highly educated, having entirely different needs, aspirations and work value orientations, job security, better wages and working conditions; they are also focused on aspects such as challenge, a meaningful job, autonomy, and the ability to use one's own discretion on the job. As the mindset of the modern Chinese workforce has evolved, the needs and expectations of Chinese workers in terms of better corporate culture are imperative. New breed generation of quality leadership having strategic mindset, teamwork and communication is highly cherished. Fairness and promotion on merit is great ambition (China Business Review 2013).

Chinese Managers thus need to learn to manage employees with such different needs. On the one hand, they need to address individual aspirations and needs, create policies that are uniform and for multiple generations in the workplace. It is critical for them to shape their recruitment practices to attract the right level of talent and enact retention strategies that reflect the changing dynamics of the workforce. One of the biggest challenges China faces today is how to address the country's demographic changes and their impact on economic growth. China's population is aging rapidly-the number of people over the age of 60 is expected to reach 437 million by 2050, which will account for 30 percent of the population. This shift will cause an increase in demand for healthcare, putting stress on existing systems. China will need to adapt to these changes, and innovation is the key (China Daily 2014.). Today's Chinese workforce consists of multi-generation employees ranging in age from 18 to over 60. Each generation, or age group, grew up learning different principles and experiencing different societal events. These generations approach the workplace with different perspectives, creating day-to-day challenges for both coworkers and supervisors. Everyone working in this multigenerational workforce needs to understand the challenges and the ways of addressing those challenges.

3.5 Demographic Implications and Gender Discrimination.

In addition to its own indigenous challenges, there are several other issues with which China's emerging HR function must contend. A large portion of China's labor force lives in rural areas, out of which over 106 million people are expected to move to metropolitan areas between 2003 and 2010. Woman constitutes 47 % of work force of china is much higher than global average (Cooke 2001), but the issue of staffing discrimination is also prevailing in Chinese firms despite the labor participation of women in China is remarkable. There exists discrimination for higher posts and jobs where despite qualification and experienced woman is discouraged to assume the position. There is a long-standing recognition that woman holds a subordinate position in employment, arising from deeply entrenched values in Chinese society that have remained influential through the (avowedly egalitarian) communist era and into the period of market-led reforms (Cooke 2001,2005; Leung 2003). The discrimination against woman in labor market is also HR issue that needs to be addressed. Beside this backdrop gender wage gap typically reported as being 20 and 30% (Cooke 2001; Zhang and Dong 2008). Another major concern is one child policy; China is now one of the most rapidly aging countries in the world. This factor alone has significant ramification for employment opportunities and practices in China (Benson & Zhu, 1999).

3.6 Cost implication:

The cost of labor is important factor that affects different HR approaches. Staffing function is influenced by many factors such as company's own strategy, profit level, economic conditions, labor market dynamics, political, legal, economical, socio cultural, international competition. China is famous for cheaper labor cost but Average labor cost has been doubled since 2007. Over the period 2007-2010, there has been significant and persistent wage inflation across all sectors. Labor costs rose fastest in the banking and insurance (18.7 %);

mining (16.4 %); wholesale, retail and accommodation (16.3 %); and agriculture sectors (15.9 %). The banking and insurance sector was a clear outlier, reporting the highest labor costs and wage increases by a large margin (Source: Ministry of Human Resources and Social Security, Ernst & Young analysis.) The 12th five-year plan targets a 13 % annual increase in the minimum wage. The introduction of mandatory employer social welfare contributions, when they are fully rolled out, will add another 35-40 % to payroll costs. This includes contributions to pensions (20 % of payroll), unemployment benefits (2%), medical insurance (6 %), work injury insurance (1 %), maternity insurance (0.8 %), and housing entitlements (5-10%). Labor takes up the largest share of total costs for the agriculture sector (at 55%), followed by other services (33%), banking and insurance (31 %), mining (19%), and wholesale, retail and accommodation (17%). Under such statistics Chinese firms have relatively pressure to reduce the labor cost hence the staffing strategy is changing (Young analysis). According to Chinese labor department statistics Wage levels in China have increased continually over the last two decades as the economy has developed and the private sector has created new employment opportunities. However, disparities among geographic regions, industrial sectors and between top executives and ordinary workers have also increased significantly, widening the rich-poor gap. Moreover, wage increases for China's lowest paid workers have often been eroded by higher costs of living, and the issue of wage arrears remains a serious and unresolved problem throughout the country (China labor bulletin 2013).

4. Conclusion

Child and Stewart (1997) rightly said that "Any generalization about Chinese HRM must involve oversimplification as in a country that is geographically large, populous and undergoing rapid economic development and transition there are considerable differences across ownership type, industry, size and geographical location. The development of HRM in China has evolved from strict bureaucratic style of management in planned economy system and strict government control. Feeling the main stream changes in the global as well as local environment changes in practices have occurred and the field has become more professional and more mature. However, due to diversity in ownership, cultural influences, less vigorous legal requirements, less structured HRM mechanism, lack of HR professionals in China and labor market dynamics has a profound impact on the current state of HRM in China. Posed with future challenges, the pleasant aspect is that the field is on the track of refinement and progress and towards professionalism and in comparison with developed countries practices and more and more HR managers emerging in China is a positive sign for China's whole managerial science development. However, China has to work smarter and harder to improve HRM practices to develop nation. The practitioners and researchers have to implement best practices in order to unleash hard working and huge labor force to meet global challenges in the future. We have attempted to provide a wider framework to observe changes of HRM at the macro level in Chinese Economy. From historical transitory frameworks to contemporary influences of political, economic, societal and demographical factors including intra organizational and HRM departments. The insights have been flourished by depicting past, present and future scenarios with expert discussion. There are several areas of inquiry that would benefit from elaboration on the conceptual framework presented here. Second, the conceptual framework could be transformed into an empirical study design by subjecting the propositions presented in this paper to operational definitions. This paper has merely reported cursory information and highlighted the HRM development in China discussing concurrent challenges with possible solution. This paper is a preliminary step in a nascent area of HRM that attempts to apply less empirical methodology, any generalization framework and the propositions need to be substantiated with more empirical studies.

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