

## Human capital and Tourism competitiveness in the world

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## Abstract

Tourism relies strongly on human capital. To explore this relationship, the present study examines the relationship between, on the one hand, human capital (HC) , and the other hand The Travel and Tourism competitiveness in the world. We use data from The Human Capital Report 2015 and The Travel and Tourism Competitiveness Report 2015 of the world economic forum by using ordinary least square method (OLS).

The analysis shows that the human capital index (HCI) is positively correlated with Travel and Tourism competitiveness index (TTCI).

Keywords: Human capital; tourism competitiveness; ordinary least square method

## 1. Introduction

It's taken for granted that HC is a key element in any industry sector, especially in service sector such as tourism which is characterized by a high involvement of humans, who are considered as the most valuable assets in any country's economy.

Tourism is considered as an important pillar of many countries economy. According to the World Travel and Tourism Council (WTTC), tourism and related activities provide 266 million jobs, directly and indirectly in 2014. Both developing and developed countries tend to see tourism as an economic and social phenomenon and as a potentially profitable field of investment (Berberoglu, 1988)

A lot of countries over the world make great effort to be competitive destination. This Competitiveness consists of achieving long term profitability and answer the strong evolutions of this sector. It can be shaped by the ability of a destination to maintain its market position and improve upon it through time Hauteserre (2000). This concept includes both factors of micro and macro environment.

Competitiveness Index (TTCI) measures “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. This index is based on four pillars described in the figure below:



### **Chart 1: Travel and Tourism Competitiveness Index Components**

#### **2. The human capital concept**

The concept of human capital may be 40 years old, but its treatment in organizational research is in an infant stage' (Wright & McMahan, 2011). Thus, human capital can be considered the key element of intellectual assets and one of the most important sources of firm's sustainable competitive advantages Cabrita and Bontis (2008). It is regarded as the most valuable asset Backhuijs et al. (1999) Johanson et al. (1999). Mouritsen (1998) noted that human capital can be regarded as an organization's important strategic asset.

Nevertheless, Researchers have not reached a consensus on what critical elements should be included in human capital Wright and McMahan (2011). Edvinsson and Malone (1997) emphasize that Human capital includes knowledge, skills, innovativeness and the ability to meet the task at hand and also human capital cannot be owned by the company.

Table 1 presents different definitions given by scholars:

**Table -1: Human capital definitions**

<b>Scholar</b>	<b>Definition of Human capital</b>
Becker ( 1964)	The economic value of education
Bontis and Fitz-enz (2002)	Employee knowledge, competence and experience
brookings (1997)	Leadership ability, management skills, professional skills, problem-solving skills and creative abilities
Cabrita and Bontis (2008)	Comprises the individual's education, skills, values and experiences
Chang and Lai (2008)	Denotes the tacit knowledge embedded in the minds of the employees. Employees generate IC through their competence, attitude, motivation and intellectual agility
Edvinsson and Malone (1997)	the combined knowledge, skill, innovativeness and ability of company's individual employees to meet the task at hand
Grantham and al (1997)	Firm's capacity to solve problems by using employee knowledge
Hsu and Fang (2009)	Comprises all business capital embedded in employees and not owned by the organization. This capital may be taken away by employees, and includes employees and managers' competence, experience, knowledge, skills, attitude, commitment and wisdom
Luthans et al	Personal experience, level of education, professional skills, knowledge and creative ideas
Cater et all ( 2009)	the talent of employees

Lynn (1998)	The stock of knowledge, skills and unique abilities possessed by employees.
Martí'nez-Torres (2006)	The knowledge, skills, etc. of individuals
Roos et al (1998)	work competence, attitude and quickness in response
Stewart (1997)	The ability of employee to solve customer problems
Subramanian and Youndt (2005)	The knowledge, skills, and abilities residing with and utilized by individuals
sveiby (1997)	The ability of employee to create tangible and intangible assets
Sveiby (1997)	The capacity to act in a wide variety of situations to create both tangible and intangible assets
Ulrich (1998)	Competence multiplied by commitment
Wu (2000)	Management team, professional skills, creativity and loyalty
Wu et al. (2008)	Embraces all of the skills and capabilities of the people working in an organization

**Note. Data are from different studies.**

There is a myriad of definitions for this concept. But Researchers have not reached a consensus on what critical elements should be included in human capital Wright and McMahan (2011).

Edvinsson and Malone (1997) emphasize that Human capital includes knowledge, skills, innovativeness and the ability to meet the task at hand and also human capital cannot be owned by the company.

Whereas country's human capital is composed by two components: Education and learning-by-doing Lucas (1988). Becker (1964) stated that HC is the foundation for the wealth-creating capacity of a firm or nation and should therefore be invested in by companies.

HC theory can be interpreted by considering the knowledge, skills and abilities of employees. McKelvey (1983) Flamholtz and Lacey (1981), and it plays a dual role: first, as a stock of skills produced by education and training, it works in conjunction with other factors of production such as physical capital and unskilled labour. Second, it is a stock of knowledge generating growth through innovation Mincer (1989). Romer (1990) has noted that human capital accumulation and technology are driving countries' growth in the long term rather than the investment in physical capital

To sum up we can say that in the extant literature, HC is assessed by different ways, nevertheless, health and education are often used as proxies of HC. Consequently, results and interpretations are slightly different in the same context.

Concerning the human Capital theory, individual's skills, experience and knowledge generate economic value (Coff, 1997) to the firm, and individuals enhance their HC through education and training. Becker(1964) stated that HC is the foundation for the wealth-creating capacity of a firm or nation and should therefore be invested in by companies.

The concept of human capital is credited to Schutz (1961), who defined human capital as knowledge and skills obtained by people as capital in the process of vocational and technical education. According to human capital theory, individuals and the whole society gain economic benefits from investments in people (Sweetland, 1996). This theory is developed mainly due to the contributions of Jacob Mincer (1958, 1962), Théodore Schultz (1960, 1961) and Gary Becker(1962, 1964). This theory contends that an educated population is a productive population Olaniyan, Okemakinde (2008), and, individual's skills, experience and knowledge generate economic value (Coff, 1997) to the firm.

### **3. Human capital in tourism**

Tourism relies strongly on human capital. According to Carlzon (1986) consumer contact with an employee represents an organizational "moment of truth." He argued that it is during such "moments of truth" that consumers experience and evaluate the organization as a whole. In this respect, front line or high-contact employees play a very significant role in shaping customers' opinion about the organization. This argument also suggests that the consumer receives all value through the actions and activities of high contact service employees properly educated workforce could be able to sustain the high level of friendly, efficient and professional service, which is a major ingredient in ensuring satisfied customers and continued growth Maxwell et al. (2001)

In the literature, It is argued that HC is very important for the tourism and hospitality industry Finegold et al. (2000) and Ladkin (2002) have noted that specific studies are important to develop HC in tourism sector. AgutandGrau (2002) has shown that training is a must to follow the field evolution.

### **4. Human capital index HCI**

The Human Capital Index provides country rankings that allow for effective comparisons across regions and income groups (World Economic Forum, 2015). HCI of 2019 comprises three principles keys:

- Survival, as measured by under-5 mortality rates;
- Expected years of Quality-Adjusted School which combines information on the

quantity and quality of education (quality is measured by harmonizing test scores from major international student achievement testing programs and quantity from number of years of school that a child can expect to obtain by age 18 given the prevailing pattern of enrolment rates across grades in respective countries)

- Health environment using two proxies of adult survival rates and the rate of stunting for children under age 5.

The central hypothesis is :

H1 : human capital has a positive impact on Travel and Tourism competitiveness

## 5. Methodology

To explore the relationship between human capital and Travel and Tourism competitiveness, we use secondary data from world economy forum 2015.

Our model is represented by the following equation:

$$HCI = a \text{ TTCI} + b$$

To find the value of a and b, we use ordinal least square method OLS. In our survey, we test the relationship between variables through the simple linear regression analysis models using SPSS software.

## 6. Results

### 6.1 Descriptive Statistic

The results of this study show that the mean of the HCI is 67. While the standard deviation is 11.

**Table 2:** HCI Descriptive statistic

	Mean	Max	Min	Meadian	Mode	Std. Dev
HCI	67	86	41	68	58	11

Note. Data are from The Travel & Tourism Competitiveness Report 2015

TTCI analysis shows that the mean is 3,31. Regarding the standard deviation, it is equal to 0.69

**Table 3:** TTCI Descriptive statistic

	Mean	Max	Min	Meadian	Mode	Std dev
TTCI	3,78	5,31	2,43	3,70	4,08	0,69

Note. Data are from The Travel & Tourism Competitiveness Report 2015

According to Word Economic Forum (WEF) of Davos, Spain has topped the list of the most competitive destination followed by France and Germany. Whereas Chad is classified the last.

## 6.2. Empirical analysis

The central question of our study is to know if, the human capital affect tourism.

Results show a positive strong and statistically significant correlation between HCI and TTCI.

For this reason, we consider that human capital is a key factor to be competitive in tourism sector. So, we can confirm H1.

**Table 4:** Statistical tests: HCI and TTCI

DV	IV	Si gn	R	R2	Fisher Test		Student test	
					Test	Df	Test	Df
TTCI	HCI	0	0,829	0,688	264,14	1 & 120	16,25	120

Note. Data are from The Travel & Tourism Competitiveness Report 2015



## 7. Conclusion

The results demonstrate the positive relationship between HCI and TTCI. This study highlights the important role of HC in making countries more competitive in tourism and travel sector. But, this study describes the situation before the Covid Pandemic.

Our study synthesizes theoretical and empirical arguments to better understand the role of human capital in tourism competitiveness. However, there are still many avenues of research to better understand the role of human capital in competitiveness of tourism. Nowadays, tourism continues to be one of the sectors hit hardest by this pandemic, Governments in these regions, and elsewhere, have taken measures to ease the economic shock to households and businesses, but longer-term the industry will need to adapt to a post-pandemic “new normal.”

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