

Conference Paper

Human Capital Capabilities for Sustainable Competitive Advantage in Tourism Industry

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Abstract

The aim of this article is to discuss the main Travel and Tourism competitiveness indicators which take into consideration human capital capabilities as a key factor when determining competitiveness. Human capital competitiveness in the tourism industry will be analyzed based on the internationally accepted methodology Travel and Tourism Competitiveness Index (TTCI). Analysis will focus on the globally most competitive countries in tourism and on countries in the Southern European region. The research shows that even though human capital is not always emphasized when competitiveness evaluation is carried out in the tourism industry, human capital capabilities are a key factor taken into account in the competitiveness assessment data. In many countries the competitiveness of human capital in tourism is lower than desired, providing opportunities for additional investment in competitiveness through education and more-efficient labor market practices. Research methods used in the study include the systematic and logical analysis of scientific literature and synthesis.

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1. Introduction

Tourism represents one of the most important and rapidly growing economic sectors and is considered an extremely important part of overall development, especially in tourism-dependent countries which heavily rely on the situation in this industry. The development of other industries, employment and overall sustainability of a country and society are strongly connected with the tourism industry. The competitiveness of this sector is determined by many factors such as natural environment, tourism infrastructure and human capital. Human capital is emerging as a primary resource that contributes significantly to sustainable and competitive tourism development.

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Human capital as a major knowledge provider is becoming a prime factor in achieving sustainability and competitiveness on the global market. This is not only about generating knowledge but also about the opportunities the industry has in integrating this new knowledge into its products, services and processes, and propagating it among people through education, training, and information. The importance of worker knowledge, competencies and skills is becoming all the greater because of the specific characteristics of the product and services the tourism sector is offering [1]. Human capital as a resource, HRM processes and activities, organizational culture, business and HRM strategies encourage and reinforce employees' work-related behavior, thereby influencing customer value, product and service quality, and customer satisfaction and loyalty. Human capital will "contribute to sustained competitive advantage through facilitating the development of competencies that are firm-specific, produce complex relationships, are embedded in a firm's history and culture, and generate tacit organizational knowledge" [2].

The evaluation of competitiveness is a complex process which is done by using many different indicators and methods of evaluation. When it comes to identifying and evaluating tourism industry competitiveness, human capital is insufficiently emphasized even though it represents a vital part of the indicators' structure.

2. Measuring Competitiveness in the Tourism Industry

2.1. The economic impact of travel & tourism

Travel and Tourism, an important economic activity, has an indirect and induced impact on the economy of a country. The direct contribution is reflected in total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes and by government services directly linked to visitors (e.g., cultural, recreational etc.).

The 'indirect' contribution of Travel and Tourism includes the GDP and jobs supported by: Travel & Tourism investment spending (an important aspect of both current and future activity that includes investment activity such as the purchase of new aircraft and construction of new hotels); Government 'collective' spending, which helps Travel & Tourism activity in many different ways as it is made on behalf of the 'community at large' (e.g., tourism marketing and promotion, resort area security services, resort area sanitation services, etc.) and Domestic purchases of goods and services by the

sectors dealing directly with tourists (including purchases of food and cleaning services by hotels, IT services by travel agents, etc.) [3].

Travel and Tourism has a global economic impact as shown in Table 1. In 2016, Travel & Tourism contributed with 3.1% to direct GDP growth and supported 6 million net additional jobs in the sector. In total, Travel & Tourism generated 10.2% of global GDP and 292 million jobs, equivalent to 1 in 10 jobs in the global economy. Growth in Travel & Tourism outpaced that of the global economy (2.5%). The sector is shown to account for 10.4% of global GDP and 313 million jobs, or 9.9% of total employment, in 2017. That was one of the strongest years of GDP growth in a decade, with robust consumer spending worldwide. This global growth transferred again into Travel & Tourism with the sector’s direct growth of 4.6% outpacing the global economy for the seventh successive year [4].

TABLE 1: Economic contribution of Travel and Tourism. Source: Adapted from [3].

	Direct contribution		Total contribution	
	2016	2027	2016	2027
GDP	3,1% of total GDP (USD2,306.0bn)	3,5% of total GDP (USD3,537.1bn)	10,2% of GDP (USD7,613.3bn)	11,4% of GDP (USD11,212.9bn)
EMPLOYMENT	3,6% of total employment (108,741,000 jobs)	4,0% of total employment (138,086,000 jobs)	9,6% of total employment (292,220,000 jobs)	11,1% of total employment (381,700,000 jobs)
INVESTME	4.4% of total investment (USD806.5bn)	5.0% of total investment (USD1,307.1bn)		

Travel & Tourism, which already supports one in every ten jobs globally, is a dynamic engine of employment opportunity. Over the past ten years, one in five of all jobs created across the world has been in the sector and nearly 100 million new jobs could be created over the decade ahead. The creation of jobs and growth is a key priority of the European Union.

The tourism sector contributes strongly to the labor market in the EU and creates jobs for economically less-advantaged groups and regions. The direct contribution of Travel & Tourism to GDP was EUR 669.5bn (3.6% of total GDP) in 2017, and is forecast to rise to EUR 873.3bn (3.9% of total GDP) by 2028. Economic activities related to tourism account for 3.8% of total employment (over 14 million jobs) and in 2018 this number is expected to rise by 2.3% and in 2028 by 1.7% p.a. to 17,431,000 jobs (4.6% of total employment). In 2017, the total contribution of Travel & Tourism to employment,

including jobs indirectly supported by the industry, was 9.8% of total employment (36,618,500 jobs). This is expected to rise by 2.1% in 2018 to 37,403,500 jobs and by 1.3% p.a. to 42,553,000 jobs by 2028 (11.2% of total employment) [5].

2.2. Competitiveness indicators in the travel and tourism industry

There are numerous definitions of competitiveness in the literature. Porter (1990) defines it as “the ability of an enterprise (or a country) to design, produce and market goods and services, the price and non-price characteristics of which form a more attractive package than that of competitors” [6]. Tourism competitiveness for a destination is about the ability of the place to optimize its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way [7].

The evaluation of tourism sector competitiveness is a pretty common research problem analyzed in many scientific studies dedicated to tourism economics (Kozak and Remington (1999), Dwyer and Kim (2003), Dimanche (2005), etc.) [8]. There are many difficulties in identifying a few core indicators to effectively measure and monitor the very broad concepts, since there happen to be various conceptual views regarding the definition of competitiveness. The key elements to be considered when creating a framework for tourism competitiveness assessment are [9]:

1. Governance of tourism (governmental support, regulations, tourism strategy, safety and security, partnerships and cooperation public/private, budget allocated to tourism support, etc.)
2. Product development (innovation, product differentiation, market share, etc.)
3. Quality of tourism services (improve quality, quality of life, social equality and cohesion)
4. Price competitiveness (process, exchange rates, value for money, etc.)
5. Accessibility/connectivity (infrastructure development, position of destination, etc.)
6. Branding of the destination (promotion and marketing, market diversification, etc.)

- 7. Natural and cultural resources (sustainability, climate, biodiversity, etc.)
- 8. **Human resources development** (skill, education and training, labor productivity, tourism training centers, etc.)

Dupayres and Macallum [10] emphasize core and supplemental indicators that should be taken into account when measuring competitiveness in tourism and creating the framework for competitiveness assessment. Core indicators are divided in four categories: indicators measuring tourism performance and impacts, indicators monitoring the ability of a destination to deliver quality and competitive tourism services, indicators monitoring the attractiveness of a destination, and indicators describing policy response and economic opportunities (Table 2).

TABLE 2: List of indicators for measuring competitiveness in tourism.

Core indicators	Supplemental indicators
1) Tourism performance and impact	1) Tourism performance and impacts
· Tourism Direct Gross Domestic product	· Market diversification and growth markets
· Inbound tourism revenues per visitor by source market	2) Ability of a destination to deliver quality and competitive tourism services
· Overnights in all types of accommodation	· Employment in tourism by age, education level and type of contract
· Exports of tourism services	· Consumer price index
2) Ability of a destination to deliver quality and competitive tourism services	· Air connectivity and inter-mobility
· Labor productivity in tourism services	3) Attractiveness of destination
· Purchasing Power Parity (PPPs) and tourism prices	· OECD Better Life Index
· Country entry visa requirements	
3) Attractiveness of a destination	
· Natural resources and biodiversity	
· Cultural and creative resource	
· Visitor satisfaction	
4) Policy responses and economic opportunities	
· National Tourism action plan	
Source: Adapted from [9]	

Two indicators focusing on human resources affect the ability of a destination to deliver quality and competitive tourism services, one as a core indicator, the other as a supplemental indicator. One of the core indicators is "Labor productivity in tourism

services". Labor productivity in tourism services is a measure of the level and evolution of productivity of those employed in tourism and the productive potential of the tourism economy shown in a table of productivity measures and growth rates by country. Productivity is a main dimension of competitiveness. The challenge relates to difficulties of measurement, particularly to address quality issues, and the specificity of the tourism sector including the small size of businesses [10].

Higher productivity usually correlates to higher levels of skilled workers, leadership cultures, higher standards of living and mature competitive economy while low productivity reflects lack of flexibility and development of individuals in job progression, low levels of education and skill in employees; low purchasing power and unfavorable economic conditions.

The indicator "Employment in tourism by age, education level and type of contract" should help policy makers in their effort to improve employment and output of the tourism sector. Tourism employs largely young people, females, and individuals with a lower educational level, on a temporary basis. More-competitive tourism will attract higher-educated employees by offering them more-permanent types of contracts.

Evidence has shown that countries' initiatives for developing a competitiveness indicator remain rather partial and unequal in terms of content. Currently there are many initiatives focusing on the evaluation of tourism sector competitiveness such as the Tourism Satellite Account (TSA); ad-hoc reports and benchmarking with focus on issues such as investment, productivity, prices, labor, countries' regular visitor surveys, and knowledge networks dealing with issues of competitiveness; the WEF Travel and Tourism Competitiveness index and the National Bank index. A whole set of additional indicators are introduced focusing on human capital such as the HDI – Human Development Index, World Development Indicators (WDI), the World Bank Knowledge Economy Index, the IMD World Competitiveness Index, the World Economic Forum Global Competitiveness Index and the Business Competitiveness Index. The key element taken into account is human capital development and its indicators (skills, education and training, labor productivity, tourism training, etc.).

At the industry level there are few significant initiatives in monitoring competitiveness in tourism. Although several countries use the Tourist Satellite Account (TSA) as the main tool to gather and provide information about tourism allowing international comparison, it is still not used on a regular basis. Other countries produce ad-hoc

reports and benchmarks, develop national indexes or conduct surveys which may provide valuable but limited information. All these initiatives in monitoring competitiveness in tourism often do not include a framework that can be used at the international level, resulting in non-adequate data relevant for international comparison.

According to Gooroochurn and Sugiyato [11], the Competitiveness Monitor (CM) method can be applied for the evaluation of tourism destination competitiveness. The principle of CM structure is similar to that of other competitiveness indicators. The Competitiveness Monitor method is universal. The CM structure includes: human tourism indicators (HTI), price competitiveness indicators (PCI), infrastructural development indicators (IDI), environment-related indicators (EERI), technical advancement indicators (TAI), market openness indicator (MOI), social development indicators (SDI) and human resources indicators (HRI).

Human resource indicators are intended to measure the quality of the labor force in a certain tourist destination. Formal education indexes are most widely used, presuming that human resources with a higher level of education are capable of producing goods and services of a higher quality. The education index measures the level of literacy and similar characteristics. Literate individuals are defined as people above 15 years of age who are capable of understanding, reading and writing simple texts of commonly used language. Indexes concerned with education levels estimate the number of individuals that belong to certain education levels as compared with all people that belong to the same age group [12].

At the international level, the *Travel and Tourism Competitiveness Index* (TTCI) is the generally accepted methodology and indicator of tourism competitiveness published by the World Economic Forum. The aim of the TTCI is to provide a comprehensive strategic tool for measuring the set of factors and policies that enable the sustainable development of the travel & tourism sector, which in turn, contributes to the development and competitiveness of a country [13].

As presented in Figure 1, the TTCI structure is composed of 14 pillars organized into four sub-indexes: Enabling Environment (5 pillars), T&T Policy and Enabling Conditions (4 pillars), Infrastructure (3 pillars) and Natural and Cultural Resources (2 pillars). These 14 pillars are calculated on the basis of data derived from the Executive Opinion Survey (Survey) and quantitative data from other sources.

In the TTCI, Human Resources and Labor Market is one of the key pillars of the enabling environment affecting competitiveness in tourism. Elements emphasized in this pillar are qualification of the labor force focusing on education and long-life learning, and different characteristics of the labor market (hiring and firing practices, supply

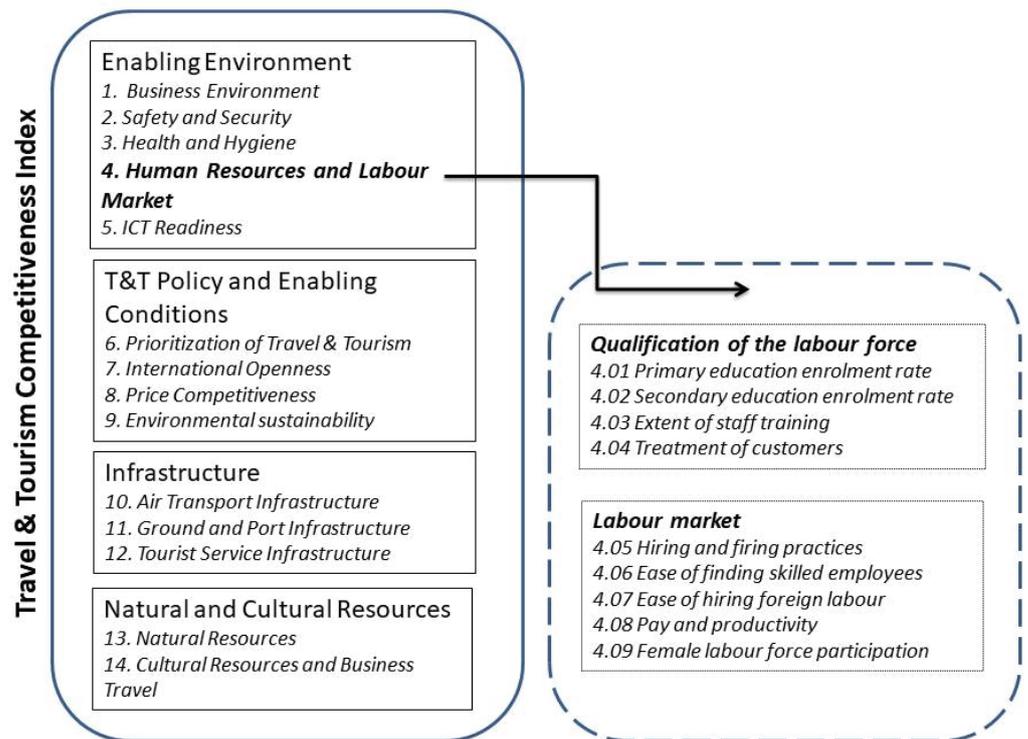


Figure 1: The Travel & Tourism Competitiveness Index framework. Source: Adapted from [13].

of skilled employees, pay and productivity, female labor force participation, hiring foreign labor).

The Travel and Tourism Competitiveness Index allows cross-country comparison, providing all stakeholders a platform to improve the industry’s competitiveness in their national economies. It takes a global approach in analyzing global trends in this industry by addressing critical issues that will affect long-term travel & tourism competitiveness. As a part of this indicator, various areas in tourism are measured such as human resources and labor market, making it possible to track progress in time and to benchmark a country’s progress.

3. Human Capital and Labour Market As Factors of Sustainable Competitive Advantage in Tourism

Travel and tourism as important economic activities deliver benefits to the destination (create new jobs and employment opportunities; generate foreign exchange; stimulate trade, income and entrepreneurships; generate greater collection of taxes and

revenues, etc.) and help to boost regional development and sustainability while alleviating poverty. Tourism offers the opportunity for small and medium size businesses to provide products and services for the tourism industry. A large number of local people will have the opportunity to find employment; the demand for local products and services will grow, influencing the development of other industries in the region; and income will flow directly to the local economy, contributing to a long-term sustainability.

Most developed tourist countries will have to compete in a global market by offering quality products and services. As seen in Tables 3 and 4, Europe is once again the region of the world with the strongest overall T&T competitiveness performance, emphasizing the importance and quality of products and services offered in travel and tourism. In 2017, Spain continued to lead in the TCI ranking, and Europe was again the region with the most T&T competitive economies and with the highest T&T regional average competitiveness level. Six European countries were ranked in the Top 10: Spain (1), France (3), Germany (3), UK (5), Italy (8) and Switzerland (10). When looking at the competitiveness of Human Resources and Labor Market in T&T, however, the situation is quite different. Human capital in tourism is very competitive in the countries of Northern Europe, as a result of a developed educational system and labor market. Only two countries – Germany and Switzerland – appear in the Top 10 for both indicators (Table 3).

TABLE 3: Top ten world countries in T&T competitiveness in 2017.

Top 10 Countries - global T&T competitiveness			Top 10 countries - competitiveness of "Human resources and Labor market"		
TTCI Global ranking/136	Country	"Human resources and Labor market" Rank/136	"Human resources and Labor market" Rank/136	Country	TTCI Global ranking/136
1	Spain	34	1	Iceland	25
2	France	28	2	Switzerland	10
3	Germany	7	3	Denmark	31
4	Japan	20	4	Norway	18
5	United Kingdom	12	5	Singapore	13
6	United States	13	6	Finland	33
7	Australia	29	7	Germany	3
8	Italy	67	8	Sweden	20
9	Canada	14	9	Austria	12
10	Switzerland	2	10	New Zealand	16

Source: Adapted from [13]

The region of Southern Europe includes countries such as Spain, Italy, Portugal and Greece. In the whole region, the contribution of tourism to the economic development of countries is very high. Countries in this region are globally ranked no lower than 44th, meaning their tourism is competitive in the global market. However, the ranking and scores of the competitiveness of human resources and labor market in these countries is much lower (Table 4).

TABLE 4: The Travel & Tourism Competitiveness Index for Southern European countries in 2017.

Country/Economy	TTCI	"Human resources and Labor market"	
	Global ranking/136	Rank/136	Score
SOUTHERN EUROPE			
Spain	1	34	4.9
Italy	8	67	4.6
Portugal	14	27	5.2
Greece	24	49	4.8
Croatia	32	85	4.4
Malta	36	52	4.8
Turkey	44	94	4.3
Cyprus	52	35	4.9
Southern Europe Average			4.7
Source: Adapted from [13]			

There is a very strong correlation between overall competitiveness and the business environment and infrastructure, respectively human, cultural and nature resources, as well as a strong correlation between overall competitiveness and the specific regulatory framework [14]. Human capital competitiveness in tourism in the largest tourist countries, however, is still much lower than desired, indicating there is plenty of room for improvement. By investing in education and ensuring more-open labor markets, countries can exert a positive influence on their global tourism competitiveness.

4. Conclusion

The Travel and Tourism industry represents one of the most important and rapidly growing economic activities, strongly influencing employment in, and the overall sustainability of, a country, especially when the country's economy is heavily dependent on tourism. Travel and Tourism competitiveness is influenced by a large number of factors, making evaluation very challenging. To ensure cross-country comparison, a comprehensive strategic tool for measuring the set of factors that contribute to the sustainable development of travel and tourism should be taken into consideration.

The Travel & Tourism Competitiveness Index (TTCI) is the most-widely used tool for measuring competitiveness at the international level.

Human capital development (skill, education, labor productivity, etc.) is one of the key elements to be considered when assessing tourism competitiveness. An analysis of different initiatives focused on the evaluation of competitiveness in tourism shows that indicators focusing on human capital development have an important role. A pillar in the TTCI, called "Human Resources and Labor Market", gathers data focused on education, training and labor market indicators (productivity, HRM processes, etc.).

Upon analyzing the T&T competitiveness of the world's top economically competitive countries and of countries situated in Southern Europe, we can conclude that competitiveness of human capital in tourism is much lower than expected. This emphasizes the need for additional investment in different segments of human capital development such as education and training. Human capital, therefore, presents an element which, by becoming more competitive, can and will influence the overall competitiveness of travel and tourism of a country at the regional and the global levels.

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