

## **Human Resource Management Challenges in the Hospitality Industry: Insights from Nepal**

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### **ABSTRACT**

Hospitality industry in Nepal is growing along with tourism industry, which is further supplemented by the rising entry of international chain of hotels. It has increased the demand for the efficient management of qualified human resources. However, there are also challenges at varying levels to manage human resources in this industry. Therefore, this paper explores human resource management (HRM) challenges in the hospitality industry. The data for this study was collected through in-depth semi-structured interviews of 20 HR directors/managers from the Nepalese five-star and four-star hotels who were chosen using a purposive sampling method to ensure that the participants have enough experience of managing human resources in hotels. The findings reveal both internal as well as external challenges faced by the Nepalese hospitality industry.

**Keywords:** *hospitality industry; qualified and skilled human resources; human resource management; brain-drain*

### **I. INTRODUCTION AND STUDY OBJECTIVES**

This paper explores human resource management (HRM) challenges in the hospitality industry focusing on Nepalese hotels. The hospitality industry that incorporates lodging and food service operations includes a wide range of services including food outlets, smallest roadside inn, catering in transport services and largest five-star hotels among others (Andrews, 2009). Since the services in the are primarily run by its people, understanding human resources management in a larger context that explore beyond the day-to-day operations is essential (Jervis, 1999).

Although the concept of HRM in the hospitality industry in Nepal evolved after the adoption of liberalisation and privatisation policy in 1990 (Maharjan, 2013), it has yet to gain its maturity. Consequently, the management of human resources in the Nepalese hospitality industry faces a number of HRM challenges at varying levels ranging from recruitment processes to training and development, satisfying employees, maintenance of labour relationships, unionisation, and employee retention. In Nepal—like many other countries, tourism and hospitality industry

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is the mainstay of the economy that contributes significantly to its growth. According to Nepal Tourism Board (NTB), the national tourism organisation of Nepal, the number of international tourist arrival in the country exceeded 1.1 million in 2018 and is expected to reach 2 million by 2020 (Pun, 2019). According to Nepal Rastra Bank, the central bank of Nepal, the direct contribution of travel and tourism to GDP was NPR 99.8 billion (USD 982.5 million), 4 per cent of total GDP in 2017 and is forecast to rise by 4.9 per cent in 2018, from 2018 – 2028, to NPR 152.4 billion (USD1.5 million), 4.2 per cent of total GDP in 2028. The data of tourist arrivals has shown the changes between January and February of 2018 and 2019 as 25.4 per cent and 39 per cent, respectively. The growth in tourism industry also brings about that in hotel industry as well, and Nepal is also not an exception to it.

According to the Nepalese Ministry of Tourism, the annualised growth rate of hotels and restaurants in Nepal was close to 10 per cent, and the contribution of hotel and restaurant sector in the total GDP was above 2 per cent in the Fiscal Year 2017/2018 (MoCTCA, 2018). The Hotel Association of Nepal (2018) has estimated that more than 10 five-star hotels with around 1,200 rooms would start operations within 2019 in addition to other categories of hotels. Among them 7 hotels of that category have already started their business by August 2019 and others are in the pipeline. Now there are 15 five-star hotels in Nepal; and another 12 five- and four-star hotels will come up in few years (Kalipur Daily, 2019). They are also targeting the vision of Visit Nepal 2020.

The Government of Nepal, Ministry of Culture, Tourism and Civil Aviation (MoCTCA) has planned to organise 'Visit Nepal Year' in 2020 to attract more tourists to the country. The government has set a target to bring in two million tourists each year by the targeted year. It is apparent that, in order to cater to the demand of future tourism and hospitality industry, a pool of qualified and skilled human resources is needed, which further reinforces the need for effective and efficient management of those human resources.

A recent survey data of Hotel association Nepal (HAN) shows that tourism industry provides 200,000 direct employments and 1.2 million indirect employments. The total number of female direct employees engaged in tourism is above 80,000.

However, in order to effectively managing human resources, it is important for the managers to identify and foresee the HR challenges; it is something this paper envisages to achieve. Furthermore, although a few previous studies have highlighted the challenges related to the tourism and hospitality industry in Nepal, a comprehensive and holistic review of the challenges has been neglected. This paper aims to fill this gap by exploring the HRM challenges in the Nepalese hospitality industry from a developing country perspective. The findings of this study are expected to benefit policy makers as well as hotel managers in devising policies that help them to resolves challenges and effectively manage human resources in the one of the most demanding industry in Nepal.

## **II. LITERATURE REVIEW**

Being a labour-intensive sector, the hospitality industry faces a number of issues related to the management of human resources. Past literature has shown that one of the primary challenges of hospitality sector HRM are basic wages which are lower in hospitality industry than other industries like IT, retail, banking, and telecoms. Past literature also reports that HR

practices are not standardised, and it is another challenge. In addition to them, past literature identifies as other challenges: a general lack of professional approach and vision, a lack of growth as well as learning and HR development opportunities, long working hours, high employee dissatisfaction and attrition rate among hospitality professionals, a poor perceived image of hospitality and tourism sector especially in relation to inadequate and inefficient training and education programmes that also discourage employees to stay longer, and high employee turnover rate among others (Bhutia, 2014; Kim, 2014; Sajhani, 2018; Srivastava, 2008; Wakelin-Theron, 2014).

As a result, the demand for human resources in hotels and restaurants far exceeds the supply in many countries. For example, according to a study conducted by Ministry of Tourism and Human Resources requirement in Hotel industry, tour operators and travel sector in Darjeeling (of India), the supply of qualified and trained human resource is not even touching 40 per cent of the total demand in hotels & restaurant sector (Bhutia, 2014). Additionally, the industry has not been able to attract talented young generation to serve the industry.

Srivastava (2008) noted that the supply of competent and skilled human resources has been the biggest challenge especially at the managerial level in tourism and hospitality industry. Consequently, the hospitality industry has to employ significantly unacceptable percentage of untrained manpower affecting negatively the quality of service offered to the tourists (Bhutia, 2014).

A similar study by Wakelin-Theron (2014) has also found that there is lack of adequate skills among many hospitality graduates. Put another way, hospitality graduates are not adequately prepared for the absorption in the industry. The knowledge of an academic subject is no longer enough in today's challenging work environment, so it is important for graduates to develop skills that will increase their chances of finding employment (Wakelin-Theron, 2014). Consequently, Srivastava (2008) has emphasised on prioritising the issues of the quality of supply of talented human resources to keep the hospitality industry up and growing so that it can contribute to the social and economic development of the country.

Nepal has a much-diversified population. A Nepalese survey has indicated that approximately 138,148 persons are engaged in the tourism sector of Nepal (Government of Nepal, 2014). About two-third (68 per cent) of employees were of the age between 20 to 40 years, among which half of the employees had completed intermediate level of education and 19 per cent were highly skilled.

The existing literature agrees that one of the key HRM challenges in the Nepalese hospitality industry is related to brain-drain. The lucrative job prospects outside of Nepal that includes earning higher than what a relatively more qualified person in Nepal could earn and more opportunities for talented employee's people abroad have given birth to expectations among the Nepalese youths who are then naturally inclined to overseas opportunities. Nepali companies neither would be able to provide such opportunities in Nepal, nor meet the expectation of the youth (Sthapit & Shrestha, 2018; New Business Age, 2018).

Apart from the poor infrastructures including transport services in Nepal, low salary, higher rate of unemployment, rampant unethical practices among the service providers, and inflation are the other dissatisfying and de-motivating factors for the Nepalese youth causing brain-

drain from Nepal and posing significant challenges for the management of employees in the Nepalese hospitality industry (New Business Age, 2018). In addition, hassles arising from activities of the trade unions are other de-motivating factors that have prevented deserving candidates from approaching for jobs in Nepali companies. Consequently, many youths seem to be attracted towards the public service jobs as they provide job security and good salaries (New Business Age, 2018).

On the basis of the review of literature, a need for identifying the key challenges to the management of human resources in Nepalese hospitality sector has been realised, and it can better be done through the direct interview with the top level managers and directors of highest-rated hotels so that it can bridge the study-gap existing in this sector.

### **III. RESEARCH METHODS**

The study has applied a qualitative approach to explore the HRM challenges in the Nepalese hospitality industry, as this research approach is useful to describe a phenomenon and its characteristics and is more concerned with what rather than how or why something has happened. On the same line, Phillimore and Goodson (2004) argues that qualitative research is as much a way of conceptualising and approaching social inquiry as it is a way of doing research. Qualitative research is designed to tell the researcher how and why things happen as they do (Cooper & Schindler (2010). It includes a selection of interpretive techniques which seek to describe, decode, and translate the things.

The data for this study was collected through semi-structured interviews administered on 20 HR directors/managers from the Nepalese five-star and four-star hotels. Those HR directors and managers were chosen using a purposive sampling method ensuring that the participants have enough experiences of the management of human resources in hotels. The five-star and four-star hotels were chosen, as far as the key interviewees are concerned for the study because they are the representative of the tourism and hospitality industry and the majority of HRM challenges appear in those hotels.

### **IV. DATA ANALYSIS AND DISCUSSION**

The preliminary findings of this study reveal that lower productivity among employees, lower level of effort in developing human resources, weak managerial competency, interference by trade unions, low salary at entry level, and weak information management system are the internal challenges to the human resource management in the Nepalese hospitality industry. A large majority of the directors and managers interviewed share a common opinion, thus:

*In general, the pay is low for the entry level employees in Nepalese hospitality industry. There is no specification about the salary system. Whether they hold a bachelor degree or just a specialised training in any area, all of them get almost the same salary at the entry level.*

The general shortage of skilled human resources, increased competition at the entry level for qualified human resources and the attraction for overseas employment among the youth are the external challenges to the human resource management in Nepalese hospitality industry. In this context 18 out of 20 directors and managers opined:

*There is a shortage of skilled blue-collar workers..., because growth opportunities are limited...there are problems with operation and management structure. So, it is very difficult for Nepalese hotel industrialists to retain the qualified and skilled human resources. Many of them have opted for going to the foreign countries for jobs.*

Besides them, the undue political pressure from parties and their leaders for employing their henchmen and favourites is another challenge facing the hotel industry. The hotels will have to lose quality candidates and hire unnecessary workforce, if they succumb to the political pressure.

Furthermore, this study has also found that the increased HR turnover and brain-drain caused by foreign employment fashion among the youth and fresh graduates have caused unstable and inconsistent service quality in the hotel industry in Nepal.

The majority directors and managers gave the account of their observation about the HR challenges thus:

*"The major challenge being faced by hotel industry is the interference from trade unions in the process of human resources recruitment. Political leaders also put undue influence to hire their followers and relatives, so it is difficult to follow the merit-based HR selection."*

The industry has also been facing the lack of executive level of human resources because of the brain-drain and unhealthy competition between hotels. The industry has also failed to develop leaders so they are insufficient to meet the demand of the growing industry. Middle level human resources are attracted by handsome salary and high living standard of foreign countries. Junior level employees do not respect the seniors if they are Nepalese citizen. So, the industry prefers hiring foreign people— mostly from India— at the executive level positions.

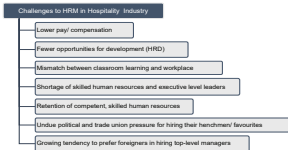


Figure 1: Challenges to HRM in Hospitality Industry

It was found during the study that many academic and training institutions did not have adequate labs for practical and there were some gaps between the syllabi and the practices in the industry. According to them hospitality management institutions should coordinate with industry and revise their syllabi as per the requirement of industry. They said:

*A key challenge of HR management in the Nepalese hotel industry is that there is shortage of skilled human resources. There is a mismatch between what students learn in their curriculum in colleges and universities and what the employers expect from them at their workplaces. Most academic institutions follow the conventional teaching pedagogy. Also, no proper practical training is provided by the institutions.*

## **V. CONCLUSION**

Hospitality industry in Nepal is growing along with tourism industry, which is further supplemented by the rising entry of international chain of hotels. It has increased the demand for the efficient management of qualified human resources which are the key to successful management of tourism enterprises, especially in this labour-intensive industry. However, there are also HR-related challenges which the present study attempted to identify.

The seven major challenges the present study has identified from an interview of hotel managers (Fig. 1) are associated with typical HRM functions of HR acquisition, development, and maintenance, as well as with labour relations management and public policy regime of the government and other stakeholders.

In view of the challenges to HR management in the hospitality industry in Nepal, the key measures to address them would be the implementation of efficient and systematic process of human resource management, reasonable salary structure, and promoting the system to hire qualified, skilled human resources through fair selection criteria. A combined effort of the hotel entrepreneurs, hospitality industry leaders, the government agencies and other stakeholders should be forthcoming to thrash out durable solutions to overcome the HR related challenges.

Therefore, the findings of the present paper could be useful for the policy makers as well as hotel managers to devise policies and practices that could ensure the successful management of hospitality industry as a whole.

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