

# Human Resources Quality on Competitiveness Enhancement

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## Abstract

Human resources are an important aspect in terms of economic activities. Further, in any activities in general, high quality human resources can result in many positive and impactful outcomes. Competitiveness is built on many aspects, and human resources play an important role in terms of competitiveness, due to the fact that human resources contribute to knowledge, innovation and technology development. Competitiveness is also related to economic growth and quality of life, nations with high competitiveness index, tend to have contribute on social welfare in general. According to this, it's important to high and recall the contribution of human resources in this process. Using qualitative method of literature review approach, this paper will describe the importance of high-quality human resources in term of competitiveness, using empirical evidence and research as its main sources of data, deductive reasoning employed in this paper will provide conclusions and possible improvements for future research. The result of this paper indicates that high quality human resources were developed through education aspect, whether its formal or informal, education contribute toward knowledge and innovation, which are

embodied by high quality human resources. Through this human resource will have the capability of having high productivity and maximize the use resources to achieve competitiveness in general.

**Keywords:** Competitiveness, Economy, Human Resources, Innovation, Knowledge

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## 1. Introduction

Human resources are one of the most important components in economic activities. The role of human resources can vary, from labor worker to professional and specialized worker, there are many forms of role and profession one can take. However, there are three main activities, which are production, consumption, and distribution. These three main aspects also contribute a lot toward economic in general, namely growth, higher production can influence higher consumption, which will lead back to potentially increasing the production capability, due to the higher demand from time to time. Human resources contain more than just a life, human resources function as the engine of economic activities, human resources development, often define as process which serves the purpose to increase the knowledge, skills and capabilities, in term of economic, this form of enhancement can be classified as investment toward economic development, namely in many economic sector (Maier et al., 2014).

Human resources have numerous potentials, especially in economic sector, even though there are some of skills owned by HR require self-taught and workshop, these skills contribute toward productivity of one sector, and in term of result, increase in productivity will translate to economic growth in general. These are made possible by the capabilities of HR to learn and obtain knowledge in various fields of expertise (Herliana, 2015). In the context of competitiveness, the many indicators of competitiveness require the role of HR. Competitiveness not only determined by physical resources, but social and human capital also an important aspect, competency of human resources, determined high-quality of region productivity, due to the fact that not only production need human, but high quality human

resources can well-operated technology, in which, can make the production process becomes faster and more efficient. In terms of human resources, there are several translations toward competitiveness indicators in this context, including, qualified from the education aspect (highly educated human resources), influencing entrepreneurship, high creativity, labor market performance, social capital, cooperations network, receptivity, connectivity, and transcoding devices (Camagni, 2017).

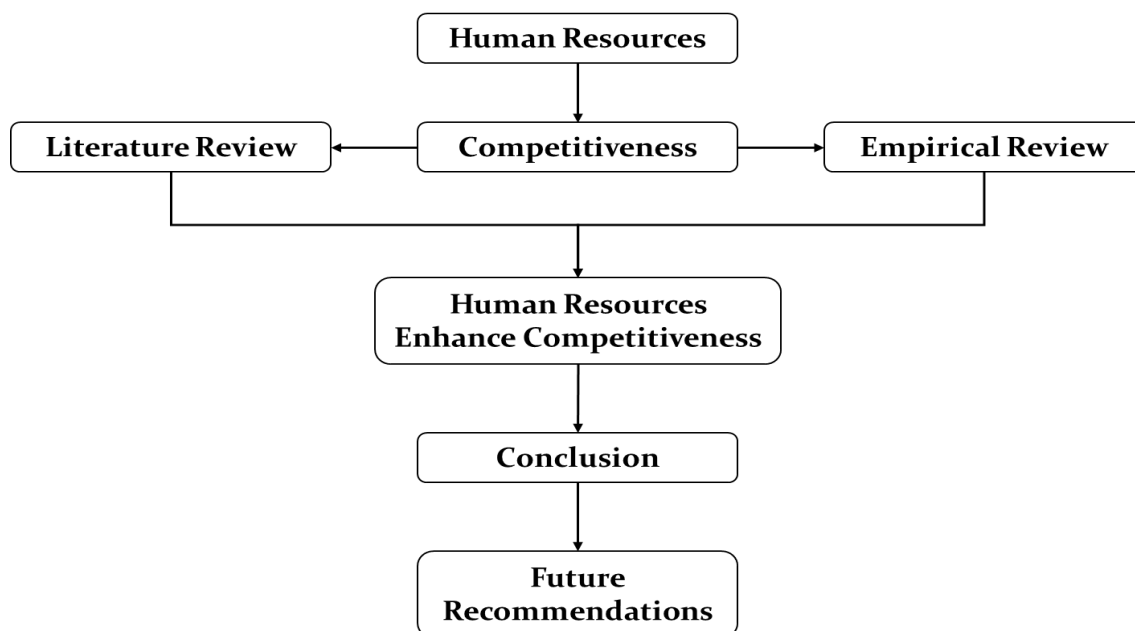
Competitiveness is a multifaced concept, however, there is one aspect competitiveness often interconnected with, which is the level of output, or in common word refers as productivity. In order to achieve competitiveness, an area must be able to provide goods and services for their populations, while also providing goods and services to be delivered outside of the area considering the market conditions and competitions. These conditions reflected the need for more than just productivity, but also the supporting aspects to increase productivity and ability to enter market and compete in that market (Januškaitė & Užienė, 2018). The many indicators of competitiveness never leave out the three main aspects, which is economic performance, productivity, and business environment, economic performance can be reflected in the ability of a country to provide jobs and a good quality of life toward their citizens. Productivity can be measured in the level of output per working-age, which can be influenced by many factors such as institutions, policies, and business practices of a country. Business environments include efficiency of a markets, and the level of innovation and creativity, which can influence both economic performance and productivity in the future.

Economic activities have its own purpose, namely competitiveness, economic competitiveness cannot exclude the role of HR, the causality of competitiveness, and HR, form a cycle, in which HR play important roles enhancing competitiveness, but in return, with high competitiveness, one country can provide more jobs and good quality of life, in which opening potential to improve the HR quality in general. As a sources of innovation, HR play important role, innovation can be achieved through good HR management, and also through the HR alone, the many sources of practice, workshop, and training nowadays, bring HR development to many potentials that would contribute to their ability to enhance economic performance in general (Jończyk, 2015). The prosperity and standard of living of a region or territory depend on its competitiveness. It is characterized by a region's capacity to attract and retain businesses and to maintain or improve the living standards of its economic participants. Regional competitiveness also requires well-paying jobs with high quality standards. HR affects competitiveness. Human capital frequently contributes to the production of knowledge, which promotes regional economic performance. Regional competitiveness is typically connected with knowledge areas, knowledge cities, and urban growth based on knowledge, which demand qualified and

competent employees. Knowledge has a direct impact on the originality or complexity of an innovation and is a crucial component of an organization's innovation capability and competitive advantage. Regional competitiveness is affected by the ability to export local commodities, the efficiency or productivity of local resources in producing value-added goods, and resource use. These aspects are dependent on the abilities, expertise, and output of a region's human resources. Human capital is essential for competitiveness (Brás et al., 2023). Reflecting from this, its very crucial to understand that HR is an important aspect in competitiveness process, in which competitiveness and its indicator such as economic performance, productivity and business environment, these indicators require the role of HR as its engine, therefore, not only contributing to competitiveness alone, HR also serves important functions in enhancing competitiveness.

## 2. Methodology

This paper is qualitative research, using the literature review as its approach, this paper will explore the importance of human resources in enhancing competitiveness, as competitiveness require human resources in its process, this paper will use empirical evidence and research as its main resources of data, using deductive reasoning, this paper will provide arguments highlighting the importance of human resources supporting the main findings of this paper. Further, this source of data will also be utilized in providing conclusions and recommendations for future research under the same field of expertise and theme on competitiveness. To simplify the research flow, it can be seen in the illustration of conceptual frameworks below:



**Figure 1.** Research Conceptual Framework

### 3. Result And Discussion

After performing this research there are several findings that need to be highlighted, in general, human resources is an engine in economic activities, throughout economic activities, many other forms of development are originated, from traditional to modern transaction and production, these processes made possible by human resources, in which technology transfer and trade overseas in open economy are also made possible by human resources. In order to achieve competitiveness, there are several factors that urgently need to be implemented in human resources development. Competitiveness illustrated the capabilities of an area or country to provide jobs and good life quality, high productivity and creative and innovative business environment. For this to be optimal, human resources need to be intelligent and smart, have the capabilities to understand and operate technology, creative and capable of generating innovations overtime and further, the policy toward human resources development, such as access to education either formal and informal, needed to be maximize, due to the fact that without this factors, human resources have very minimum influence to increase the capacity and capability of receiving knowledge and learn new skills.

#### 3.1. Competitiveness Indicators

To fully understand how human resources and competitiveness were really connected, we must first understand the indicators of competitiveness, as competitiveness is multifaceted concept, which can be define as competitiveness in the context of company or industry, it can also be define as competitiveness in the context of regional competitiveness or nation competitiveness, and further, global competitiveness. Competitiveness combines many aspects, including aspects of economics, management, politics, history, and culture. Mostly competitiveness is reflected in the market performance, productivity, and moreover, quality of life. While competitiveness is more than just this, there are few pillars that often illustrate competitiveness in a whole, which is technology, human capital, product domestic market, networks, open economy, online presence, market strategy and decision making (Dvouletý & Blažková, 2020). Another perspective on competitiveness indicators, define profitability, efficiency, and growth as its indicator, in general term, profitability can be obtained through productivity, as well as efficiency which require technology and innovation, meanwhile growth can be seen as economic growth in general (Wahyuningtyas et al., 2022). However, competitiveness is not limited only by company, it can be broader, translated as economic competitiveness, regional competitiveness, and further global competitiveness.

Economic competitiveness is a concept that is analyzed in micro-, meso- and macroeconomic terms and is defined in a diverse way, deriving from various strands of economic theories such as the theory of international trade, theory of economic growth, and microeconomics (Nowak & Kasztelan, 2022). Competitiveness indicators often include factors such as the quality of human resources, the level of innovation, the strength of institutions, the state of infrastructure, and the health of the macroeconomic environment, (1) The quality of human resources is often measured by factors such as education levels, skills, and productivity; (2) Innovation is another key indicator of economic competitiveness. Regions that are able to produce new and improved goods and services are often more competitive; (3) The strength of institutions is also a key indicator of economic competitiveness. This includes factors such as the rule of law, the level of corruption, and the efficiency of government services; (4) Infrastructure is another key indicator of economic competitiveness. This includes factors such as the quality of roads, ports, and other transport links, as well as the availability of utilities such as electricity and water; and (5) The health of the macroeconomic environment is a key indicator of economic competitiveness. This includes factors such as the level of inflation, the stability of the currency, and the health of the financial system (Harahap et al., 2022).

Moving toward broader territory, regional competitiveness, is a concept that goes beyond the aggregation of businesses or a scaled-down version of national competitiveness. It is defined as the capacity of a region to generate high, rising income and to improve the average lives of those living there. The concept of regional competitiveness also lies between the business (micro) and the national (macro) levels of competitiveness. It has gained more attention due to the growing importance of regions as key pieces in economic growth and the creation of wealth (Vega et al., 2019). From a broader perspective, the four major factors influencing regional competitiveness are human resources, trade capability, economy, and technology. Other indicators also highlighted the importance of a nation's ability to attract foreign investments and maintain steady economic growth. This ability is largely dependent on institutional and economic policies that maintain a high pace of economic growth (Fang et al., 2022).

Finally, the highest concept of competitiveness is global competitiveness. This competitiveness refers to the set of institutions, policies, and factors that determine the level of productivity of a country. Factors such as institutions and institutional environment, macroeconomic environment, infrastructure development, higher education, market effectiveness, market size, technological readiness, innovation, and business sophistication. Global competitiveness provides a comprehensive picture of territorial competitiveness by countries and is composed of three sub-indexes of competitiveness development phases: basic competitiveness requirements (factor-driven), efficiency enhancers (efficiency-driven), and innovations and business



sophistication (innovation-driven). Global competitiveness interest countries as it can attract capital inflow, accelerate economic development, raise living standards, and contribute to the growth of gross domestic product (GDP) (Marčeta & Bojnec, 2020). Meanwhile there are many factors that could be classified as global competitiveness indicators, which include innovation capability, information and communication technology adoption, gross domestic product, export and import in summary, export market share in world trade, and lastly, the global competitiveness index itself (Marčeta & Bojnec, 2022).

### **3.2. Human Resources Roles in Enhancing Competitiveness**

Competitiveness consists of many indicators, but one of these indicators relies heavily on human resources aspect. The competitiveness of a country is determined by three factors: Basic requirements, Efficiency enhancers, and Innovation and sophistication factors. Human resources play a crucial role in these factors, particularly in terms of education and training, labor market efficiency, and innovation. The most appropriate way to improve competitiveness is to enhance education and training to balance the development of technologies. This is particularly important for work that requires high capability, where companies may struggle to find qualified workers in areas or countries with a large population but low knowledge and skills (Bangun, 2016). Education plays a crucial role in developing human resources and enhancing competitiveness within an organization. It refers to the training and development of employees to enhance their skills, knowledge, and competencies. This is crucial as employees are the most important assets and valuable resources in a company's performance. Education contributes to the development of exceptional abilities, which pertain to the exceptional competencies of companies' personnel. These exceptional abilities can provide a competitive advantage for the organization, as they are resources that other organizations may not have (Batarliené et al., 2017). Meanwhile, innovations also a crucial part of development and performance, It is viewed as a critical organizational capability that enables a firm to adapt to diverse and changing requirements of the external environment. Innovation in HR can also contribute to the flexibility and agility of human resources, which are dominant features of modern HR management systems, the agility and flexibility of human resources contribute to the growth of adaptability and strategic orientation, which directly affects organizations' competitiveness (Karman, 2019).

The quality of human resources is defined by a person's knowledge, skills, and abilities that can be used to produce professional services. High-quality human resources are capable of producing quality products, which in turn enhances competitiveness. Improving the quality of human resources is crucial as it has been shown to be a significant factor in the formation of competitiveness. This is particularly important in the context of small and medium industries, where the

quality of human resources can determine the ability to survive in situations of intense competition (Jaya et al., 2020). Human resources serve as the primary actors in development, creating innovations and driving creativity. The quality of human development is directly linked to economic growth, and thus, a nation with a well-developed human resource capacity is more likely to experience inclusive economic growth. Human resources are not just objects but also actors in economic activities, managing development and contributing to long-term sustainable economic growth, it is crucial for developing countries to focus on policies that stimulate innovation and elevate human productivity, as these factors contribute to quality economic growth, which in turn lead to competitiveness, or in more complex model, competitiveness achieved first before influencing economic growth in general (Za et al., 2021).

The potential of human resources can be maximized through the acquisition and application of knowledge, technology, and advancements from abroad, this potential can serve as a driving force for creativity and innovation, which are crucial for creating globally competitive human resources (Isadaud et al., 2022). To maximize human resources in terms of competitiveness, it is essential to implement effective Human Resource (HR) management strategies. One such strategy is the Green Human Resource Management (Green HRM), which focuses on managing human resources sustainably while considering environmental aspects, considering environmental aspect, this strategy can be a driver of environmental sustainability within an organization by aligning its practices and policies with sustainability goals. This approach not only helps in preserving the environment but also increases productivity and company commitment (Nawangarsi & Wardhani, 2022). Finally, human resources play a crucial role in enhancing an organization's competitiveness in today's volatile business environment. The agility of human resources, characterized by proactivity, resilience, and adaptability, is particularly important in this context. Agile human resources can effectively respond to unexpected changes, transforming them into opportunities to increase market share and meet customer needs. This agility is not only beneficial in dealing with market instability and new technologies but also in responding to changing consumer requirements and global crises. Therefore, human resource agility is a key factor in an organization's success and competitiveness (Athamneh & Jais, 2023).

Reflecting from this empirical sources, human resources known to have important role in competitiveness, most of economic activities, in form of production, consumption and distribution were conducted with the presence of human resources, other than that, in this context the development in economic activities in general were made possible with the capabilities of human resources in obtaining knowledge and skills, especially in term of creativity and innovation generating.



## 4. Conclusion

Human resources play a pivotal role in economic activities and competitiveness. The quality of human resources, developed through education and training, contributes significantly to knowledge and innovation, which are key drivers of competitiveness. Economic activities, including production, consumption, and distribution, are largely driven by human resources. Furthermore, competitiveness, which is reflected in market performance, productivity, and quality of life, is influenced by several factors including technology, human capital, and market strategy. Therefore, the development and enhancement of human resources is crucial for improving competitiveness at various levels, from companies to regions and nations. Possible improvements for future research could include a more in-depth analysis of the specific strategies and policies that effectively enhance human resource quality and competitiveness. This could involve case studies or comparative analyses of different regions or nations. Additionally, future research could explore the impact of emerging technologies and global trends on human resource development and competitiveness. It would also be beneficial to investigate the role of informal education and self-taught skills in human resource development. Lastly, research could examine the relationship between environmental sustainability and competitiveness, as suggested by the concept of Green Human Resource Management.

### Declaration and statements

### Ethical Consent

Not required

### Conflict of interest

The authors do not have any conflict of interest.

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