

“Territorial Competitiveness and the Human Factors”

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Abstract: To approach the notion of competitiveness from a regional perspective has become productive in many ways recently. On the one hand, as a consequence of developing in a globalized environment, it has become necessary for theories relating to the region to introduce an umbrella term, and on the other hand, the previous use of the term on the macro- and micro-level lacked the intermediary level that, as a localised level, could refer to an economic field for developments and investments.

INTRODUCTION

To approach the notion of competitiveness from a regional perspective has become productive in many ways recently. On the one hand, as a consequence of developing in a globalized environment, it has become necessary for theories relating to the region to introduce an umbrella term, and on the other hand, the previous use of the term on the macro- and micro-level lacked the intermediary level that, as a localised level, could refer to an economic field for developments and investments.

COMPETITION, PRODUCTIVITY, COMPETITIVENESS – DEFINITIONS

The notion of *competition* has been defined by many in many ways. According to one of the most comprehensive approaches, competition is an activity where two or more players strive to gain advantage over one another within set rules.

Productivity means efficient use of all the available resources.

Competitiveness means acquiring and retaining position in the market, increasing market share and profitability and being commercially successful.

REGIONAL COMPETITIVENESS

Similarly to competition in the market of products, where specific product features are compared, regional competitiveness cannot be interpreted as a competition of the regions as such, rather, as a competition based on the comparison of certain regional conditions and segments. Naturally, these segments with all their positive and negative qualities make up the region, which is by no means homogeneous.

When examining the goal and object of competition, we can mention functions, institutions, investments, infrastructural developments, social, cultural, sport and other events or other factors with limited availability (such as resources for the development, information, valuable workforce), which all relate to the aim of reaching some more favourable position.

To distinguish between the supply and demand sides of regional competition, we can say that on the demand side there are the regions' goals, on the supply side there are the regions' conditions, and these two determine the produced goods and the standards of living through the general competitive position of the areas.

Regional competitiveness differs from company competitiveness, and accordingly we can make a distinction between two points of views. On the one hand, we can analyze the competitiveness of given regions by interpreting the regions as integral wholes. On the other hand, we can use the lower level of company competition as a starting point and examine what factors and conditions bring competitive advantage to a given region. In our studies we use this latter approach as a guiding line.

To be able to interpret the notions of competition and competitiveness on a regional level, we need to extend a micro-level approach to a macro and global level. Global competitiveness can be approached from various standpoints. We aim to integrate these

approaches and develop the definition of „territorial intelligence” relying upon these findings.

Naturally, a variety of changes in other conditions, such as unpredictability of economic environment, intensifying competition among companies, changes in company organisation or the process of social and political transformation, may also have contributed to the intensification of competition among regions.

Factors in regional competitiveness for an economic perspective:

- based on the total sum of adaptive skills of companies operating in the region (“practical” approach)
- based on the economic basis and economic environment (capital and labour market, quality of inputs, infrastructure) provided by the region for its dominant companies. (“environmental/system” approach)
- and based on the capacity of the region to attract investments, its accumulation of human and physical resources (the approach of “capital development”)

Various documents of the European Union attempt to specify the factors determining the competitiveness of a region with different degrees of elaboration. By looking at some of the documents it becomes evident that the idea of competitiveness has a key role in economic and social cohesion, in economic growth, in employment, that is, in the successful operation of the single market, not forgetting environmental protection and conservation either.

A more balanced competitiveness of the European area is one of the three main objectives defined by the *European Spatial Development Perspective*, besides economic and social cohesion and conservation of natural resources and cultural heritage. (EC 1999)

The *Sixth Periodic Report on the Social and Economic Situation and Development of Regions in the European Union* also deals with the notion of competitiveness, defining it as “the ability of companies, industries, regions, nations and supranational regions to generate, while being exposed to international competition, relatively high income and employment levels” (EC 1999, 75 pp.)

According to the sixth regional report, the main determinants influencing the competitiveness of regions are the following:

- research and technological development
- small and medium-sized enterprises
- direct foreign capital investments
- infrastructure and human capital
- institutions and social capital

The sixth regional report also includes the principal factors that usually characterize successful regions, namely, high rate of employment in business services and in the

processing industry, the extent of innovative activities, favourable conditions of regional accessibility, skills of the workforce and a high proportion of university/college graduates.

Broadening the notion of competitiveness, *successfulness* can also be a useful term in characterising regions.

Specifically, the presence of the following factors can make a region successful:

- the capacity for economic structural change, especially the emergence of value-adding industries with multiplicative effect
- high proportion of value-generating service sector (business services, research and development, higher education, culture)
- typically knowledge-based production
- strong innovative skills
- the decision-making takes place in the successful region
- a strong and thriving middle class
- valuable settlement environment, an urban policy of high standards, and the availability of good quality public utilities and municipal services
- successful conflict management
- significant external (international) relations, integration into the system of towns and relations of an international region
- increasing income and employment

Using the determining factors of the sixth regional report and incorporating the above-mentioned points about the successfulness of towns and regions, we get a “*pyramid-model*”

1. figure: Pyramid modell



1. ábra: A versenyképességet meghatározó jellemzők „piramis-modellje”
Forrás: Lengyel-Eckstein, 1993, 137-139.

The social and economic factors essential for long-term successfulness form the base of the model, the determining factors are in the middle and the ultimate goal of higher standards of living and better quality of life for the population of the region is at the top.

- *Economic structure*: in successful regions most of the people employed work in business services and the processing industry, which are characterised by high added value, intensive multiplicative effects and great flexibility.
- *Innovation culture*: successful regions are characterised by extensive innovative activities, the effective diffusion of innovation, a large number of patents. It should manifest itself not only in research and development institutions and universities; adequate business capacities and well-prepared, innovative small and medium-sized enterprises are equally important.
- *Regional accessibility*: successful regions are easy to access, with convenient transport connections and geographical location. Supplemented by the transport and communications infrastructure, these form an integral whole.
- *Skills of workforce*: in successful regions the proportion of qualified labour within the workforce is relatively high, which obviously requires an effective education system focussing on the actual demands of the labour market.
- *Social structure*: in successful regions a strong and thriving middle class emerges, which helps the region develop by virtue of its discerning demand and higher income.
- *Centres of decision*: successful regions are the regional bases of companies, they are units that undertake important activities of the enterprises operating there, and have decision-making competencies. New, innovative, strategic units are typically developed in the region or town where the company headquarters are found.
- *Quality of the environment*: successful regions possess high-standard settlement environment (public safety, pleasing urban architecture, good quality accommodation, efficient public transport etc.) and healthy natural environment.
- *Social cohesion of the region*: successful regions have an ability to manage conflicts, no matter whether they arise from economic structural change, dynamic economic growth or from inequalities among areas or communities within the region. The municipalities aim at cooperation and regional identity and local pride become stronger.

The indirect factors can be divided into two groups, one including those that determine short-term economic output (economic structure, innovation culture, regional accessibility, skills of work force) and the other including those that show their influence only in the long run (social structure, centres of decision, quality of environment, social cohesion of the region).

Following a different classification, we can put the indirect factors of the pyramid into five groups:

- a group of socio-economic activity (which includes the factors best expressing the economy and income potential of town): economic aspect, regional accessibility,
- a group of functional and organisational innovation: innovation culture,

- a group referring to employment, intellectual resources and skills of the work force: skills of work force,
- a group relating to demographic factors and to the traditional and new functions of centres: centres of decision, social structure, social cohesion,
- and treating quality of environment as a separate category, as it does not fit into any of the previous groups clearly.

Regional competition can be seen as a process in which certain groups try to influence the development of regional or local economy through local policies, in explicit or often implicit ways, in competition with other regions. Consequently, competitiveness of a region is made up of several components, which can be described with various indicators.

MEASURING REGIONAL COMPETITIVENESS

Quantitative measurement

In the most recent EU reports on cohesion and competitiveness, the drafters of the documents clearly opted for the *standard definition of competitiveness*. It has become evident that improving quality of life and increasing standards of living is the ultimate goal of Union and national interventions to promote competitiveness. That explains the position of this category at the top of the *pyramid-model* widely used in studies of competitiveness.

Regional income affects quality of life most directly, and this is the indicator generally used to measure regional competitiveness, so it is placed in the middle of the model, while we must accept that a variety of factors have an influence on the value of this indicator.

Competitiveness can be defined in several ways. As indicated previously, per capita GDP is the generally accepted and used indicator of regional competitiveness. This indicator can be broken down into further components.

In the latest EU report on competitiveness the following index factors were used

- Work productivity: GDP per one working hour.
- Choice between work/leisure: completed hours of work per employee.
- Rate of employment: the rate of people in employment within the working-age population.
- Demographic factor: the rate of working-age people within the whole population.

By breaking down per capita GDP into index factors, we reach the following formula.

$$\text{GDP/Working hours} = \text{Working hours/number of the employed} \times \text{GDP/Working-age population} \times \text{Working age population/Population.}$$

Qualitative measurement

In this approach indicators influencing competitiveness of human resources are included.

- the education level of the areas' population

- the supply and quality of institutions for human resource development in the area
- research activity
- access to cultural services and the nature of consumer habits
- quality of social care and services
- level of healthcare and its infrastructure
- quality of recreational facilities

TREND OF HUMAN RESOURCE-SURVEY IN HUNGARY

Human environmental

The definition of household: The living (dwelling) unit is the basic unit of survey or rather the non-institutional household found there. Household is the community of people sharing their living expenses partly or in gross together so the members of the same community considering income and consumption.

Those people belong to the members of a household, who live in the flat by their lifestyles on the regarded week and so those people, who:

- were away through holiday, visit or hospitalization on the regarded week
- work abroad or at another place but when coming home time to time they add their wages into the income of the household.
- are scholars living elsewhere (sublet, dormitory, at relatives) and getting their supplies primarily from the household, which provides data.
- are dependents with contract living with the household
- are tended by the state living with the household

Definitions of labour-survey

Economic activity: The population between the ages of 15-74 can be divided into two groups according to their activities on the regarded week:

- economically active population (available labour or labour supply)
- economically not active (inactive) population

Economically active population: The part of population that shows up as employee or place-hunter at the labour market, they belong to occupational or unemployed ones.

Economically inactive population: Those who do not belong neither to occupational nor unemployed.

Employment: Following the international recommendations by the trend of the labour-survey those can be considered as occupational who worked at least one hour on the

regarded week that guaranteed income or those who were just temporarily out of their regular work.

The reason of the one-hour criterion's usage:

- all the existing types of employment in a given country can be considered
- at the determination of a nationwide-level labour demand or the analysis that requires measuring the usage of the work quantity (competitiveness, productiveness) the connection can be created between the given value and the amount of work used (effectively achieved hours of work)
- unemployment can be defined by the full lack of having a job

Definition of income guaranteed by work: Work can be done by employee, joint venture or as a member of a co-operation, as casual or seasonal labourer, as private entrepreneur, outside worker, as a helping relative on a farm belonging to the household, or by an activity done in an enterprise, working with a contract of authorization or by an oral agreement.

At work that provides income, income can be:

- money income, wage, or profit resultant from an enterprise, independently from whether it has been realized immediately after doing the work or a bit later
- wage or premium in kind
- quota from the income of the farm belonging to the household, enterprise through doing work as a helping relative

Those who get anything from the list are qualified occupational, as well as independents who do an activity in the hope of profit from the enterprise.

Works that are not counted to insure income: (earning activities): any free help for anybody else's household or institutions, public work, work that is in relation with building an own house, flat, its renovations, or reparations, work done through scholar training.

Temporary absence from work: The group of occupational include those people who were temporarily absent from work at the regarded period. Temporary character means that a labourer has a job that has been started and not finished yet, but after the regarded week, he/she will return there.

Working hours: The definition of the regular (according to work order) working hours usually refers to the working hours of a whole week. Regular work time at an employee is the number of hours that is included in the contract for work and at an independent it is as much as needed for finishing work and to continue business. At an unbounded work time or seasonal labourer when their working hours is too fluctuating the answer: "too various" can be coded. At some professions on date(s) of readiness the regular working hours are significant.

Definition of unemployment: International recommendations say: unemployment can be declared when 3 criteria are coming true. Accordingly those people are unemployed

- did not work on the regarded week and do not have any job from where he/she was temporarily absent
- were seeking a job for four weeks before the regarded week
- could put on a job in two weeks time if the suitable work is found (availability)

There's a special group of unemployed people who weren't working on the regarded week but had already found a job that has to be started at last in 90 days (until 2000 – in 30 days)

Criterion of active place-hunting: Criterion of active place-hunting means, that the asked person made steps towards finding a job as an employee or to start a business on his own four weeks before the interrogation.

Active place-hunting is when the asked person:

- went in for a job at the Regional Labour Centre or at a private registry office
- got in contact with employers directly
- advertised or answered an advertisement
- read an advertisement
- made inquiries about a job at relatives or friends
- acquisition of the permissions and financial sources for private business

Durative unemployed people: Durative unemployment can be defined by the length of joblessness.

Economically not active population: The major part of population is made up from people who cannot or do not want to enter employment. They are not the members of labour-supply, not performed on the labour-market.

Passive unemployment: Looking at the situation of this special group (in the recommendations of ILO: "*discouraged workers*") it stands really close to unemployment. In overall they can be described being absent from labour market because of their compelling surroundings.

The basic showings of labour market balance:

- Unemployment rate: the ratio of unemployed people within economically active population.
- Durative unemployment rate: the ratio of durative (12 months or more) unemployment within total joblessness.
- Rate of economic activity: the rate of the sum of occupational and unemployed people within population.
- Employment ratio: the rate of employed people within population.

Main components of survey and questionnaire

3 important facts were considered during making the questionnaire:

- comparability (same content should be produced from which there is a longer period)
- demands of hungarian users
- recommendation of EUROSTADT, ILO and rules

1. General informations

Information gained by the questionnaire about total population of territory living in private households.

- day, month and year of birth
- place of birth
- if it is not Hungary the residency
- nationality
- sex marital status
- the head of household and the relation with him/her
- place of residency 1 year ago
- county of Hungary
- highest scholar qualification: **ISCED '99(Fields of education and training)**
- nivel
- speciality
- date of it
- social incoming
- maternity benefit/aid
- pension
- disability pension
- joint and survivor annuity
- orphan benefit
- medical attendance benefit

15-74 years old population

- Did he/she work the last week?
- If not: Has he/she job?
- Is he/she a registered unemployment?

If yes: Has got he/she attendance

- Had he/she job 1 year ago?
- Did he/she participate in education or training in last 4 weeks?

If yes: nivel of education

2. The factor of labour activity

Activity (active/inactive)

Employees

- Working time(full time or part time)
- Working time system of the last 4 weeks
- Sideline (yes or not)
- Parameter of working place
- Profession
- Scope of activities
- Employment status
- Kind of contract for work
- Wage employee

Unemployed (who search job)

- Cause of looking for job
- Previous activity
- Method of searching
- Type of request job

Unemployed (who not search job)

- Why does not he/she search job?
- Does want he/she work?
- Did he/she work beforehand?

Employee status:

International Classification of Status in Employment 1999

3.Territorial research activity

- Number of research institutes on the territorial unit
- Impact factors and degree of researchers
- Number of scientific projects issue in a year
- Number of international scientific projects issue in a year

4. Accessibility of human resource development institutes

- Number of elementary schools
- Number of high schools
- Number of faculties of university or college
- Availability of vocational education
- Lifelong learning policy on territorial unit

5. Accessibility of cultural services

- Institutes
- Specialists and animators
- Non-governmental Organisations

6. Social and well being network of territory

- Institutes
- Benefit system
- Health system
- Recreation availability

CONCLUSION

The successful and competitiveness regions have the high rate of qualify labour in the group of able to works. The education system is efficient because on the one part it fits for the creative and innovative activities the younges, on the other hand it follows the demand of labour market in flexibility. The successful and competitiveness regions have the nivel of knowledge base level and the labour culture, in additional the labor forces able to adapt pliantly to changes (in trainings and courses the active labor force retrainable), ambitious with their environment.

In successful and competitiveness regions the new economic structure the knowledge base economical activities and the recovery of economic services enhance the social cohesion. Unschoolds are crowded out from labour market and the local society polarizes. The active gentility animates the regional development with utilize of higher incoming.

To sum up we can enhance the regional development with complex human resource survey. We can open up the social disadvantages in additional can find solution to this problem if we can survey the complex problems.

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