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The Role of Employee Training and Development in Supporting Sustainable Economic Growth in Indonesia: Literature Review

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Abstract

This article reviews the role of employee training and development in supporting sustainable economic growth in Indonesia through relevant literature analysis. Employee training and development are seen as crucial factors driving productivity, innovation, and corporate competitiveness, ultimately contributing to national economic growth. The article explores how skill development, technical capacity enhancement, and leadership training across various sectors can improve workforce effectiveness and promote the adoption of more environmentally-friendly work practices. However, challenges such as lack of infrastructure support and skill gaps still hinder the implementation of effective training programs in Indonesia. Findings from this review indicate that with appropriate investment in employee training and development, companies can create an adaptive and innovative workforce that not only supports economic objectives but also contributes to environmental sustainability. The article concludes that human resource development through employee training is key to achieving inclusive and sustainable economic growth in Indonesia.

Keywords

Employee Training, Economic Growth, Competitive Advantage, Human Capital

1. Introduction

Employee training is a crucial element in human resource management aimed at enhancing individual knowledge, skills, and competencies to support the execution of duties and responsibilities in the workplace (Wahyudi & Santoso, 2021). In the context of globalization and rapid technological changes, companies must continuously improve their employees' capabilities to remain competitive. Research shows that employee training not only enhances individual performance but also significantly contributes to the company's overall competitive advantage (Madavi, 2022). Indonesia has experienced significant economic growth over recent decades, yet there remain substantial challenges in achieving sustainable economic growth. One key factor in supporting this sustainability is investment in employee training and development. Achieving inclusive and sustainable growth faces several obstacles, including the need for improvement in human resource quality (Adam & Negara, 2015). Appropriate training enables the workforce to become more productive, adaptive, and innovative in responding to market changes and technological advancements. In various developing countries, including Indonesia, the quality of human resources is essential to leveraging opportunities for sustainable economic growth, especially in facing the era of Industry 4.0 (Yuliani & Hartanto, 2020; Irwansyah et al., 2022). Enhancing human resource quality through training programs positively impacts individual productivity and drives the attainment of broader macroeconomic goals, such as poverty reduction and enhanced national competitiveness. According to Human Capital Theory, a skilled and trained workforce is an essential asset for achieving sustainable competitive advantage. Gary Becker, the pioneer of this theory, explains that investment in training increases workforce productivity and economic value, which in turn enhances organizational competitiveness (Pelinescu, 2016).

Training has a significant impact on employee performance and strengthens the company's position in a competitive market, making it harder for competitors to replicate (Hatch & Dyer, 2004). According to the Resource-Based View (RBV), human resources equipped with company-specific skills create a competitive advantage that is difficult to imitate. The RBV model suggests that training focused on developing unique skills within the company fosters capabilities that support long-term competitiveness (Abror & Muharam, 2024). This research supports the view that internal learning and the accumulation of workplace experience are essential elements in enhancing an organization's competitive advantage through human resources.

Investment in training by companies not only improves specific skills but also strengthens employee engagement and loyalty, which can reduce turnover rates and improve organizational stability (Campbell et al., 2012). This indicates that training-based human capital development can help Indonesian companies achieve sustainable competitiveness in the global market. The importance of training cannot be underestimated, particularly in a dynamic business environment where market demands are constantly evolving. Effective training enables companies to align workforce skills with ever-evolving industry standards. For instance, continuous training has been shown to enhance employee productivity and allows companies to maintain their competitive position in the industry.

Developing a skilled workforce is one crucial aspect to capitalizing on Indonesia's demographic opportunities, especially with the predicted "demographic bonus" expected by 2030. However, to benefit from this bonus, Indonesia must strengthen educational and training capacity to build a globally competitive workforce. Several studies show that enhancing the quality of education and skill training can significantly boost workforce contributions to economic growth (Sari et al., 2021; Irwansyah et al., 2022). Effective employee training and development not only

improve technical abilities but also promote innovation in critical sectors such as SMEs and manufacturing, which play a major role in Indonesia's economy. The SME sector, for instance, is the backbone of the national economy and plays an essential role in creating jobs and stabilizing the economy during crises (Pertwi & Prijadi, 2018). However, SMEs in Indonesia still face significant challenges in terms of human resource quality and access to relevant training for capacity development.

Employee training and development are also essential in addressing the challenges of Industry 4.0, where digital and technical skills are increasingly in demand (Asif, 2021). The Indonesian government has responded to these challenges by launching vocational education revitalization programs aimed at enhancing the relevance between education and industry, so that graduates are better prepared to meet the complex demands of the labor market (Fairman et al., 2020). Additionally, the SME sector, which is a major support for Indonesia's economy, receives special attention due to its contribution to job creation and economic stability during crises. However, SMEs in Indonesia still face challenges in terms of human resource quality and lack of access to adequate training (Sunardi, 2017; Pertwi & Prijadi, 2018).

Besides formal training, capacity building through informal skill development, such as knowledge-sharing practices within companies, has proven effective in driving innovation and business sustainability. For example, in Indonesia's food manufacturing sector, improving human resource quality through informal knowledge sharing has been shown to support sustainable practices and enhance the company's competitiveness (Sunardi, 2017). In this regard, government and industry involvement in facilitating training access is essential to ensure that the Indonesian workforce is not only prepared to compete locally but also globally. Furthermore, collaboration among the government, educational institutions, and the industrial sector is vital in creating a sustainable employee training and development system. This cooperation not only improves workforce skills but also supports the development of strategic sectors such as fisheries, where "sociopreneurship" based training can foster sustainable competitiveness in this sector (Kartika & Muzayanah, 2015). Higher education institutions also play a significant role in improving workforce quality by increasing university enrollment and providing high-quality education, which ultimately supports national economic growth (Sari et al., 2021). In creating a competent and adaptive workforce, this study highlights the importance of sustained investment in employee training and development. Support from government policies and private sector involvement is crucial in building a quality workforce, enabling Indonesia to achieve inclusive, competitive, and sustainable economic growth.

2. Literature Review

Training and development serve as essential strategic tools for employers to differentiate themselves from competitors. Research underscores the importance of fostering continuous learning for employees through various development initiatives, such as coaching and mentoring (Khan et al., 2021). According to Ahmed et al. (2024), training and development, along with work-life balance, significantly impact employee engagement and job performance. Their findings also suggest that training and development, along with work-life balance, indirectly enhance job performance by mediating through employee engagement (Arinnis et al., 2024).

Economic growth is influenced by a country's foundational conditions and its ability to efficiently develop and manage resources over time, thereby building national wealth by integrating various internal factors within its economic system. High-quality economic growth depends on the overall quality of the national economy, with human capital investment playing a crucial role in enhancing growth potential (Husni et al., 2023). Numerous theoretical and empirical studies have shown that when the urban-rural income gap is substantial, poorer populations tend

to have more children but allocate fewer resources to education, which lowers the average educational level of society (Ren & Chao, 2018). Competitiveness, as a measure of comparison between companies within an industry, is closely related to the concept of competitive advantage. Michael Porter's research has significantly contributed to the understanding of this concept. He defines competitive advantage as the ability of a firm to generate value for its customers that exceeds the costs of creating it (Porter, 1985).

Human Capital Theory posits that investment in the education, skills, and training of individuals can increase their productivity and economic value, both as workers and as members of society (Anggraeni, 2020). Pioneered by economists such as Gary Becker and Theodore Schultz, this theory views people as capital or assets that can be enhanced through the development of knowledge and skills. Human Capital Theory argues that, like physical capital (such as machinery or infrastructure), human capital can also be invested in to generate future profits. By increasing this "capital" through education and training, individuals can become more productive and contribute more to the economy. It emphasizes the development of human resources as the primary driver of economic growth. Investment in education is often seen as a key strategy for improving a country's economic competitiveness (Tan, 2014).

The studies highlight various insights into organizational and employee development across different contexts. Pradana et al. (2022) emphasize the need for public leaders to legitimize innovation within new organizational frameworks to ensure sustainability and reduce the politicization of innovation by granting bureaucrats autonomy. Mikołajczyk (2022) discusses the impact of the COVID-19 pandemic on organizational development, revealing shifts in training formats, a decline in engagement, and increased employee fatigue due to extensive online programs. Similarly, Sun et al. (2024) demonstrates the role of green training in improving employee performance and fostering an organization's green culture and work ethic, with work ethic partially mediating this relationship.

3. Methods

In conducting the literature review on "The Role of Employee Training and Development in Supporting Sustainable Economic Growth in Indonesia," the research methodology involved focusing on how employee training and development can improve competitive advantage for supporting economic growth in Indonesia. The objective was to explore literature on the role of training and development for employees in supporting sustainable economic growth in Indonesia. The literature review was conducted using academic databases such as Emerald Insight and Science Direct to gather relevant and high-quality research articles (Khasanah & Sasana, 2022).

Articles were sourced from prominent academic journals relevant to the research topic, including the European Journal of Training and Development, International Journal of Public Sector Management, Journal of Cleaner Production, The TQM Journal, LBS Journal of Management & Research, Vilakshan - XIMB Journal of Management, Employee Relations: The Relationship Journal, Journal of Environmental Management, and Journal of Enterprising Communities. Only studies published between 2015 and 2024 were included to ensure the review focuses on the most current research, and the articles had to be directly relevant to the role of employee training and development in supporting sustainable economic growth. A systematic search was conducted using specific keywords related to the research topic, including Employee Training and Development, Sustainable Economic Growth, Competitive Advantage, and Human Capital Theory. The titles and abstracts of the articles retrieved from the databases were initially screened to ensure they matched the inclusion criteria, and those that passed were further analyzed

through a full-text review to confirm their relevance to the research questions and objectives. Information was extracted from the selected studies, focusing on definitions of employee training and development, sustainable economic growth, human capital theory, and competitive advantage, as well as key findings on the role of employee training and development in supporting sustainable economic growth and theoretical frameworks and models used to explain these relationships. The extracted data was categorized into key themes, such as the role of employee training and development and the impact of employee training and development on supporting economic growth. The findings were synthesized to provide a comprehensive understanding of the role of employee training and development in supporting sustainable economic growth in Indonesia.

5. Discussion

Dey et al. (2022) reveal that ethical leadership significantly influences employees' voluntary environmental actions, enhancing sustainable performance, moderated by biospheric values and mediated by an ethical climate. Ahmed et al. (2024) show that training, development, and work-life balance positively impact employee engagement and job performance in private banks, with engagement mediating these relationships. Park et al. (2021) identifies five dimensions of managerial coaching skills that directly impact employees' learning and organizational commitment, with indirect effects on commitment through personal learning. Bharadwaj (2023) highlights that training and development impact employee retention and organizational identification, with identification mediating this relationship. Bilderback (2024) underscores the integration of sustainability training with SDGs, which promotes sustainable practices, employee satisfaction, and productivity while reducing environmental impact. Tien Thanh & Thu Ha (2024) confirm a positive relationship between training, development, engagement, satisfaction, and retention, with engagement mediating the indirect effects.

Kulkarni et al. (2020) stress the challenges of skill development and the importance of engagement programs in start-ups. Martini et al. (2023) find that employability training enhances employer-employee relationships and reduces retention, with competitive intensity reinforcing this effect. Chen & Tang (2024) indicate that rigid economic growth targets hinder urban green development in China, while environmental regulations mitigate these impacts. Bilderback et al. (2024) highlight the role of technology in training and development, showing that virtual training promotes inclusivity, sustainability, and global collaboration post-pandemic. Hosen et al. (2024) demonstrate the connection between training, work performance, and career development in the hotel industry, mediated by organizational commitment. Wahyuningtyas et al. (2023) examine digital innovation, revealing that digital orientation and government support positively influence innovation and competitiveness, while digital capability and employee resistance do not. These findings collectively provide valuable insights into strategies for enhancing organizational development, employee engagement, and sustainable practices.

The results of this study will provide valuable insights into how employee training and development impact sustainable economic growth in Indonesia. Based on previous studies, it is expected that employee training and development will have a positive impact on sustainable economic growth. Employees who receive training and development from their organization feel supported, which increases their capabilities (Wahyono et al., 2024). These employees tend to be more motivated and innovative in their work, thereby strengthening the company's competitiveness and productivity. These findings will also contribute to the literature on employee training and development in supporting sustainable economic growth. By understanding the factors that drive competitive advantage, HR managers can

develop strategies to enhance the role of training and development in supporting sustainable economic growth.

6. Conclusion

Employee training and development play a crucial role in supporting sustainable economic growth in Indonesia by equipping the workforce with relevant skills, fostering innovation, and improving productivity. Effective training programs that focus on sustainability skills, such as resource efficiency, environmental awareness, and sustainable business practices, prepare employees to contribute meaningfully to a greener economy. By enhancing workers' competencies, companies can meet the growing demand for sustainable practices, comply with environmental regulations, and position themselves competitively in both local and global markets. Additionally, ongoing employee development promotes adaptability to technological advancements, which further supports economic resilience and long-term growth. In sum, investing in workforce training and development that aligns with sustainability goals is essential for Indonesia's sustainable economic progress, as it enhances both individual capabilities and organizational contributions to environmental stewardship and economic stability.

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