

## HUMAN CAPITAL CHALLENGES AND CONCERNS WITHIN THE HOTEL SECTOR.

**Mansurov Zokir Khusanovich**

Scientific-Research Institute

for Tourism Development

Tel:+9989-91-599-01-22

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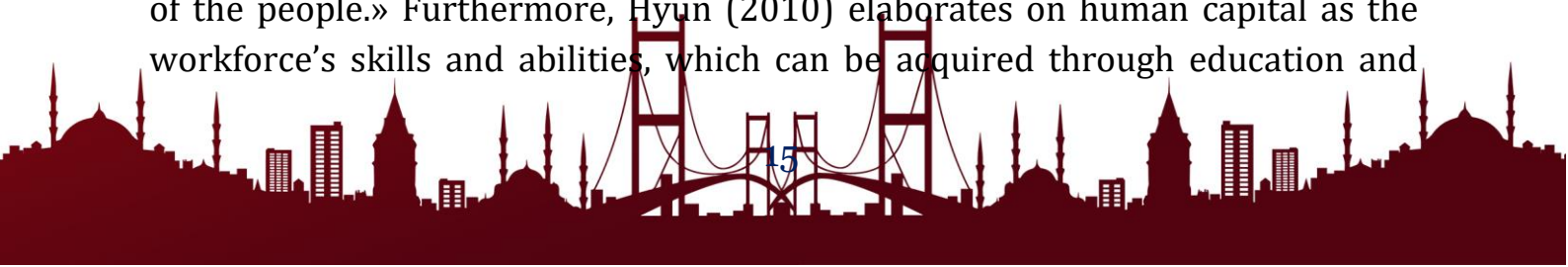
### Introduction

Human resources represent a significant challenge for hotel executives striving for operational efficiency (Enz 2001, 2009) and have long been a focal point of research among scholars in tourism and hospitality (Baum, 2007, 2015; Baum & Szivas, 2008; Guerrier & Deery, 1998). Notably, labor shortages have emerged as the most persistent issue for hotels across nearly all global regions (Wang, 2009), with approximately 90 percent of the hospitality sector frequently facing under-staffing (Poulston, 2008). These ongoing challenges related to human capital may stem from the prevalent employment of young, female, and unskilled or semi-skilled workers, which poses specific difficulties in workforce management within the tourism and hospitality industry (Kusluvan et al., 2010).

The World Travel and Tourism Council has indicated that tourism represents approximately 10% of global employment (WTTC 2019). Consequently, it is not surprising that human resource issues are significant in developing nations striving to achieve developed status. The challenges are multifaceted, particularly as there is a worldwide competition for exceptional talent to lead the industry, especially among major transnational hotel corporations. Simultaneously, developing countries with increasing youthful populations must create employment opportunities for both low-skilled workers and those aspiring for rapid social advancement. This intricate situation places substantial pressure on political and industry leaders to strike an appropriate balance between attracting top talent and ensuring adequate opportunities for the existing and potential local workforce.

### Human Capital Challenges

Lado and Wilson (1994: 705) characterize human capital as the collection of knowledge, skills, and abilities inherent in a firm's human resources. In a similar vein, Hyun (2010: 20) refers to this concept as the «productive capacity of the people.» Furthermore, Hyun (2010) elaborates on human capital as the workforce's skills and abilities, which can be acquired through education and

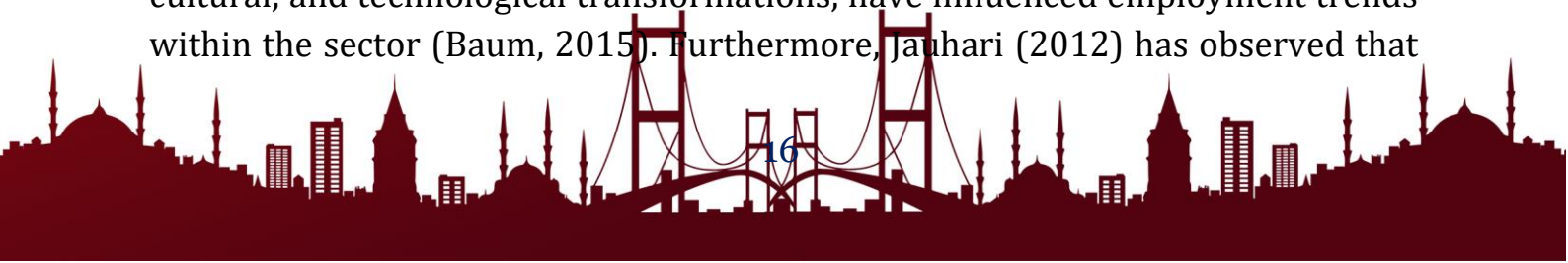


are capable of converting materials and capital into goods and services. Consequently, human capital plays a pivotal role in shaping an organization's image and reputation, especially within service-oriented sectors like hospitality.

The tourism industry is notably labor-intensive (Baum, 2010), and concerns regarding human capital rank highly among the challenges faced by hospitality operators (Enz, 2001). Enz's (2001) survey of hospitality managers indicated a hesitance to invest in human resources, stemming from fears of high turnover rates and the likelihood that employees would seek opportunities elsewhere, thereby undermining the returns on their investments. This tendency can lead hotel managers to undervalue their workforce's potential and to restrict access to training and development opportunities. Supporting this perspective, Solnet and Hood (2008) noted that even the most progressive training initiatives offered by hospitality employers may prove ineffective if employees choose to accept job offers from competing organizations.

The hospitality sector is currently experiencing significant labour shortages, a situation exacerbated by the challenges associated with attracting new talent to the industry. This issue has been highlighted by numerous researchers in the fields of tourism and hospitality (Bharwani & Butt, 2012; Duncan, 2005; Enz, 2001; Enz, 2009; Jauhari, 2012b; Poulston, 2008; Yang & Cherry, 2008). In various contexts, the growth in the number of hotel establishments has not been matched by a corresponding increase in available workforce, resulting in persistent labour deficits. Particularly concerning is the trend among young individuals, who, despite being a key demographic for the hotel industry, tend to gravitate towards other sectors that are perceived to offer superior pay and benefits (Zhang & Wu, 2004). Consequently, human resource professionals are tasked with the complex responsibility of balancing the needs and expectations of both existing and potential employees alongside the objectives of the organization. The current workforce is recognized as a vital source of competitive advantage for businesses (Ulrich & Brockbank, 2009).

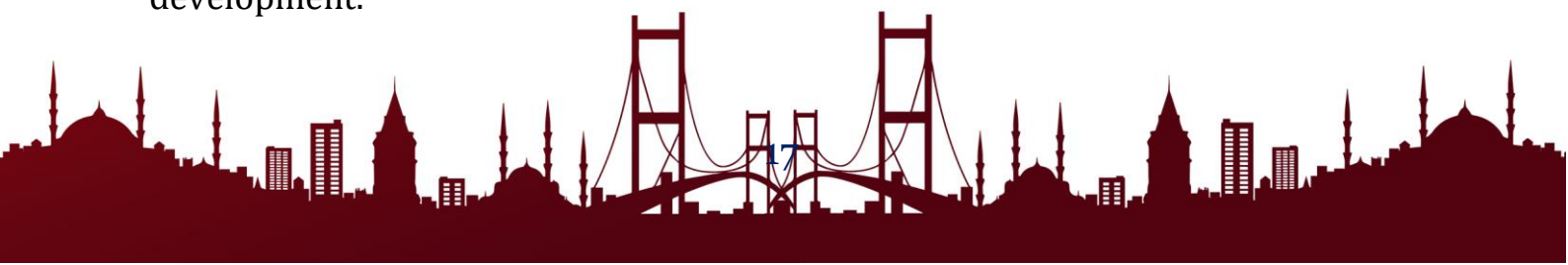
Human resources represent a critical challenge for hotel managers and hospitality professionals, as previously mentioned (Enz, 2009). This challenge is intensified by the dynamic nature of the business environment, particularly concerning the workforce. Hospitality establishments are facing an influx of varied competitors, all vying for the same pool of potential talent (Chen & Choi, 2008). These circumstances, coupled with ongoing economic, political, socio-cultural, and technological transformations, have influenced employment trends within the sector (Baum, 2015). Furthermore, Jauhari (2012) has observed that



evolving socio-economic conditions are complicating the issues faced by industry leaders. In light of these adaptive environments, Jauhari (2012) emphasizes the necessity for hospitality organizations to adopt a more proactive stance in tackling emerging challenges. Developments within the hospitality industry are occurring globally, with certain regions experiencing rapid growth (Jayawardena, 2013). Notably, the increasing availability of hotel rooms is exerting pressure on labor demand, while simultaneously, the needs, desires, and expectations of customers, employees, and organizations are also evolving (Jayawardena, 2013). Consequently, there is a pressing need for ongoing updates regarding pertinent industry issues and concerns to ensure that companies are well-prepared for change.

The deficiencies in skills, limited English proficiency, and inadequate logical reasoning have emerged as significant challenges within the hotel workforce. Despite the availability of a large number of employees, many lack the necessary competencies to fulfill their roles effectively. Additionally, long-serving staff members, particularly those with over a decade of experience, often exhibit low motivation and diminished productivity, contributing to overall underperformance. These factors collectively indicate a workforce that is not sufficiently qualified. Although there is a surplus of labor in the market, identifying candidates who meet the requisite qualifications for the hotel sector remains a challenge.

The government plays a crucial role in devising strategic initiatives aimed at enhancing the quality of the workforce to ensure competitiveness against foreign labor. There is a noticeable deficiency in governmental focus on bolstering the competitiveness of the local workforce (Fanggidae, 2016). Therefore, the active participation of the some developing countries' governments is essential in cultivating a qualified and capable workforce. To fully harness the potential of its citizens, the government should collaborate with stakeholders such as business leaders, academics, and professional associations to collectively develop a workforce that can compete on a global scale. As highlighted by Shodiq (2016), a primary challenge for the developing countries should be the enhancement of basic education quality. Taty (2016) further emphasized the need for the government to establish a robust education system, reinforce the role of religious values in character development, and facilitate capacity-building initiatives through training and competency development.



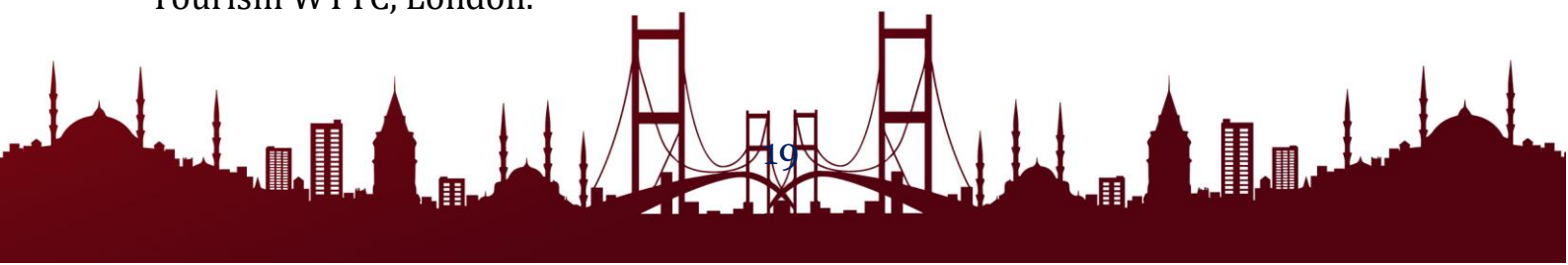
## Conclusion

Several studies suggested that stakeholders in the hotel industry should formulate strategies aimed at enhancing the development of human capital, particularly in collaboration with government and educational institutions. Robust support from government representatives, along with partnerships with academic entities, presents an opportunity for a strategic response to human resource challenges. While this chapter has highlighted various human capital issues faced by the hotel sector, the study's respondents were confined to hotel managers and professionals from upscale establishments in developing economies. Future research should aim to include a broader range of hotel stakeholders, such as government officials, employees, and academics from major Asian cities like Tashkent, Astana, Jakarta, Bangkok, and Hanoi. Such an approach may uncover additional issues and challenges faced by the hotel industry across Indonesia's diverse urban environments. Moreover, further studies could be conducted in different countries and contexts. Insights gained from various stakeholders could significantly enhance our comprehension of human capital issues. Investigating the cultural and socio-demographic characteristics of different regions with larger sample sizes would provide valuable strategic input for effective human resource planning and development, thereby preparing for potential future challenges.

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