

Cost Competitiveness and Structural Changes of The Hospitality Sector in Europe

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Abstract :

We investigated 120 hotels in 5 European countries to collect data for the 2010-2020 time period. The cost of labor and human capital is an important indicator of the competitiveness of the hospitality industry. We analyze human capital from work or performance. We use the Input-Output to measure performance. Based on the results of the regression and analysis, it can be seen that from 5 countries there are centers of tourism and high hospitality competitiveness, namely France and Spain. This difference in competitiveness affects the occupation of the hotel and the performance of the hotel business. The labor factor also follows based on the center of tourist attraction in 5 countries.

Keywords: Cost Competitiveness, Structural Changes, Hospitality Sector, Europe

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Introduction

Manpower is one of the main factors in financing infrastructure development. In the industry, labor costs contribute to the majority of operating costs (Milberg and Winkler, 2013). Foreign direct investment is generally followed by the absorption of new technology to increase labor productivity so that it can produce optimal results from costs that are routinely issued (Rodrik, 2018). The practice of adopting technology is common in a number of developing countries in the world (Pavlínek, 2019)

The cost of labor is an important thing to study because it involves the welfare of employees as well as the costs which are the largest in business operations. Human capital is needed in the technology transfer process and assimilation process between low-skilled workers and high-skilled workers (Baldwin and Venables, 2013).

Human capital is one of the causes of the paradox where cheap labor, which is generally low in skill, is used less often than high-paid but highly skilled labor so that labor costs are not only measured by salary or wages but also by skill level. So that the labor cost paradox can be answered (Graebner et al., 2019). High human capital allows humans to be able to master high technology so that they have high performance. A high human capital workforce is very likely to produce performance far exceeding low human capital workers. So the salary can not represent the performance.

In the hospitality industry, human capital is very important because it involves the service and quality of hotel services. In the hospitality industry, labor costs include costs that absorb the majority of the hotel's operating budget.

In the modern economic era, competitiveness is not only related to cost efficiency but also non-cost competitiveness, one of which is labor skills, reputation, and so on (Pavlinek, 2019). Others because supply chains are not only related to costs but also distribution and timeliness which are one of the competitiveness factors in global industries (Landesmann and Stöllinger, 2019).

This study focuses on the competitiveness of the hospitality industry in Europe by considering cost, value chain and non-cost competitiveness.

Literature review

Sectoral competition between countries in the field of tourism has been built in various countries to attract tourists to visit (Dosi et al., 2015). Labor costs are one of the most important factors to take into account costs and performance. Differences in labor costs also occur in Europe (Ederer and Reschenhofer, 2018).

Labor costs and performance are still dynamic and unclear because the measurement of productivity and human capital cannot only be based on the profits earned by the company with the costs incurred. Measurement of human capital is more complex (Benkovskis and Wörz, 2018; Graebner et al., 2019). The debate regarding performance and its measurement has not yet reached an agreement because human capital is abstract (Bramucci et al., 2017). Costs and profits are very important in business. Supply chain is a new measurement in assessing company competitiveness (Milberg and Winkler, 2013).

In Europe, FDI is important because apart from increasing capital in the real sector, it also creates new jobs (Barnes and Morris, 2008). The attractiveness of a country in attracting investors today is not only related to labor costs but also supply chains. Non-cost competitiveness is currently a new concern in the business sector. Work methods, reputation, and organizational culture are important factors in increasing competitiveness (Pavlínek, 2019).

International business fuels human mobility. The hospitality industry is on human mobility for both tourism and business purposes. The hospitality industry will find it difficult to survive when human mobility is limited. Mobility in Europe within the European Union will be freer because of the European Union agreement so that everyone in Europe can move freely as long as there are no other restrictions as a result of the COVID-19 pandemic. During a pandemic, hotels still have hope from economic and trade mobility as an alternative to human mobility from tourism needs (Chapuzet & Bawono, 2021).

Hotel costs and supply chains are very important in surviving the pandemic. The search for new income outside of room rental is also an alternative to survive. Human capital and workforce skills are the main things in dealing with the pandemic (Rusmingsih et al., 2021).

Research Method

We investigated 120 hotels in 5 European countries to collect data for the 2010-2020 time period. The cost of labor and human capital is an important indicator of the competitiveness of the hospitality industry. We analyze human capital from work or performance. We use the Input-Output to measure performance with the equation:

$$V = P(I - A)^{-1} F$$

where:

A is the direct intermediary input total coefficient matrix

P is the upper diagonal matrix p_{si} , as the ratio of value-added to gross output in sector i in country s .

F is the diagonal matrix of each diagonal element d_{si} over the value of the final demand for the product of sector i in country s .

I is the identity matrix.

The matrix element V informs about the value-added inputs from sector i in country s , which are used in the production of final goods or services in sector j in country p .

Result and Discussion

In analyzing competitiveness in the workforce we perform a unit average labor cost analysis in a vertically integrated sector (VIS), which comprises all sectors in all countries, which in turn adds value to the analyzed hospitality industry. The results of the VIS analysis are in Table 3.

Table 3. value added inputs as% of tourist stay

Segment of VIS	Germany	Great Britain	Spain	France	Italy
Hospitality Industry	21	20	25	30	22
Domestic Tourist	12	11	15	18	13
Foreign Tourist	9	9	10	12	9

France stands out as a country with a very high visitation in the hospitality sector before the COVID-19 pandemic. Following Spain as a country with a strong level of tourist and accommodation visits.

Conclusions

Based on the results of the regression and analysis, it can be seen that from 5 countries there are centers of tourism and high hospitality competitiveness, namely France and Spain. This difference in competitiveness affects the occupation of the hotel and the performance of the hotel business. The labor factor also follows based on the center of tourist attraction in 5 countries.

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