

FUTURE TRENDS IN EMPLOYEE REQUIREMENT IN HOTEL AND RESTAURANT SECTOR IN SRI LANKA

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ABSTRACT

This paper aims to forecast future employee requirements in the hotel and restaurant sector in Sri Lanka and identify the correlation between different labour categories with tourist arrivals. The literature illustrates the fact that there is a significant shortage of forecasted data on labour in the hotel and restaurant sector, particularly in Sri Lanka. Therefore, this research fulfilled the empirical gap forecasting the future employee requirements in the hotel and restaurant sector in Sri Lanka. Secondary data were used and analyzed using quantitative techniques. Annual data were obtained from annual statistical reports from 2000 to 2018 published by Sri Lanka Tourism Development Authority in Sri Lanka. The linear regression model was used to forecast different employee categories in the hotel and restaurant sector and Karl Pearson's correlation was used to test the correlation between labour categories (independent variables) and tourist arrivals (dependent variable). Findings indicate that there is a positive and very strong relationship between tourist arrivals and different labour categories since the coefficient of correlation is more than 0.8 in all relationships. The study forecasts that 2.4 million foreign tourists will arrive in Sri Lanka in 2024 and 146105 employees in different categories in the hotel and restaurant sector in Sri Lanka is required. As compared to the required labour force with the existing employees, hotel and restaurant sector in Sri Lanka is required 24898 employees in 2024. Thus, the study provides better insight into future trends of employability requirements of the hotel and restaurant sector which leads to preventing the risk and uncertainties in future manpower planning in the industry.

Keywords: *Employees; Forecasting; Hotel and Restaurant; Sri Lanka*

INTRODUCTION

Sri Lanka is predominant in agriculture producing paddy, vegetables, grain, yam, and fruits for domestic consumption and cultivating commercial crops including tea, rubber, coconut, and spices. Agriculture contributed 7.8% to the Gross Domestic Product (GDP) in 2019 (Central Bank of Sri Lanka, 2019). The service sector emerged as the dominant sector which included trade, transport, tourism, communication, financial services, public administration, national defence, and other services, contributed 61.7 per cent of the GDP in 2019 (Central Bank of Sri Lanka, 2019). However, over the past few years, the industrial sector has grown significantly. It has contributed 30.5 per cent to the GDP in 2019 (Central Bank of Sri Lanka, 2019). This information indicates that the contribution of the service sector in GDP is continually decreasing higher than the agriculture sector. This should be a good indicator for the policy decision-makers to take decisions to find out new avenues for the development of the service sector further. The agriculture sector reached the maximum capacity of utilizing all the arable lands in Sri Lanka. Therefore, employment generation in the agricultural sector is limited. Having understood the above situation, the Sri Lankan

Government made attempts to find new opportunities to develop the service sector in the next decade for the acceleration of its economic growth. Especially after post-war development 2009, tourism was identified as the largest and fastest-growing industry in Sri Lanka (Suresh & Senethilnathan, 2014).

Tourism is an industry that generates multiple effects on the national economy. It contributes a lot of economic advantages to both developed and developing countries. It facilitates business development, employment growth, social development, cultural and environmental quality, and economic growth (Onetiu & Predonu, 2013). Tourism development is seen by many developing countries and regions as an opportunity for economic and social development (Mihalic, 2016) and Tourism development and economic growth have a long-term positive association. This has been proven by Greece (Dritsakis, 2004), Italy (Massidda & Mattana, 2013); and many other countries. On the other hand, tourism is basically labour intensive. Hence, its importance to Sri Lanka economy is high. As a country, Sri Lanka labour force is estimated as 8334316 persons (Sri Lanka Labour Force Survey, 2019) and out of it, Agriculture employs 25.23 per cent of the labour force, industry produces 29.09 per cent, and the service sector

employs 45.6 per cent of the total workforce. The tourism sector contributed to 11 per cent of total employment. The tourism industry involves approximately 488,000 people and is anticipated to boost by 1.6 per cent each year until it reaches 1,037,000 by 2028. Unemployment has historically been a very sensitive issue in Sri Lanka (Dickens & Lang, 1991). In 2017, the unemployment rate for above 18 was at 4.4%. Hence, tourism is not only important for economic development but also important to employment generation (ILO, 2020). As a labor-intensive industry, manpower is the most pressing long-term problem facing the tourism industry. As per the International Society of Hospitality Consultants (ISHC), the number one concern facing the global hospitality business is focusing on the labour force. Hence, government as well as other private sector decision-makers should take the necessary attention to solve problems in tourism labour in future. Tourism HR research has been measured in two ways: HR requirements (industry personnel demands) and employment impact studies. (Ritchie & Goeldner, 1987). HR requirements research means research within the firm and often deals with people and planning areas. Employment impact studies are used to determine past, current, and possible further effects of travel and tourism on employment and earnings. These researches are used for planning for industry expansion, identify viable markets within available labour supply, provision of government grants. Statistical data are critical for making informed, evidence-based decisions, planning, implementing, and monitoring policies and programmes. As a result, the level of detail and trustworthiness of data, as well as its interpretation and use, have a direct impact on the efficacy of such policies and initiatives. For any country, statistics on the tourism labour market provide the following advantages:

- 1) It can be used to define and analyse the present employment situation in various industries in terms of the number of people employed, the number of jobs available, labour utilisation, and job demands.
- 2) It examines how tourism flows and expenditure affect employment levels and structure in various tourism industries.
- 3) Policymakers can use employment data to conduct analysis at various degrees of detail and check for consistency with financial data.

In the Sri Lankan context, there are very little research carried out to identify and understand the nature of the labour market in the tourism and hospitality sector (Umasuthan & Park, 2018). In the direct labour force in

the tourism sector, approximately 80% of tourism labour in Sri Lanka represents the hotel and restaurant sector (SLTDA, 2019). Though this sector provides a large portion of the job market of the tourism sector, greater attention is not given to the future development of this sector. One of the reasons for the above scenario may be no proper information available in this sector for decision-makers. According to Armstrong & Taylor (2020), employment forecasting is the process of anticipating future employee numbers as well as the expected skills and abilities required. Forecasting attempts to minimize risks associated with industry and maximize the productivity of decisions making of the entire industry but fewer attempts were made in forecasting employment in the tourism industry in Sri Lanka. Among the very few or no attempt is taken to forecast future labour in the hotel and restaurant sector in Sri Lanka. Hence, it is a timely requirement of forecasting the employment of this valuable sector.

LITERATURE REVIEW

The labour force is defined as the sum of employed and unemployed people, according to ILO labour force projections for 2020. People in employment are defined as individuals of working age who were engaged in any activity to generate products or services for pay or profit during a short reference period. They comprise; a) Employed persons, 'at work' (at least one hour), and b) Employed persons 'not at work' due to temporary absence from a job or to working-time arrangements.

The labour force of a particular country is highly influenced by the factors such as technology changes, societal changes, internalization of products, etc. Most economic and institutional decisions are related to the current labour market in the country. Therefore, it is important to understand the future trends and behaviours of the labour market for the decision-makers so that they can take the most accurate decisions in future. Contributions of O'Connell & MacGinnity (1996) demonstrate that these forecasts have provided accurate and relevant information on labour market developments. Even this information is important for individuals, firms and institutions which ensure employability is a key element of any strategic response. Even yet, this data is critical for individuals, businesses, and institutions who want to guarantee that employability is a core component of any strategy response. Individual wealth will increase as a result of well trained and educated workers, corporations will become more competitive, and society as a whole will benefit (Neugart & Schömann, 2002). Forecasting labour market developments has a lengthy history throughout the world. The Mediterranean Regional Project, started by the OECD in the early 1960s,

was one of the first "Manpower Planning Projects." The forecasting labour force in an industry or country provides several benefits. Forecast enables an organization to find a more strategic approach to identify and subsequently solve problems. It helps to reduce adjustment costs arising from imbalances in the labour and product markets (Neugart & Schömann, 2002). It encourages investments in education and training, the deployment of labour market instruments and policy development in the field of personal and policy development (ADB & ILO, 2017). Labour forecast provides both occupational guidance for new labour market entrants as well as address the need for occupational mobility for those already in a job or those seeking to re-enter the labour market. In general, employment data is an important social indicator for understanding a country's specific economy. These data reveal the number of jobs, people employed, their qualifications etc. It is critical for policymakers to have access to accurate statistics to conduct job-creation policies and initiatives in the country.

Like the industry, tourism plays a pivotal role in the labour market since it generates a substantial share of total jobs. It provides employment opportunities for different segments of people in society and sometimes these segments are neglected by other industries. For example - individuals who seek jobs the first time, low skilled workers and workers with little qualification. The tourism industry's impact to the creation of jobs is difficult to quantify. Since it is a very complex field in terms of employment generation, the actual employee figure of the tourism sector can be hidden. The causes behind the above scenario can be identified as follows. Season ability (part-time), an excessive hour of work, low paid and family labour, informal or sometimes illegal labour. There are two conceptual measures of tourism labour. They are referred to as tourism jobs and tourism industry employment. Employment in tourism is tied to the goods and services purchased by visitors and created by tourism or other businesses. It counts the number of employments in the tourist and non-tourism industries that are directly related to tourism demand and are held by employees, self-employed people, and family workers. All jobs (in all occupations) in the tourism industry are referred to as employment in the tourism industry. All positions (or persons employed) delivering tourist- and non-tourism-characteristic services in all tourism-related establishments are referred to as employment in the tourism sector.

Assessing the employment demand linked with the tourism demand prediction is a strategic topic encompassing long-term human resource development

considerations in both the private and public sectors (Stephen, Aiyana & Stephan, 2004). Though tourism demand and forecasting research were very rare before 2000, it has attracted much attention among academics as well as practitioners in the recent past (Hayian & Gang, 2008). Most of these researches are heavily dependent on secondary data, and among them, tourist arrivals are a very important variable in tourism labour forecasting researches (Wanhill, 1992). According to Witt, Song & Louvieris (2003), the vector autoregressive model is the most accurate forecasting method for long-term forecasting horizons (two and three years ahead). When we examine academic literature, it is clear that there has been an attempt to combine future tourism demand forecast with tourism impact analysis to examine the workforce requirement associated with tourism demand forecast (Stephen, Aiyana & Stephan, 2004).

RESEARCH METHODOLOGY

To explore the forecasted values of labour in the hotel and restaurant sector for a future period, secondary data were used and analyzed using quantitative techniques. Annual data on tourist arrivals and different employment categories in the hotel and restaurant sector for the period of 2000 to 2018 were obtained from annual statistical reports from 2000 to 2018 published by Sri Lanka Tourism Development Authority (SLTDA). Tourist labour in Sri Lanka can be classified as direct labour and indirect labour. Out of direct labour, approximately 80% of labour is represented as hotel and restaurant labour and they are further divided as, managerial scientific and professional employment category, technical, clerical allied supervisory employment category, and manual and operative employment category. Tourist arrivals were considered dependent variable and employee categories (direct employment, employment in hotel and restaurant sector, managerial scientific and professional employment category, technical, clerical allied supervisory employment category, and manual and operative employment category) were considered as variables of this research. Karl Pearson's correlation was used to test the correlation between the factors such as direct employment, employment in hotel and restaurant sector, managerial scientific and professional employment category, technical, clerical allied supervisory employment category, and manual and operative employment category with tourist arrivals. Time series plots were used for pattern identification. Linear Regression Model was used for forecasting different employee categories for the future. Coefficient of determination was used to examine how differences in

tourism arrival can be explained by different labour categories of the hotel and restaurant sectors.

RESULT & DISCUSSION

In this research, the researcher make effort to identify the various relations between the dependent variable (tourist arrivals) with different independent variables such as direct employment, labour in the hotel and restaurant sector, managerial scientific & professionals labour, technical clerical allied, supervisory and manual & operative labour. Karl Pearson's correlation was used to test the association between the factors and results exhibited in table 2. There is a positive and very strong correlation between tourist arrivals and labour categories such as direct employment, hotel and restaurant labour, managerial scientific and professional employment category, technical, clerical allied supervisory employment category, and manual and operative employment category. They indicate that the growth of the above said employees' categories are highly determined by the number of tourist arrivals. The coefficient determination is above 80% and indicates more than 95 variations of their employee categories. Based on the above, it is evident that these labour categories depend on the country's effort to attract more tourists to the country. In addition to the above, there is a special labour category of tourism called tour guides. According to this analysis, there is a strong relationship between tour guides and tourist arrivals (coefficient of correlation = 0.83) but the coefficient of determination is at 0.68. It indicates that only 68 % of tour guide variation only determined by tourist arrivals, but other factors impact 32% variation of tour guide employment.

Table 1: Correlation Analysis Results

S/No.		Correction Co-efficient		Co-efficient of determination	
		Co-relation Co-efficient	Round up value of co-relation co-efficient	Co-efficient of determination	The percentage value of co-efficient determination (%)
1	Tourist arrivals and direct employment	0.9785	0.98	0.957	96
2	Tourist arrivals and Hotel & Restaurant	0.9848	0.99	0.9699	97
3	Tourist arrivals and Guides	0.8245	0.83	0.6798	68
4	Tourist arrivals and Managerial Scientific & Professionals	0.9831	0.99	0.9664	97
5	Tourist arrivals and Technical Clerical Allied and supervisory	0.9787	0.98	0.9578	96
6	Tourist arrivals and Manual & Operative	0.987	0.99	0.9741	97

During the projection period (2020 to 2024), tourism arrivals grow at an average annual rate of 4.8 per cent. Hotel and restaurant sector employees will be increased by 24 898 during this period (2020 to 2024) and the annual average growth rate is at 4.7 per cent. It indicates that approximately both rates are the same and function together well. Since job market of the hotel and restaurant sector continually expanding over the 5 years periods simultaneously with tourism arrivals. Government, as well as private sector organizations, need to identify education and training opportunities in this sector. When it comes to Human Resource Management and policies in the hotel sector, training and development are some of the most important tools (Nickson & Warhust, 2007). Based on the above data, educational organizations can decide their investments in this sector for a future time. Managerial employees in the hotel and restaurant sector will be increased by 3412 over the five-year consecutive period. The annual average growth rate of managerial employees in the hotel and restaurant sector is at 4.7 per cent. This indicates that how many white colour jobs should be created for the hotel and restaurant sector in the future. This information is vital for higher educational institutes such as universities to plan their future educational programs. The average annual growth rate is at 4.5 per cent. During this projection period (from 2020 to 2024) manual and operative employees are increased by 10406. The annual average growth rate of manual and operative employees is at 5 per cent. It indicates that manual and operative employees are increasing greater than other managerial employees. Even its growth rate is greater than the annual growth rate of tourist arrivals. Therefore, training institutes provide more educational programs in this sector and policymakers should facilitate introducing new educational solutions for these sectors. The Government should encourage both private and public educational organizations to design and implement appropriate short- and medium-term courses for this significant segment of the labour force and should provide more opportunities in learning in this sector. Tour guiding is another important profession in the tourism industry. They are direct contact part of any visitors. According to this analysis, the number of tour guides should be increased by 674 persons during this period (from 2020 to 2024). since the training of tour guides is solely responsible by Sri Lanka Tourism and Hotel Management (SLITHM), this should be a good input for their future educational planning. Ultimately all these forecasted values of the labour market become very important input for all policymakers, practitioners who are related to the tourism sector.

Table 2: Forecasting Analysis of Labor Categories of Hotel Restaurant Sector

Year	Forecast (Tourist Arrivals)	Forecast	Lower Confidence Bound	Upper Confidence Bound
Hotel and Restaurant				
2020	2,019,025	121,207	102,177	140,237
2021	2,124,347	127,432	100,533	154,330
2022	2,229,670	133,656	100,707	166,605
2023	2,334,992	139,881	101,822	177,940
2024	2,440,315	146,105	103,537	188,674
Managerial Scientific & Professional				
2020	2,019,025	16,572	13,964	19,180
2021	2,124,347	17,425	13,738	21,111
2022	2,229,670	18,278	13,762	22,794
2023	2,334,992	19,131	13,915	24,347
2024	2,440,315	19,984	14,150	25,818
Technical Clerical Allied and supervisory				
2020	2,019,025	57,181	48,713	65,650
2021	2,124,347	59,951	47,981	71,921
2022	2,229,670	62,721	48,059	77,384
2023	2,334,992	65,491	48,555	82,428
2024	2,440,315	68,261	49,318	87,205
Manual and Operative				
2020	2,019,025	47,455	39,502	55,408
2021	2,124,347	50,057	38,815	61,299
2022	2,229,670	52,658	38,888	66,429
2023	2,334,992	55,260	39,353	71,166
2024	2,440,315	57,861	40,070	75,652
Guides				
2020	2,019,025	4,978	4,463	5,493
2021	2,124,347	5,146	4,418	5,875
2022	2,229,670	5,315	4,423	6,207
2023	2,334,992	5,483	4,453	6,514
2024	2,440,315	5,652	4,499	6,804

Though the latest developed forecasting techniques gave improved forecast accuracy, some researchers (Haiyan & Gang, 2008) are raising voice that there should be both quantitative and qualitative research methods to be used to increase the accuracy of forecasting of future trends of the tourism industry. According to Witt, Song &

Louvieris (2003), there has been a dearth of tourism demand estimates that include tourism impact analysis to assess workforce requirements linked with tourism demand forecasts. This research can fill the above empirical gap of tourism labour. The countries like Denmark used this model to increase the accuracy of

forecasts (Stephen, Aiyana & Stephan, 2004). The forecasted annual average growth rate of employment in the hotel and restaurant sector is identical to the annual growth of tourist arrival in-country. But a country like Australia, there is a significant difference between these two variables. A country like Canada has to face the problem of labour shortage to continue operation. The reason is their tourism industries are mostly developing as capital and technology-intensive industries. But the tourism industry in Sri Lanka remains a highly labor-intensive industry.

CONCLUSION

The aim of this study is to forecast the labour requirement of the hotel and restaurant sector and more specifically the different labour categories of the hotel and restaurant sector in Sri Lanka. The growing importance of the tourism industry, as well as the relative labour intensity of accommodation as a crucial aspect of a country's tourism offering, make this an important subject to explore. Tourism arrivals are annually increased by 4.8 per cent and employees of hotel and restaurant sector also increase by 4.7 per cent simultaneously. This projection shows that we still operate our industry as a labor-intensive industry. Therefore, a skillful, well-trained labour force may be the greatest asset for the development of the industry in the future. Developing and maintaining well-trained and skilled labour is the challenge faced by many firms in the industry. Hence policymakers need to make decisions to provide more institutional facilities to develop these labour categories in this sector.

Looking forward, this research merits future research engagement as the needs of the hotel and restaurant sector and its diverse workforce evolves in an ever-changing environment. Evaluating the extent to which the future accurately enhances the efficacy of successive future research. This type of research can avoid the risk and uncertainties involved with future planning. There are certain drawbacks to this study, which was based exclusively on secondary data acquired from a single source over a short period of time. The future study might be extended with a focus on forecasted results of the hotel and restaurant sector. In fact, this is the ideal time for Sri Lanka to develop a solid plan to strengthen its human resources in both quantity and quality. The value of human resources in the hotel and restaurant industry in Sri Lanka was analysed in this study for the future.

Conflict of Interests

The authors declare that they have no conflict of interests.

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