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ASPECTS OF REGIONAL COMPETITIVENESS EVALUATION IN CONTEMPORARY ECONOMY

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Abstract: *This article focuses on important evaluation issues of regional competitiveness and explains major concerns of the applicability of this evaluation for the contemporary economy. In order to evaluate regional competitiveness it was necessary to appeal to common assessment methodologies, often used by field experts. From the methodological point of view the following methods were used: analysis, synthesis, comparative analysis, abduction, induction, logical method. The results of this research will help develop a methodological framework for the assessment of regional competitiveness and therefore will enhance the national competitiveness of the country.*

Key Words: *competitiveness, regional competitiveness, evaluation competitiveness, research methodology.*

Contents

The main priorities of socio-economic development strategy of world countries are achieving and maintaining staff competitiveness regionally and globally, alongside the quantification of effective ways of enhancing the competitive advantages of the national economy.

Regional competitiveness can be defined as the ability of a region and, therefore, its public authorities, to maintain a regional base of firms and skilled workforce and to attract investments. Consequently, its competitive features are, though not exclusively, based on the following: the quality of infrastructure, the overall quality of the environment, the excellence of regional research and innovation centres, the ability to maintain and attract qualified human resources, taxation, workforce cost and quality.

Synthesizing main aspects related to competition and competitiveness, Kitson, Martin, and Tyler (2004) define regional competitiveness as "a complex concept that focuses mostly on the dynamics and long-term prosperity of the region or city, rather than on more restrictive notion of market shares and resource competition."

One of the most commonly used indicators as regards studies and research is intended to assess the competitiveness of GDP per person. It can be used as itself or can be split into several factorial components, according to the following formula (Cambridge Econometrics, 2003):

GDP/Total population = GDP/Total number of worked hours × Total number of worked hours/ Employed population × Employed population/Working age population × Working age population/Total population *(1)*

Gross Domestic Product per capita – as a measure of social welfare – is considered to be the main result of the influence of competitiveness factors. Amid these, labour productivity and employment are noticeable, but the impact of other factors is as well interesting (for instance, worked hours and age structure of the population).

Other ways of GDP/capita decomposition which capture the influence of different factors may be:

GDP/Total population = GDP/Employed population × Employed population/Work resources × Work resources/Total population *(2)*

or in a form that summarizes the main sources of competitiveness:

GDP/Total population=GDP/Employed population × Employed population/Total population *(3)*

The decomposition is not achieved by completely unrelated factors, but a number of correlations can be highlighted between them. For example, the link between the labor productivity and the employment rate: there are regions which use highly qualified workforce and are very productive, and register meanwhile high rates of employment. [5]

From an economic perspective, productivity is the efficiency with which goods and services are produced, based on a given set of inputs, such as workforce and capital.

Labour productivity can be measured at the individual level, at the level of a firm or different geographical areas, as output per employed person. This consecutively depends on factors such as efficient use of capital and technical equipment of labour.

Even if labour productivity is considered a useful indicator to characterize regional competitiveness, still its accurate measurement raises a number of issues, related to [5]:

- the choice between two indicators: the indicator of labour productivity, which can be corrected with the purpose of taking into account the number of worked hours, and the indicator of total productivity or else multifactor (TFP);
- the output measurement from the field of services and the government sector;
- the estimation and interpretation of regional TFP, while the necessary data are not available at the subnational and regional level, while the estimation of production functions is difficult;
- the use, along with the productivity and the regional employment rate, of another important indicator of measuring the regional competitiveness.

Notable, however, is the fact that currently, progressively more specialists suggest to assess competitiveness through its main sources of labor productivity, quantifying the impact of different types of inputs in the production process. Some of these can be easily measured, but others lack the necessary data, which makes necessary a multifactorial analysis of performance.

As revealed in the definitions of competitiveness, this one can be analyzed in terms of outcomes and determinant factors.

In terms of the second approach, it should be noted that empirical studies on regional competitiveness can be organized around two distinct approaches: the first one examines regional competitiveness as a result of a cumulative action of several factors, and the second one focuses on certain determinant factors of competitiveness: clusters, demography, migration, hard/soft factors of an area, the business environment and the relationships between companies, institutional capacity and government quality, regional incubators of innovation [2].

From the point of view of the first approach it is very significant the competitive tree model, suggested by ECORYS Groups, which associate the determinant factors of competitiveness with the following elements: special skills, innovation, connectivity and entrepreneurship (tree roots), industrial structure and productivity (trunk). These components serve as support for achieving competitiveness and obtaining results: employment and income, revenue and investment, fees and contributions (the branches of the tree).

In addition, together with the introduction of the new theory of economic growth - endogenous economic growth theory – based on assumptions different from the neoclassical model of growth such as technological progress is endogenous to growth process, the accumulation of knowledge causes increasing returns. Human capital is another factor of production, together with physical capital and workforce, markets do not automatically generate the optimum, and there was a gradual change of vision on the factors determining competitiveness, from the importance attributed to the classical production factors to the so-called "soft" factors.

The factors identified by this theory as key factors: expenses concerning research and development, innovation capacity, level of education, human capital investment costs (tuition, continuous learning), effective dissemination of knowledge (knowledge centers) have significant implications on regional competitiveness (Cambridge Econometrics, 2003):

- Regional differences in terms of productivity and economic growth may be considered as being determined by differences of technology and human capital.
- The improvement of technologies and human capital is the engine of the economic growth.
- The investments in research and development are crucial.
- The improvement of human capital (through education and training) is a measure of superior importance.

The European Union has placed in the center of its concerns, related to increasing the economic performance, the objective of creating an environment able to help the growth of additional value and, on this basis, the welfare. It has become an important determinant of competitiveness through features such as: the accessibility of financing, the quality of administrative and legislative framework, the opening and the operation of markets, the entrepreneurship, human capital, innovation and knowledge dissemination, the technology of information and telecommunications, sustainable development.

Therefore, innovation has become, in the context of knowledge economy, an important key, being considered the decisive factor of sustainable economic growth.

Thus, economic growth theories and particularly the neoclassical model and the endogenous growth one provide scientific support, necessary to identify the combination of factors that determine the success of regions. Among these we distinguish those that allow the transition to the economy based on knowledge: investing in education, developing the capacity for innovation, upgrading the informational infrastructure etc.

Conclusions

Concluding I can mention that from an economic point of view, competitiveness is most often associated with productivity or efficiency, with the help of which the inputs are transformed into goods and services. Similarly, regional competitiveness should be analysed both in terms of outcomes (income, employment), and especially in relation to determinant factors: from classical production factors (capital, labour, technological progress) to "soft" factors (human capital, research and development, knowledge dissemination).

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