Human capital issues and challenges in the hotel industry: The case of Indonesia

by Sienny Thio

Chapter 9

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Sienny Thio and Brian King

Introduction

Human resources are a leading challenge for hotel executives when seeking operational
effectiveness (Enz 2001, 2009) and are long established as a topic of investigation
amongst tourism and hospitality scholars (Baum, 2007, 2015; Baum & Szivas, 2008;
Guerrier & Deery, 1998). In particular, it has been observed that labour shortages are
the most intractable challenge for hotels in almost all of the world's regions (Wang,
2009), with about 90 percent of the hospitality industry commonly experiencing under-
staffing (Poulston, 2008). Such ongoing human capital problems may arise from the
widespread deployment of young, female, and unskilled/semi-skilled staff that
characterizes the tourism and hospitality sector and which presents particular challenges
for managing the workforce (Kusluvan et al., 2010).

   With the World Travel and Tourism Council asserting that tourism accounts for
some 10% of employment globally (WTTC 2019) it is unsurprising that human resource
concerns loom large in developing countries as they seek to make the leap towards
developed status. The challenges of diverse, because at the peak level there is a global
search for top talent to lead the sector, including amongst the prominent transnational
hotel companies. At the same time developing counties that have growing youthful
populations need to find work for both the low skilled and also for those seeking rapid
upward social mobility. Such complexity places considerable pressure on political and
industry leaders to get the balance right between attracting top talent, whilst ensuring
sufficient opportunities for that the existing and potential local labor force.

   A notable example of a country that is seeking to confront the challenges is
Indonesia. With a population of some 264 million (2017 figures) which makes it the
world's most populous Muslim nation and a location in Southeast Asia, Indonesia is a
test case for the potential of tourism to support national development needs. The rapid
construction and opening of hotels across the country has been driving demand for

qualified human resources to fill vacancies. This is enhancing the important of acquiring qualifications and experience for the workforce. Negara (2014) has noted that Indonesia's aspiration to be innovation-driven means that the creation of highly educated and well-trained human resources is critical. Indonesia will undoubtedly need additional investment in human resources if it is to maintain future economic growth prospects and to extend social welfare. Hoteliers, in particular, will need to deploy all resources in preparing for an increasingly global market as the industry continues its rapid expansion. However, although studies on human capital issues and concerns in the hotel industry have been undertaken in various countries (Bharwani & Butt, 2012; Duncan, 2005; Enz, 2001, 2009; Jauhari, 2012b; Poulston, 2008; Watson et al., 2002; Yang & Cherry, 2008; Zhang & Wu, 2004), few researchers have investigated the challenges in the context of Indonesia and how these may be addressed. Context is important because, as noted by Davidson et al. (2011), any assessment of human resource trends in hospitality should consider the local circumstances which influence various people management issues, notably concerning cultural aspects.

Indonesia's hotel industry will need to acknowledge prevailing and prospective challenges if it is to respond effectively. Debrah and Budhwar (2004), observed that the development of any Human Resources Management (HRM) system should consider the regional and/or country context. Enz (2009: 197) commented that different regions in the world 'pose different management challenges'. Underpinning this chapter is the contention that any exploration of human capital challenges in hospitality should take account of such context. In the case of Indonesia, it is evident that the hotel industry may need to strengthen workforce qualifications if it is to address the growing competition for labour.

It is acknowledged here that hospitality labour-related issues are nothing new and HRM hospitality roles have evolved over recent decades (Ubeda-Garcia et al., 2013). Nevertheless, the limited research on current and future human capital issues and challenges in Indonesia is indicative of a need for more thorough investigation. On this basis, the present chapter will investigate the current and future human capital issues and challenges that confront hotel managers in Indonesia. By identifying areas of concern and providing a future platform, the empirical human capital-focused research discussed below offers the prospect of raising the awareness and future oriented knowledge of hotel operators, academics, and government bodies. Before proceeding, it

is appropriate to provide a brief review of human capital issues in the hotel sector both generally and in Indonesia.

Human Capital

Lado and Wilson (1994: 705) have defined human capital as the 'set of knowledge, skills, and abilities that are embedded in the firm's human resources'. Meanwhile, Hyun (2010: 20) describes the same concept as the 'productive capacity of the people'. Hyun (2010) has also further described human capital as the skills and abilities of the workforce which can be mastered through education and can transform materials and capital into goods and services. On this basis, human capital is central to the image and reputation of an organization, particularly in the case of service industries such as hospitality.

Tourism remains a labour intensive sector (Baum, 2010) and concerns about human capital are high on the list of problems identified by hospitality operators (Enz, 2001). Specifically, Enz's (2001) survey of hospitality managers revealed a reluctance amongst respondents to invest in human resources because of a fear that high turnover and the likelihood that employees would soon move elsewhere would prevent them from enjoying the benefits of their investment. This pattern sometimes prompts hotel managers to underestimate the capacities of their workforce and to withhold potential training and development opportunities. These views were also supported by Solnet and Hood (2008) who highlighted that even the most enlightened training provision by hospitality employers can be rendered useless when employees opt for job offers elsewhere.

The prevalence of labour shortages in hospitality sector, compounded by the difficulty of attracting new recruits to the industry, has been noted by many tourism and hospitality researchers (Bharwani & Butt, 2012; Duncan, 2005; Enz, 2001; Enz, 2009; Jauhari, 2012b; Poulston, 2008; Yang & Cherry, 2008). In many settings, an increase in the number of hotel properties has not been accompanied by an equivalent number of additional human resources, leading ultimately to labour shortages. Notably, although they are a prime target for the hotel sector, young people in particular prefer to work in other industries which are perceived to provide better remuneration and/or allowances (Zhang & Wu, 2004). Thus, human resource professionals face the challenge of considering the perspectives of both current and prospective employees and of the company. The former are deemed to a crucial source of competitive advantage for

business (Ulrich & Brockbank, 2009).

Human capital issues and concerns in the hotel industry

As already noted, human resources are one of the most significant challenges facing hotel managers and hospitality professionals (Enz, 2009), a challenge that is exacerbated by the dynamism of the business environment, including the workforce. Hospitality establishments are confronting a proliferation of diverse competitors, all of which are attempting to attract and retain the same group of potential talent (Chen & Choi, 2008). Such conditions, along with prevailing economic, political, socio-cultural and technological changes, have impacted on employment patterns in the sector (Baum, 2015), whilst Jauhari (2012a) has noted that changing socio-economic contexts are adding to the complexities being confronted by industry leaders. In the face of such adaptive environments, Jauhari (2012a) has identified the need for hospitality organizations to be more proactive when addressing emerging challenges. Hospitality industry developments are occurring throughout the world and at an accelerating rate in certain regions (Jayawardena et al, 2013). In particular, the increasing supply of hotel rooms is placing pressure on the demand for labour whilst, at the same time, the needs, wants and expectations of customers, employees and companies are also changing (Jayawardena et al., 2013). There exists, therefore, a need to engage in regular updating of salient industry issues and concerns to ensure that companies are adequately prepared for change.

Numerous studies have examined people management related issues and concerns across settings that include the USA, Canada, New Zealand, Taiwan and China (Bharwani & Butt, 2012; Duncan, 2005; Enz, 2001, 2009; Jauhari, 2012b; Poulston, 2008; Watson et al., 2002; Yang & Cherry, 2008; Zhang & Wu, 2004). These various studies have highlighted the urgent need for executives to take full account of human capital concerns. In reviewing the relevant extant literature, the authors of thus chapter identified a total of eleven papers on human resource issues and concerns that have focused on different world regions. The various sources are summarized in Table 9.1.

Table 9.1: Human Resource Issues and Challenges in the Hospitality Industry

Author (s)	Region	Sample	Issues and Challenges
Enz (2001)	USA and Europe	Senior managers	Attracting talented people, lack of strong employees' skills, the need for more training, labour shortages due to low unemployment rates, raising compensation and employee morale, professionalism and career opportunities for managers
Watson et al. (2002)	Across 32 countries	HR directors and managers	Service quality, training and development, staff recruitment and selection.
Zhang & Wu (2004)	China	Hotel managers, travel managers, and academics	Employee retention, human resource shortages, shortages of qualified managers and the expectations gap between education and industry
Duncan (2005)	Australia, UK, USA, Canada, NZ, Europe, Ireland (worldwide)	Hospitality and hotel association websites around the world	Increase in minimum wages, increasing flexibility of working hours, and increasing reliance on overseas workers.
Poulston (2008)	Auckland	Staff, supervisors and managers	Under-staffing and high staff turnover, poor training, employee theft and sexual harassment.
Yang & Cherry (2008)	Taiwan	Hotel managers	Shortage of employees, training & development Internship employment, Employee turnover, outsourcing, Flexible/casual employment, Downsizing, the new labour retirement pension system, employment alternatives, workforce diversity
Enz (2009)	60 countries within 6 different world regions	Hotel executive and managers	Attraction, retention, training and morale of employees.
Bharwani & Butt (2012)	India	Hospitality practitioners, roundtable of experts	Attraction and retention, training and development issues, employee engagement, work-life balance and growth

			opportunities and career progression.
Jauhari (2012a)	India	Hospitality professionals	Skilled manpower shortage, Rising labour costs, High attrition (higher training costs), managing Millennials
Adler & Rigg (2012)	Jamaica	Expatriate hotel GM	Punctuality, educational levels, productivity, and low skill levels
Jayawardena et al. (2013a)	Canada	Industry leaders and hospitality educators	recruitment, training and retention of employees, seasonality

As can be seen in Table 9.1, it is evident that hotel industry organizations across the world confront similar human resource issues and challenges. However, the handling of such issues will be influenced by the specific socio-economic backgrounds of companies and regions/countries (Baum, 1993). The research discussed in this chapter seeks to provide a broad perspective from human resource practitioners and industry leaders in anticipating upcoming challenges in the context of the Indonesian hotel industry.

Human capital in Indonesia's hotel industry

International tourism flows to Indonesia have been expanding rapidly, with most visitors emanating from short-and medium-haul sources such as Singapore, Malaysia, Australia, China, and Japan (OECD, 2014b). Domestic travellers within Indonesia are also contributing to tourism growth. With its thousands of islands and relatively unconstrained by space related concerns, Indonesia offers undoubted potential for substantial tourism development. Regrettably, however, the destination is unlikely to be effective when competing globally unless human capital deficiencies are remedied promptly (Widodo, 2016b); in 2015, a ranking of human resources in tourism placed Indonesia in fifth amongst the ASEAN countries after Singapore, Thailand, Malaysia, and Philippines (Widodo, 2016a). According to Ahman Sya, Indonesia's Deputy Head of Institutional Development of Tourism and as cited by Widodo (2016b), tourism human resources in Indonesia are still lagging in three aspects, namely, (i) mastery of foreign languages, especially English; (ii) information technology (IT); and (iii)

managerial skills. These are viewed as the main problems producing low competitiveness within the ASEAN region.

Following the establishment of the ASEAN Economic Community (AEC) which brings the prospect of a flow of ASEAN workforce migrating freely to Indonesia, it is anticipated that tourism and hospitality employees in Indonesia will struggle to compete. On the positive side, there is optimism that tourism has the capacity to compete with other sector, such as gas and oil, in Indonesia's economy because the tourism sector is 'pro-job', 'pro-growth', and 'pro-poor' (Widodo, 2016b). Accordingly, collaboration amongst all stakeholders (organizations, government, and education providers) in the tourism and hospitality industry will be necessary to improve the quality and performance of the Indonesian workforce. Meanwhile, there is an urgent need to standardize the education and training system with a view to developing skilled labour for the hotel industry, such as English language proficiency, managerial skills, technology literacy, and general business skills (ILO, 2009). Indonesian government has seen the need of improving those skills, therefore vocational education and training have been emphasized to assure future jobs and skills for young workforce who is dominated the labour market in Indonesia.

With about 50 percent of Indonesia's population being aged under 30, the country is not short of human resources (Indonesia-Investment, 2016). Unfortunately, however, the large numbers are also a cause of various labour-related issues. These include low education levels, unskilled workers and poorly remunerated occupations. According to a survey on Indonesia by the UNWTO (ILO, 2009), the main factor in reducing the competitiveness of Indonesian tourism is the shortage of a skilled workforce as a result of poor wages, unfavorable working environments, and low barriers to joining the industry. The OECD (2014a) also highlighted improving job quality and productivity as major challenges for emerging countries, including Indonesia. It is evident that education and skills are deemed as essential for enhancing employment outcomes and improving qualified workforce in labour market.

The prevalence of low wages relative to other sectors is a major cause of the shortage of qualified labour in the tourism and hotel industry in Indonesia (ILO, 2009). Hotel establishments typically offer their employees only the basic monthly salary which equates to the minimum wage regionally. Regional minimum wages are commonly determined by provincial governments and range from IDR 1.100.000 to

IDR 3.100.000 or USD 83 to 232 as per February, 2016 (National Wages and Productivity Commission, 2016). Hotel employee allowances in Indonesia consist of three main elements – basic salary, service charge and tips (Swan, 2015). The applicable basic salary and service charge vary by company, depending on the nature of the role and prevailing policies enacted by management. The service charge may itself exceed the basic salary for employees and varies according to hotel occupancy rates. This means that employees who are working in hotels with higher occupancy rates will receive a higher service charge. Many Indonesian hotel services are inclusive of 21 percent tax, of which 10 percent is deemed as government tax and the other 11 percent is a service charge. In light of the distinct features of the industry in Indonesia that have been noted in the previous section, human resource executives are expected to recruit and retain their workforce by designing and formulating an effective human resource planning and development.

The research: challenges in Indonesia's hotel industry

Methodology

In order to investigate the issues and challenges confronting Indonesia's hotel industry, a qualitative research method based on semi-structured in-depth interviews with hotel practitioners was used. As mentioned previously, context is important in the Indonesian context. Chadwick, Bahr and Albrecht (1984) have noted that qualitative research has the benefit of involving the researcher in observing behaviour in a 'natural setting', thereby acquiring greater in-depth understanding of the research subjects with greater flexibility. Using such an approach suits the purposes of the present investigation by ensuring that richer explanations and descriptions enhance the meanings attributable to information and statements. In this case, the observations relate to human capital issues in hospitality. Semi-structured interviewing has been selected because it is 'fluid in nature and follows the thinking processes of the interviewee' (Jennings, 2001: 165). Interviews were deemed to be an appropriate method for in-depth explorations because each interview is a dynamic process between the interviewer and interviewee which allows particular issues or problems to unfold (Brotherton, 2015).

Data collection

Indonesia's reputation as a tourism destination depends predominantly on Bali, with Java having a secondary influence with its scenic diversity and historic monuments

(Nuryanti, 2001). Indonesia has a population of approximately 253.6 million people, of which about 60% live on Java and Bali Island (Thadani et al, 2015). The Javanese cities of Jakarta and Surabaya along have been recognized by many hotel chains as prospective locations for expansion beyond Bali (ILO, 2009). The islands of Java and Bali were selected as interview settings due to their established business and dynamic hotel growth.

Most Surabaya hotels have a focus on business travellers, whereas their Bali counterparts are more leisure and resort-based tourism oriented. The characteristics of hospitality employees in the two regions differ because of prevailing geographic and socio-cultural backgrounds. Located in eastern Java, Surabaya is frequented predominantly by Javanese people, with most being Muslim; in contrast the people of Bali are predominantly Hindu.

Although there is no particular rule about sample size in qualitative research, Kuzel (1992) has suggested that a samples of between 12-20 participants may be applicable when it is necessary to obtain more extensive information and insights into the research topic. For the purposes of this study, 20 participants were randomly selected by sending an invitation through emails and telephone calls to the General Managers and/or human resource executives/managers of upscale hotels (four- and five-star hotels) in Bali and Surabaya, inviting them to participate voluntarily in the study. The list of hotels in Bali and Surabaya was identified from Trip Advisor. Of 34 hotels contacted, 20 accepted to be interviewed over a three-month period in September – December 2016.

All participants were Indonesian citizens, with six being from a local (chain) hotel and 14 from international (chain) hotels. The respondent profile is presented in Table 9.2.

Table 9.2: Respondent profile

Code	Position	Type of hotel	Gender	Age range	Current working experience (year/s)	Hotel working Experience (year/s)
	SURABAYA					
Sub1	HR Manager	5*	Male	37-51	2	19
Sub2	Director of HR	5*	Male	37-51	4	23
Sub3	General Manager	4*	Male	> 51	13	36
Sub4	HR Manager	4*	Female	37-51	3	21
Sub5	Director of HR	5*	Female	37-51	12	25
Sub6	General Manager	4*	Male	> 51	13	19
Sub7	General Manager	4*	Male	37-51	7	21
Sub8	HR Manager	4*	Male	37-51	1	5

Sub9	HR Manager	4*	Female	37-51	1	15
Sub10	Training Manager	5*	Female	22-36	6	6
	BALI					
Bal1	Director of HR	5*	Female	22-36	1	7
Bal2	HR Manager	4*	Female	37-51	13	16
Bal3	General Manager	4*	Female	37-51	1	25
Bal4	Assistant HR Director	5*	Female	37-51	4	19
Bal5	General Manager	4*	Female	> 51	3	22
Bal6	Area Director of HR	5*	Male	37-51	5	23
Bal7	General Manager	5*	Male	37-51	3	20
Bal8	HR Manager	4*	Female	22-36	1	4
Bal9	HR Manager	5*	Male	37-51	3	18
Bal10	Director of HR	5*	Male	37-51	10	25

Data Analysis

The researchers deployed a content analysis approach. This is a scientific tool that has been defined by Krippendorff (2013: 24) as 'a research technique for making replicable and valid inferences from text (or other meaningful matter) to the contexts of their use', and is a method that has gained in popularity over recent years (Stringam & Gerdes, 2010). Research using content analysis examines texts by identifying and calculating a particular theme (Lu & Zhu, 2006) and focusing on language as communication with an emphasis on the content and contextual meaning of the text (Tesch, 1990).

Transcriptions were conducted in Indonesian in order to maintain the original meaning of each conversation with respondents, while the categorization and summarizing of interviews was in English. Field notes were used to transcribe other important information gathered during interviewing such as respondent genders, age, educational levels, employer name and work experience.

Since the analysis of research content and the formulation of connections amongst themes relied on the researchers themselves and were not mediated via a computer software program, the researchers proceeded to organize and examine the qualitative data manually. Microsoft Word 2010 was utilized to generate codes, categories, and themes for the purposes of further analysis. Applying manual analysis enabled the researchers to examine the data at close quarters and to conduct a rigorous identification of emerging themes across the transcripts. The terms 'issue' and 'challenge' are presented as a collective and are used interchangeably throughout the chapter.

According to Miles and Huberman (1994), there are three elements of analysis, namely: data reduction, data display, and conclusion drawing/verification and these systematic were adopted for the purposes of analyzing the qualitative data.

Results

The following human capital issues and challenge themes emerged from the interview data: (i) recruitment; (ii) strong competition; (iii) employee issues; (iv) retention; (v) government regulations; and (vi) local community.

Recruitment

Respondents in both Bali and Surabaya admitted that the challenge of recruiting potential talent has intensified because of competition between hotels. Consequently, hotel companies compete to offer better salaries and benefit packages that will attract talented employees who meet hotel qualifications. On the other side, the increasing room supply is making a fall in occupancy inevitable. It is unsurprising that Indonesian hospitality leaders are confronting a recruitment problem.

A talent war amongst hotels is viewed as unavoidable and hijacking potential staff by offering them higher salaries and positions seems to offer a quick way to attract and recruit talented staff. This creates a particular dilemma for hotels that can only offer a standard or low salary package as they will be unable to recruit competent staff or managers due to budgetary constraints. This was observed by two respondents, as follows:

> Hotels are facing dilemma, if they want to offer lower package, they will have a problematic in quality. (Sub7)

> The challenge is talent acquisition, to find people who fit with company expectation. (Bal4)

Strong competition

Several Surabaya respondents mentioned that the significant growth of hotel construction has intensified competition amongst hotels by producing an imbalance

between supply and demand. The supply of hotel rooms is viewed as excessive and has led to strong demand for labour. However, there are insufficient qualified employees in the Indonesian labour market to meet the requirements of the hotel industry. As a result, hotels have little option other than offering better pay and higher positions to attract talented employees from other hotels. Additionally, hotels are compelled to offer instant promotion to staff because they have no opportunity to fill potentially vacant positions, even though the staff have not reached the required level of quality provision. Two views about the impacts of severe competition were expressed as follows:

> Finding qualified personnel is rather difficult because too many hotels open opportunity. Staff is easier to get promotion even though they are not ready with that position. (Bal3)

> It is like talent war. Between one hotel and another hotel they find a way to hijack talents. (Bal8)

Employee issues

Hotels that have 20 years or more of history face particular problems with their more senior staff who are aged above 50 years and have been working in the establishment for over 15 years. This issue was most pronounced amongst respondents from Surabaya and was associated with the following problems: (i) lower staff productivity; (ii) decreasing stamina; (iii) less motivation; (iv) less creativity; (v) boredom due to doing the same work for many years; (vi) technologically illiterate. The ageing workforce is viewed by some HR leaders as being both a burden and a challenge. The issue of senior staff was primarily raised by respondents who are employed in older hotels because the aging staff have been there ever since opening. Unsurprisingly, these older hotels usually have lower staff turnover. Older employees are those most likely to remain at the hotel since other properties will generally hire a younger workforce.

Moreover, both Bali and Surabaya respondents associated an underqualified workforce with a deficit of key competencies such as logical thinking. Inadequate skill levels and English proficiency have emerged as persistent problems at a time that job related demands are increasing and hotels are expecting high standards. Two respondents expressed the following concern:

The quality of human resources is lacking, their logical thinking is low, especially fresh graduates. (Bal2)

There is a skill gap because job demands are getting high. Hotel has a lot of resources but those who can execute the job are uneven. For example, staff must be able to speak English but the requirement is not only English now but also other languages…in fact, not all staff can speak English. (Bal9)

Retention

Bali and Surabaya respondents identified the prevalence of high staff turnover, particularly in the case of millennials (often defined as those reaching young adulthood in the early 21st century) since they are prone to boredom and demand rapid advancement. The issue of high staff turnover is caused by the rapid growth of hotel development and staff obviously has many options to apply for hotel related jobs. As the competition between hotels intensifies, it is increasingly challenging to retain employees. Millennial staff are more tempted to move from one hotel to another hotel within a short period because they are confident about stepping higher. Unsurprisingly, they can readily move to other hotels which offer better positions and benefits. A Bali respondents believed that preparing and ensuring the attainment of agreed positions within a defined period may provide a mechanism to retain millennials for longer. The challenge relating to millennial staff was expressed as follows:

Retaining new staff especially millennials are a challenge because they easily get bored and want to get quick promotion. (Sub10)

…ensure staff to keep staying by preparing next position, particularly for millennials. For millennials they do not want to remain in a position because within certain period they must get certain position. (Bal5)

Government regulations

Relative to their counterparts in Bali, Surabaya hotels were encountering more problems related to local government regulation particularly concerning the UMK (Municipal Minimum Wage). Surabaya respondents stated that UMK has been increasing significantly each year and has been burdensome for companies. On the other hand,

Commented [RAJS<SoB&8]: Perhaps need to define / explain millenials

Commented [KB[9R8]: See my suggested response

hotel revenues have been decreasing due to the increasing number of hotels being built and severe competition between hotels. The UMK increase has created a serious budget issue for hotels as they need to escalate their revenues in order to cover increased labour costs in the face of decreasing room occupancies.

A Bali respondent claimed that government was underprepared to implement its mandatory national health care initiative (BPJS *kesehatan/Badan Penyelenggara Jaminan Sosial Kesehatan)* which was established at the beginning of 2014. The program was intended to improve the provision of public health services. However, the implementation has not run smoothly. Inflexible hours of service and limited facilities have generated complaints from amongst hotel employees. The plan is mandated and has posed particular problems for hotel employers in Bali. On this basis, several Bali respondents urged their management to provide better health facilities for employees by offering double health insurance coverage to attract potential employees. Two respondents expressed their opinions concerning government policies as follows:

> Government regulation is inapplicable and difficult to be implemented, every year UMK increases significantly and as a result we cannot achieve revenue which only increase very little. (Sub2)

> We support government program, I am happy with BPJS healthcare, but the problem is the implementation...no flexibility and then puskesmas (government-mandated community health clinics) is not ready. (Bal5)

Local community

The local community issue was raised by respondents in Bali. Known for its unique local culture, Bali is characterized by the institution of the customary village (Desa adat) and village section (Banjar). These contribute to the definition of relationships and boundaries such as place, friendships, and common interests (Geriya, 2003). Smooth hotel operations and management depend heavily on a close relationship with the Banjar. The dominant authority that is associated with the local community in areas where hotels are located expects hotel managers to adhere to a set of (unwritten) regulations that have been set by the surrounding community. For instance, new hotels in particular should employ a share of local people ranging between 20 and 40 percent. A problem that was noted by Bali respondents was that the qualifications of local

people did not meet hotel standards due to low education levels and a lack of skills. A Bali respondent expressed her concerns as follows:

> Bali has its own challenge, in our area, Jimbaran is quite tough in its local community...we need to focus on recruitment as they set the quota and they have different way to push companies. (Bal1)

Noting the additional challenge associated with entry by foreign workers as a result of AEC and the increasing need for proper training, most respondents anticipate that these issues will continue. It is anticipated that the free flow of labour within ASEAN will threaten local workers since incomers may accept lower or equal pay relative to Indonesian workers. Noting a lack of output from hotel schools, respondents felt that hotels would need to provide more training themselves. Training programs will be crucial for preparing qualified and talented staff that are capable of competing with foreign labour. Training is also deemed to be a key factor for the retention of competent employees (Choi & Dickson, 2009). Comprehensive training programs will be needed to help hotel companies to achieve the best staff performance and the delivery of excellent service to hotel guests. In view of the various issues that have been noted in the preceding section, hotel leaders should consider the various issues and challenges affecting the labour market to take appropriate action.

Discussion

From the preceding section, it is an evident that the difficulty of recruiting potential talent has become the biggest challenge for hotel executives in Indonesia. International and domestic hotel companies have been competing with each other to attract talented employees by offering better salaries and benefit packages. On the other side of the ledger, the significant increase in room supply has made falling occupancies inevitable. Though each job vacancy attracts many applicants, finding qualified staff with high potential is still difficult. This has been highlighted by Allen's (2016) assertion that quality of employment remains a major issue in Indonesia. A lack of skills and mismatched skills are also considered to be continual challenges. It is likely that involvement from both government and academics will be required to play a role in addressing the human capital concerns encountered by the hotel industry.

Three fundamental causes of the identified human capital issues and challenges have been noted, namely: (i) significant hotel development; (ii) underqualified workforce; and (iii) the impact of AEC.

Rapid hotel development

The massive pace of hotel development, which is likely to continue into the future, is the root cause of concerns about strong competition, recruitment and retention. As reported by Gebbie (2016) in the Asia Pacific Market Report, the number of hotel rooms in Bali will increase from 70,000 to over 85,000 by 2020. Meanwhile new hotels under development in Surabaya over the next three to five years will generate an additional 3,800 rooms. Intense competition between hotels has produced a demand and supply imbalance, exacerbated by increased demands on the hotel workforce due to aggressive hotel development. This massive demand for labour is not paralleled by an increased supply of people to work in the industry. Given the systemic nature of the challenge, it will be important for both local and central governments to be involved in addressing this concern.

There have been recurrent calls for a development moratorium, particularly in Bali which already has a surplus of some 10,000 rooms and had sufficient room supply up to 2015 (Atmodjo, 2010). Officials at Indonesia's Ministry of Culture and Tourism have urged the Bali administration to apply a temporary restriction on any new hotel construction to avoid unhealthy business competition. Although the moratorium was released by the local authority and though no new permits have been issued to build new hotels, some new construction is still proceeding. This is due to the issuance of some permits prior to the release of the moratorium. This condition partly explains the aspiration of the Indonesian government to replicate the success of tourism in Bali by launching '10 new Balis' by embarking on new destinations for further development (Chan, 2017). Of the ten proposed tourism destinations, two are located in the western part of Indonesia, Lake Toba (North Sumatra) and Belitung (Bangka Belitung); four are located in central Indonesia, Tanjung Lesung (Banten), Seribu Islands (Jakarta), Borobudur Temple (Central Java), and Mount Bromo (East Java); and four are in eastern Indonesia, Mandalika Lombok (West Nusa Tenggara), Komodo Island (East Nusa Tenggara), Wakatobi National Park (Southeast Sulawesi), and Morotai (North Maluku).

The involvement of central government is essential since it holds the highest authority to work with local governments in setting strict regulations to investigate issues and problems in each area depending on local conditions. Hence, a commitment from both local and central governments will be needed to overcome excessive room supply in the region.

An underqualified workforce

Lack of skills and low English proficiency, as well as logical thinking, have become hotel workforce issues and challenges. Though hotels have abundant staff, the workforce lacks the capability to perform their jobs. Furthermore, older staff who have been working for over a decade are demotivated and less productive. This leads to underperformance. These various issues are causes of an underqualified workforce. Despite the abundant workforce within the labour market, it is challenging to find staff who meet necessary hotel qualifications.

The government has a vital role in preparing strategic programs to improve the quality of its people and to compete with foreigners. Indonesia still lags behind other ASEAN countries such as Singapore, Malaysia, Thailand, and Vietnam. There is evidently a lack of government attention to enhancing the competitiveness of the local workforce (Fanggidae, 2016). Thus, the involvement of Indonesian government will be crucial to producing a qualified and competent workforce. To mobilize the full potential of its people, the Indonesian government should engage stakeholders such as professional/business leaders, academics, and associations in a collective endeavour to prepare a talented workforce that is globally competitive. For a start and as noted by Shodiq (2016), improving the quality of basic education should be the key challenge for the Indonesian government. Taty (2016) added that the government should develop a good education system, strengthen the role of religion for character building, and provide capacity building through training and competency.

The Indonesian government has enhanced its attempts to improve the quality of the workforce, notably in the hotel industry. Respondents expressed the view that the regulation requiring all hotel staff to possess specific competencies in their field offers a means of improving the quality of employees. However, the government must evaluate and control the implementation of this regulation. The evaluation of the material delivered and the implementation of the training need to be considered in order to provide a qualified workforce who possess knowledge and expertise in their domain.

The impact of AEC

The ASEAN Economic community (AEC) was launched in late 2015; however, the implementation of the AEC agenda is still unclear. The implementation of AEC does not currently appear to be a threat to hotels within the wider context of Indonesia's hotel industry. It can generally be said that Indonesia is not yet ready to welcome foreign workers, particularly in the case of hotels. This is consistent with Taty's (2016) and Gunadi's (2016) study which concluded that there is a big question about whether Indonesia is ready for AEC or not. This conclusion refers to Indonesia's ranking which is relatively lower than for other ASEAN countries, particularly Singapore, Brunei Darussalam, Malaysia, and Thailand.

Amongst the various ASEAN countries, Indonesia has both the largest population and a tremendous talent pool. The potential of abundant talent needs to be unleashed and government, business professionals, academic institutions, and individual must discern this issue by establishing policies (Shodiq, 2016). The implementation of AEC in Indonesia was deemed by respondents to be challenging. The country may suffer because Indonesian workers need to compete with their counterparts elsewhere in ASEAN. Most are inadequately equipped with skills and regionally recognized certifications (Gunadi, 2016). Hence, job training and other skills training efforts should be considered to improve the quality of human capital and be prepared for future impacts of AEC.

Though AEC seems to have had minimal impact on the hotel industry to date, it may become a serious future problem. Ready or not, all national stakeholders should be prepared for the free flow of labour, including across the hospitality industry, since this is part of the commitment to being an ASEAN single market. The establishment of the Mutual Recognition Arrangement on Tourism Professionals (MRA-TP) is a critical joint initiative amongst ASEAN regions to improve tourism and hospitality professionals' standards within the countries.

Conclusions

This chapter offers the prospect of a better understanding of human capital issues and challenges and of broadening previous studies conducted in other jurisdictions (Bharwani & Butt, 2012; Duncan, 2005; Enz, 2001, 2009; Jauhari, 2012b; Poulston, 2008; Watson et al., 2002; Yang & Cherry, 2008; Zhang & Wu, 2004). It is interesting to acknowledge that recruitment, retention, and employee-related concerns have become

commonplace globally across the hospitality industry. In addition, the concerns that have been identified in this study relating to intense competition, government regulations and local community are evidence that local circumstances should be acknowledged. Local community concerns in Bali have shown that cultural uniqueness brings its own human capital challenges thereby confirming Bali as exceptional within the Indonesia context.

The establishment of AEC is an upcoming issue for hotel practitioners and was equally concerning for both Surabaya and Bali respondents. The free flow of labour within ASEAN countries generally and within the hotel industry in particular should awaken hotel operators to serious preparation of their workforce in the face of foreign competition. This concern will be most challenging for the various developing countries within the ASEAN region, which are challenged by poor quality workforces, notably Cambodia, Indonesia, Laos, Vietnam, Philippines, and Myanmar. Indonesia is a special case and worthy of dedicated study because it is both a developing country and large and populous enough to have a substantial domestic market. This makes it a significant emerging country example.

This chapter has also proposed that hotel stakeholders should develop strategies to increase the development of human capital within the industry, particularly in the case of government and education institutions. Strong support from government officials and collaboration with academics offers the prospect of a strategic approach to the alleviation of HR problems. Although this chapter has documented human capital concerns that are being encountered across the hotel industry, the respondents were limited to hotel managers/professionals from upscale hotels in Surabaya and Bali. Future researchers are encouraged to involve a greater diversity of hotel stakeholders such as government officers, employees, and academics from leading Indonesia cities such as Jakarta, Bandung, and Medan. The results might generate additional issues and challenges that are being encountered by the hotel industry across Indonesia in different urban settings. Further research could also be undertaken in other countries and contexts. The perspectives gained from different parties may potentially enrich and sharpen our understanding of human capital concerns. Examining the cultural and socio-demographic backgrounds of different regions with larger sample sizes should be a valuable strategic input to the design of appropriate HR planning and development in anticipating possible future challenges.

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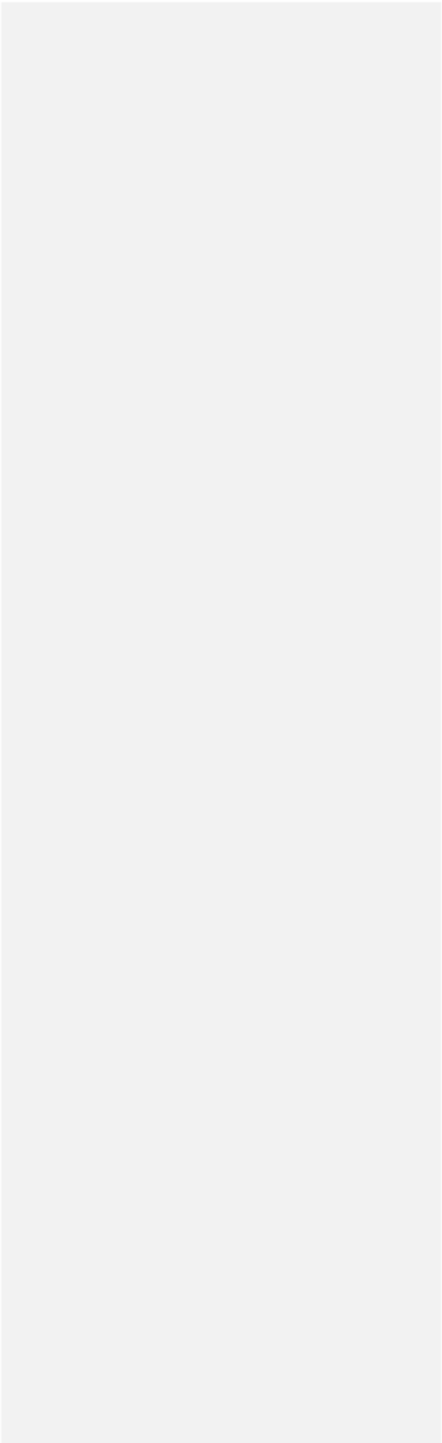
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