LABOUR MARKET DYNAMICS IN POST PANDEMIC TIMES

Economic
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Republic of Maldives

UNDP

FOREWORD

Following a turbulent economic year which placed a heavy toll on output and employment, this year has been a year of recovery for the Maldives. The employment has shown significant improvements and has already exceeded pre-pandemic levels in mid-2022. The prompt recovery is the positive outcome of the government's timely actions such as the implementation of Economic Recovery Plan (ERP), which facilitated large businesses, SME'S, and individuals to overcome the cost of the pandemic. In particular, the Income Support Allowance (ISA) disbursed under the ERP, supported individuals who experienced enforced furloughs, terminations, and salary reductions amidst the pandemic. As we navigate through the new normal, we cannot lose sight of the invaluable lessons the pandemic left behind. The pandemic accentuated the need for resolute measures, especially in the labour market, and highlighted on the importance of having reliable and standardized data at hand for effective and impactful policy formulation. Though the labour market has shown improvement in the past year we cannot be complacent about a sustainable employment growth. Going forward, we must adopt evidence-based policy measures to build labour market resiliency.

The government is committed to rejuvenate the labour market conditions and provide sustainable strategies. As such, this publication is a successful collaboration between the Ministry and UNDP Maldives that studied the dynamics in the labour market of the Maldives post pandemic period, to provide vital insights for policy decisions. I would like to express my gratitude to the Ministry staffs and the UNDP Maldives team, for their commitment and contributions in carrying out this research and commend them for their combined work on producing this publication.

Uz. Fayyaz Ismail
Minster of Economic Development

FOREWORD

In the wake of COVID-19, we are at a time of recovery and building back better. With the effective roll-out of vaccines and supportive government assistance, we have seen economic rebound and employment revival, and at the same time, opportunities in shaping a more inclusive and sustainable future. The progress of employment recovery has a new discovery area in its data footprints, which is presented in the report, with accelerated employment growth and emergence of new job opportunities.

This work is a demonstration of data-driven policymaking led by the Ministry of Economic Development. It shows the value and potential in leveraging data to help identify the problems in our society and support decision-making. The insights generated from the data analysis provide policy intelligence for fostering inclusive employment and embracing new opportunities to boost economic development.

It has been an honour and pleasure for UNDP Maldives to enter the strategic partnership with the Ministry of Economic Development and support its data-driven policy research agenda. This work is part of a new generation of UNDP programme offer for Maldives to collaborate with partners and stakeholders and collectively develop new capabilities and address sustainable development in an anticipatory, adaptive, and agile way.

Enrico Gaveglia
Resident Representative of UNDP Maldives

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METHODOLOGY

As a proxy to gauge the developments of the labour market in the Maldives, the administrative data shared by the Maldives Pensions Administration Office (MPAO) is the primary data source for this research. Given the wide spectrum that the pension data covers, the research develops an innovative way to project the employment outlook in terms of volume and growth from various perspectives such as sector, gender, and age. Against the backdrop of the global pandemic that put an unprecedented toll on employment, the research is keen to understand the changes before and after the disruption and explore how employment landscape has reshaped in the post-pandemic era.

Drawing on the time window of 2019 – 2021 which is assumed to provide a snapshot of labour market before, during and after the pandemic, the research conducts data analysis to assess employment stock, employment growth, wage growth at the job level for each active year[1] . To take a deep dive into the labour dynamics at the sector level, the International Standard Industrial Classification of All Economic Activities (ISIC) is applied to classify the most relevant economic sectors in which the employers are presented.

In addition to the trend of the employment development, the research explores labour market dynamics from the perspectives of job movement between sectors as well as movement of labours entering and exiting the labour market. For job movement between sectors, the research tracks changes of jobs when an employed individual shifts from one sector to another. To be more specific, a sectorial job movement occurs when an employed individual enters the next sector and exits the previous one before the new job in the next sector gets terminated. For the movement of labours entering and exiting the labour market, the number of fresh entry and exit recorded at the annual level is calculated. Fresh entry is referred as the employees' first employment, which is proxied by their first pension contribution record with the associated employment information; while exit is referred to the last employment of the individuals who were once employed but haven't returned to the labour market, which is proxied by their last pension contribution record with the associated employment information.

In the wake of the pandemic, the research reflects on the resilience and recovery of the labour market among different sectors based on the changes in job growth and wage growth to track the progress on recovery and identify areas that need policy support. Building on this, the research also examines the employment of people with different demographic profiles to have a more contextualized understanding on the pandemic's impact on the employees, especially the vulnerable group. The research also covers the dimensions related to re-employability and multiple contract-holding. For re-employability, the research calculates the contract gaps for those experiencing transition in employment to understand the employment turnaround and the speed of the re-employment. For multiple contract-holding, the research explores the prevalence of employed individuals concurrently holding more than one contract within the active years. The incidence of multiple contract-holding is identified when there are overlaps in contract periods among multiple unique contracts.

[1]Active year is recorded when a contract is valid within a particular year. For contracts cutting across a few years, multiple active years will be recorded respectively.

EXECUTIVE SUMMARY

After a year of an unprecedented economic downturn led by Covid-19 crisis, the Maldivian economy was on a strong path of recovery during 2021. The recovery was largely supported by the re-opening of the country's border, along with the successful vaccine roll-out and the timely policy responses implemented by the government to keep the economy afloat. Following the strong rebound, the labour market showed a favourable growth and surpassed the pre-pandemic level of employment at the end of 2021. However, the short-term displacement in the labour market and the consequences were sudden and severe, with a significant number of layoffs during the pandemic period. Using the administrative data obtained from the Maldives Pension Administration Office (MPAO) as a proxy to gauge the labour market developments, this research paper intends to explore the changes, job movements, and impact of the pandemic observed in the labour market in pre, during, and post-pandemic times.

As the service sector accounts for around 74% of the employed population, the impact of the pandemic was more prominent in the service sector. Tourism sector, which holds a predominant share of the service sector, came to a halt due to the border closure. This led to an ample number of layoffs in the tourism sector and many other sectors due to the intertwined nature of our economy. While the pandemic took a heavy toll on tourism sector employment, the transport sector was also largely impacted, with the sector seeing a drastic decline in employment.

Meanwhile, public administration sector—which accounts for the largest segment of Government employees and has the highest number of employees in the labour market—posted a muted growth in employment during the pandemics. Although, any additional hiring was discontinued during the period, Government took measures to sustain public sector workers during the pandemic period. However, employment in wholesale and retail sector—the third largest employment contributor—fared better compared to other sectors.

While the recovery of employment has been strong in most of the sectors, the disruptions caused by the pandemic has left its mark on the tourism and transport sector for much longer than expected. Although employment in these sectors did not reach the pre-pandemic levels at the end of 2021, the sectors are expected to regain momentum in 2022, as internal travel restrictions have been removed and international travel restriction measures have been relaxed.

The consequences of the pandemic led to reshape, redefine and re-structure our livelihoods to embrace the new normalcy. To adjust to the pandemic's cost and survive in a post-pandemic economy, a lot of job movements have been observed among different sectors in the country. Reflecting the adverse effect of the pandemic, tourism sector saw the most significant outward job movements in 2020, with a large portion of these employees moving to the wholesale and retail trade sector and construction sector, seeking for an alternative channel of income. The shift from tourist resorts to wholesale and retail was, however, not sustained in 2021 as the employees started to return to tourist resorts and tourism-sector related activities. Intriguingly, the movement pattern from tourist resorts to the construction sector has prevailed and sustained in 2021, indicating a positive sign of employment restructuration.

Furthermore, we observed that the the number of new entrants joining the labour market remained stagnant over the past few years. Reflecting the cost-effective strategies adopted by businesses and the restriction placed on new hires during the pandemic, the fresh entrants declined significantly in 2020. As we slowly overcame the negative impacts, the new entrants have gradually been increasing, albeit it has still not reached the pre-pandemic levels. Meanwhile, the total number of permanent exits from the formal sector shows an upward trend for the past ten years, indicating a sign of employees in the formal sector transitioning to the informal sector or an increase in the economically active population.

With all these disruptions and displacements, the labour market remains vulnerable, and the vulnerabilities has been unevenly distributed across the sectors and demographic segments, creating different dynamics in the landscape of labour market. Despite the dire economic recession, some sectors have shown greater resilience to the drastic changes, with steady growth in employment and wage during the period. Whereas some sectors showed a weak recovery with slow speed of employment restoration and subdued wage growth following the pandemic period.

Probing further into the severity of the impact on different demographic groups, the livelihood of women and youth population were disproportionately affected by the crisis. Generally, women in the formal sector demonstrated relatively stronger resilience during the pandemic as a large portion of women workers are in risk-resistant sectors such as public administration, education, and human health and social work. However, returning to work after the hit seems more difficult for women. Besides, the average basic wage of women still falls behind the average basic wage of men.

Furthermore, it was observed that the youth were exposed to the risk of losing jobs to the greatest extent than the middle-aged people in employed population. The employment among the youth was devastatingly affected during the pandemic and a deep analysis on contract gaps revealed that the youth are experiencing a longer time to find jobs.

In conclusion, it is apparent that the breadth and depth of the impact on employment was observed across all sectors, and it also had a disproportionate effect on different demographic segments. Therefore, resolute measures are required to restore and rebuild a more resilient and an inclusive labour market, addressing long-standing structural issues that have been exacerbated by recent crises.

CHAPTER 1

PRE- AND POST-COVID-19 CHANGES BY INDUSTRY

PRE- AND POST-COVID-19 CHANGES BY INDUSTRY

This section outlines the overall changes that occurred in the top economic sectors of the labour market, with a focus on the economic sectors that was hit hard by the pandemic. The service sector[2] , which took the brunt of the economic downturn, employs the highest number of workers, representing almost 74% of the employed population in the Maldives. Based on the employment data collected from the Household Income and Expenditure Survey (HIES) conducted in 2019, the top employment industries in the service sector—which includes public administration, education, wholesale and retail trade, transport and, accommodation and food service activities—accounted for around 75% of the employed population in the service sector. Moreover, tourism industry which is the main driver of the economy holds around 7% of the total employed population in the country (Figure 1).

The tourism sector being the most prominent sector in the Maldivian economy, the economic downturn resulting from the COVID-19 pandemic led to a significant number of the country's workforce being laid off during 2020. The consequential effects of this were felt across all other key sector as well, due to the deep interlinkage of the tourism sector with other sectors. It was estimated that the total number of employees working in tourist resort[3] stood at 18, 333 in January 2020, with a remarkable growth of 18% from January 2019. However, reflecting the dire effects of the pandemic, the employment stock in the tourist resorts fell by 16% (a decrease of 2,865 employees) at the end of December 2020 when compared with the beginning of 2020, indicating that the tourism sector experienced a profoundly negative effect due to the pandemic (Figure 2). It is noteworthy that this drop may not necessarily indicate a complete job loss for these employees if they shifted to other sectors to combat the financial limitations they faced when resort operations ceased.

Looking at the post pandemic recovery, it was observed that the tourism industry was able to overcome the adversity of the pandemic and showed progressive signs of recovery during 2021. Employment in tourist resorts increased by 10% in annual terms and recovered to 16,978 at the end of 2021, with the growth rate peaking at 12% in November 2021. Although the industry has not seen a full recovery by the end of 2021, with the resumption in international travel and surge in global economic activities, employment in tourist resorts is expected to stabilize and reach its pre-pandemic levels at the end of 2022.

Apart from the tourism sector, the transport sector is another key sector that took the brunt of the pandemic. Due to the sector's high dependency on the tourism sector, along with the border closure as well as the restrictions on internal movements, the growth of the sector was dampened drastically during the pandemic. Hence, the total number of employees in the sector observed a marginal decline of 0.3% in annual terms and registered a total of 9,120 employees at the end of December 2020. In comparison, prior to the pandemic, the employed population in the sector recorded an annual growth of 11% in 2019. As for the post pandemic development of the sector, reflecting the positive spillover effects from the tourism sector, the number of

[2] Service sector or tertiary including "Wholesale and retail trade; repair of motor vehicles and motorcycles", "Transportation and storage", "Accommodation and food service activities", "Information and communication", "Financial and insurance activities", "Real estate activities", "Professional, scientific and technical activities", "Administrative and support service activities", "Public administration and defence; compulsory social security", "Education", "Human health and social work activities", "Arts, entertainment and recreation", "Other service activities", "Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use" and "Activities of extraterritorial organizations and bodies"

[3] Tourist resorts employs the highest number of employees in the accommodation category. Guesthouses, hotels, and safari vessels are the other activities that come under the accommodation category.

employees in the sector has bounced back and reached the pre-pandemic level at the end of December 2021, although the annual growth rate (around 1%) remains weak. This indicates that the disruptions caused by pandemic has left its mark on the transport sector for much longer than expected. Employment in the sector is expected to rebound and gradually regain its momentum in 2022 as internal travel restrictions have now been removed and international travel restriction measures have been relaxed.

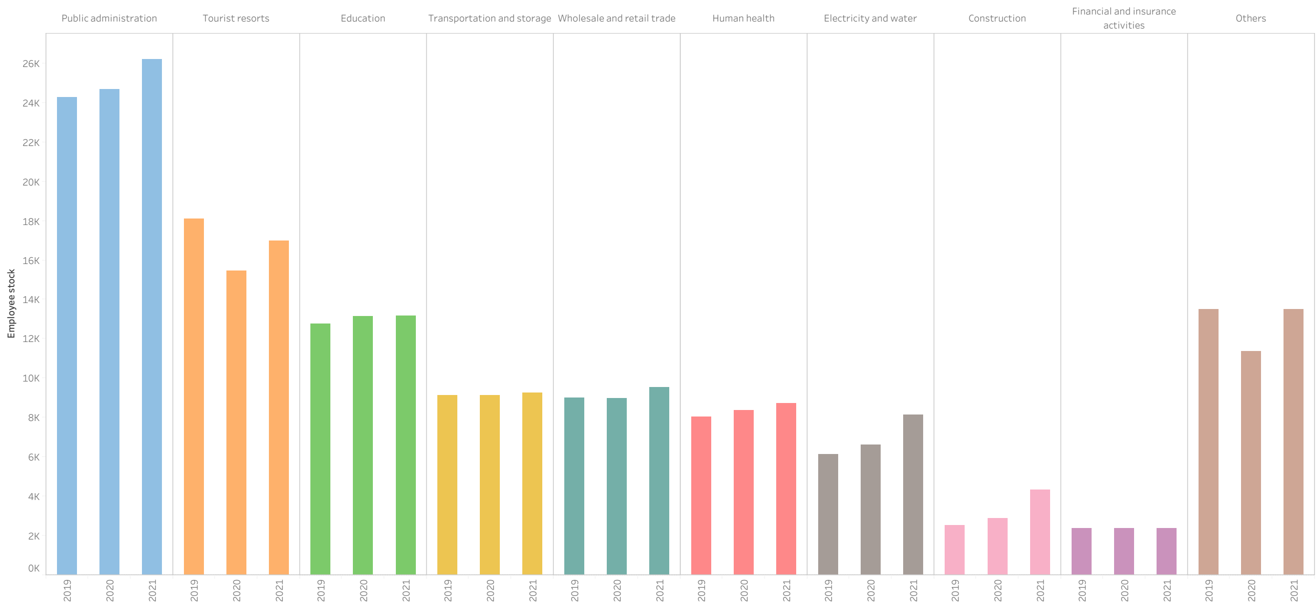
Moving on to assessing the impact on the industry that has the highest number of employees—public administration and defence which accounts for the largest segment of government employees— it was observed that this is the least impacted industry, with just a notable slowdown in hiring during the period. While the total number of employees in the industry showed a subdued growth of 2% in annual terms and totalled 24,660 at the end of December 2020, the annual growth rate stood at 7% in January 2020. This largely reflected the government's strict measures in place to sustain the workers in the public sector. However, the sector experienced a fast recovery and the posted a remarkable growth rate of 6% in annual terms, with the total number of employees accounting for about 26,205 by the end of 2021.

As for the education sector, employees were relatively less affected as majority of them are government employees. The total number of employees working in the education sector posted a moderate decline of 3% in annual terms and stood at 13,143 at the end of December 2020, after a strong annual growth of 7% (when compared with December 2019) prior to pandemic. This decline mostly accounted for the reduction in employees working in the private sector (especially pre-primary education providers), reflecting the closure of private schools and other education service providers. Looking at the post pandemic recovery, the sector experienced a muted growth and the total number of employees in the sector totalled 13,191 at the end of December 2021. The sector is, however, expected to pick up growth and reach its pre-pandemic level in 2022 as the schools were fully reopened for physical classes after conducting online classes and operating with reduced hours or timetables.

Wholesale and retail sector, which is the fourth largest contributor to the GDP of the country and the third largest provider of employment, is estimated to have fared better during the pandemic when compared with other sectors. As such, following an annual growth of 3% prior to the pandemic, the total number of employees in the sector declined marginally and stood at 8,984 at the end of December 2020. Although employees in the service sector were amongst the most affected group, jobs in the sector were relatively less impacted by the pandemic. Although some of the specialized businesses such as those selling household equipment, textiles, hardware, and construction materials and resort supplying businesses were impacted during crisis, most of the business able to conduct their businesses online during the period. Furthermore, the swift recovery of the sector is apparent from the remarkable growth of employment in the sector at the of 2021—the sector holds about 9,525 employees at the end of December 2021, which is a marked growth of 6% when compared to the same period of 2020. While the sector was benefited by the spillover effects from the tourism industry to some extent, the increased domestic demand also helped to keep the business afloat during 2021.

Figure 1: Employment Stock by Economic Sector, 2019-2020

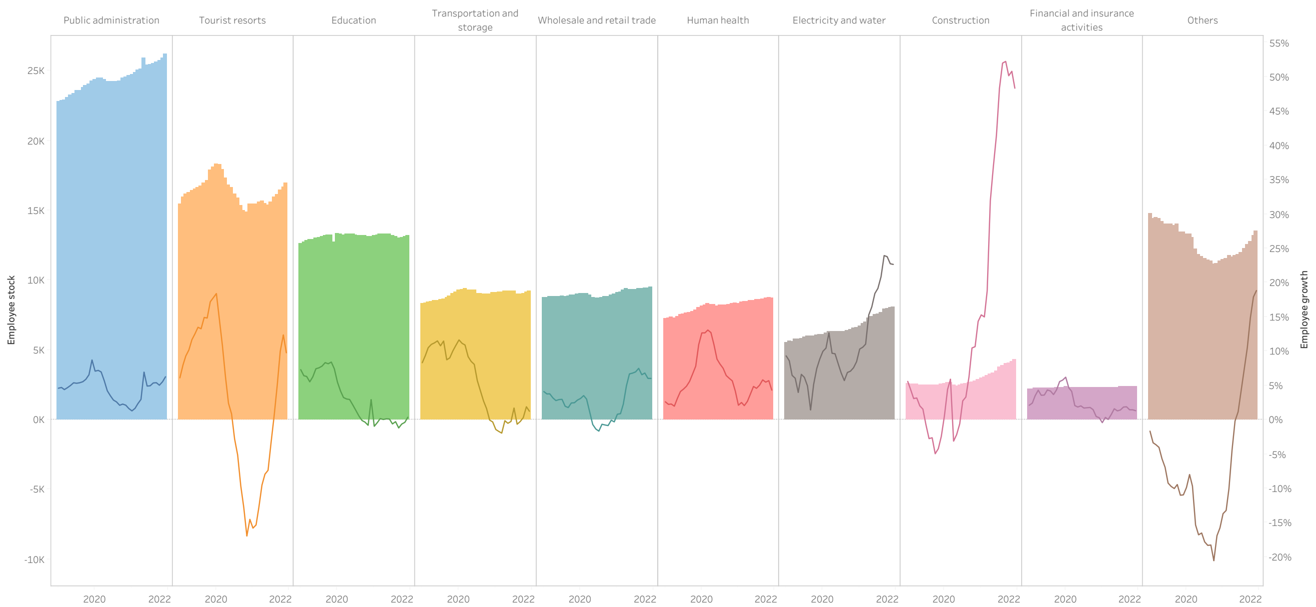
(at the end of every month, sector)



Source: Pension database, Ministry of Economic Development

Figure 2: Employment Stock and Growth of Key Sectors, 2019-2020

(sector)



Source: Pension database, Ministry of Economic Development

CHAPTER 2

LABOUR MARKET MOVEMENTS

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Although the COVID-19 pandemic resulted in an unprecedented labour market disruption across the nation, the subsequent turnarounds in the labour market has been strong. Despite the historic economic contraction in 2020, the quick and effective policy responses, such as the stimulus package introduced by the Government, has cushioned the displacements in the labour market, to some extent, and has also led to a strong and fast recovery. This has been apparent from the marked recovery observed in the labour market, with the employment surpassing the pre-pandemic level at the end of 2021.

However, the short-term displacements and consequences were sudden and severe, with a considerable number of furloughs and job losses during the pandemic period. This has led to reshape, redefine and re-structure our livelihoods to embrace the new normalcy, as well as adjust to the pandemic's cost and survive in a post-pandemic economy. Meanwhile, a large portion of the workers have been introduced to flexible work arrangements and have even been adjusted to teleworking for a long period of time. As the hybrid work modality is slowly becoming mainstream, remote work has emerged as a baseline expectation for many employees. As a result, turnover in the labour market is also expected to increase during the post-pandemic period, with linear and horizontal movements across sectors.

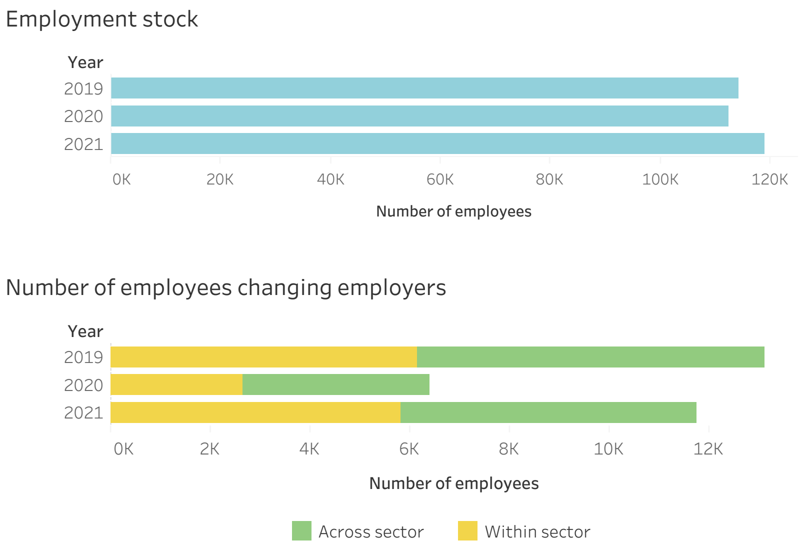
Against this backdrop, this chapter focuses on understanding the developments observed in the labour market by sector over the past three years, based on the job movements, number of new entrants into the market and the number of people who left the market. We also study the recent trends in a different dimension by analysing the profile of employees who have joined, exited, or moved over the past.

The Labour Market Reshuffle

With the re-opening of the country's border, combined with the successful vaccine roll-out and the timely policy responses implemented by the government to keep the economy afloat, the employment in most sectors has been strong and have even surpassed the pre-pandemic level of employment as discussed in chapter 1. This implies that a large portion of workers who lost their job during the pandemic must have returned to work by now. The return to work could have been in the form of a reinstatement to the previous job or taking up a new job in the same industry or from another industry. Therefore, to analyse whether there is a significant reshuffle in the labour market, we have estimated the number of employees who have moved within the same sector (linear movement) and the people who have moved to another sector (horizontal movements), using a list of employees who have changed their employers over the past.

Although a change in contract would ideally mean the change in job for an employee, we define a reshuffle or change in job as any employee who contracted with a different employer during the given period. From the trend of employees who have changed their employer, it is apparent that there is a growing number of job reshuffles in the labour market (Figure 3). The total number of employees who changed their job accounted for around 10% of the total employment stock of 2021 and stood at 11,767 at the end of 2021. Since many businesses were not hiring during the pandemic period and the traditional ways of hiring was also disrupted, only a few people (6% of the employments stock) managed to change their job in 2020.

Figure 3: Outlook of Employees Changing Employers, 2019-2021



Source: Pension database, Ministry of Economic Development

Looking at the breakdown of the group of employees who changed their job, the reshuffle has been more common across the sectors over the past few years, with more than half of the job movements happening across the sectors. This implies the new dynamics of talent exchange and interdisciplinary skills in the labour market. While job movements within the sector is not common in many sectors, linear movements were mostly observed in the tourism sector, with tourist resorts contributing to more than 60% of the total job movements within the sector.

The total number of employees moving across sectors (across-sectoral job movement) during pre- and post-pandemic stood around the same, 6% and 5% of the employees in the labour market shifting from one sector to the other in 2019 and 2021, respectively. As expected, the total number of sectoral shifts observed for 2020 was significantly lower at 3% when compared with 2019 due to businesses shutting down amid the crisis. The key sectors that experienced significant changes in terms of sectorial job movements include tourist resorts; public administration; transportation and storage; education; wholesale and retail trade; human health and social work activities; and construction sectors.

To understand the across-sectorial job movements further, we have analysed the outflow and inflow of jobs in sectors where major cross-sector movement had happened for the past three years (Table 1). The highest number of outflows were seen from tourist resorts, followed by the wholesale and retail trade; and public administration sectors for the past three years. As for the inflow of employees, tourist resorts received the highest number of employees from other sectors in 2019 and 2021, whereas public administration, and wholesale and retails sectors recorded the highest number of inflows in 2020. Overall, negative net movements were observed for the wholesale and retail trade; education; and construction sectors in 2019. As for 2020 and 2021, only the tourist resorts and education sectors posted negative net movements in 2020, while tourist resorts; wholesale and retail trade; education; transportation and storage; and health and education sectors experienced negative net movements in 2021.

Negative net movement in 2020 and 2021 for tourist resorts reflects the adverse effects of the pandemic, which halted the operations of the tourism industry in the Maldives, leading to fewer people seeking jobs in tourist resorts and more exiting the sector to seek

Table 1: Overall Net Movement in the Key Sectors, 2019-2020

Year	Movement	Tourist Resorts	Public Administration	Wholesale and Retail	Transport	Education	Health	Construction
2019	In	2,938	980	632	630	329	429	304
	Out	1,335	636	999	369	521	226	396
	Net	**1,603**	**344**	**(367)**	**261**	**(192)**	**203**	**(92)**
2020	In	450	747	526	275	203	303	358
	Out	769	387	445	181	289	155	185
	Net	**(319)**	**360**	**81**	**94**	**(86)**	**148**	**173**
2021	In	1,299	1,128	531	435	236	314	897
	Out	1,820	755	936	613	571	325	356
	Net	**(521)**	**373**	**(405)**	**(178)**	**(335)**	**(11)**	**541**

Source: Pension database, Ministry of Economic Development

employment in other avenues that were able to operate during the pandemic. Furthermore, although the sector experienced a negative net flow in 2021, it still accounted for around 17% of the total inward movements, ranking the top among all the sectors. This implies that the sector is recovering and gaining momentum, as we observed in chapter one of this report. In contrast, an increasing trend of net movement for the construction sector has been observed in 2020 and 2021, which is also reflective of the increasing job growth rate for construction over the past two years, as mentioned in chapter 1. This may have been driven by an increase in job opportunities for locals, by the state-owned enterprises (SOEs) operating in the construction sector.

Additionally, the negative movements observed in some sectors indicates signs of labour market transformation towards a more balanced structure. This is evident from the narrowing of gap in the composition of inflows to different economic sectors. Although the tourism remains as the top contributor to sectorial inflows, the composition has reduced significantly over the past two years.

Job Movements by Sector

In this section, we will analyse the shifts from one sector to the other at a granular level, detailing the sectors that have observed significant changes and the possible reasons for the movements. We will also explore whether there are any noticeable shifts due to the pandemic, or whether it has remained unchanged.

The most significant job movements have been from the tourist resorts, reflecting the direct adverse effects of the pandemic. In 2019, out of the total 1,335 outward movements from tourist resorts, the highest percentage of the outflows moved to arts, entertainment, and recreation sector, which accounted for around 11% of the total outflows from the sector. This was followed by other tourist establishments (10%), which comprised safari vessels, hotels, and guest houses in the tourism Industry (Figure 4). This shift from resorts to arts, entertainment, and recreation is not alarming in the context of the Maldives because this sector[4] mostly consists of dive and water sports and excursion activities

[4] As per the International Standard Industrial Classifications (ISIC), water sports, diving and excursions activities are classified under arts and recreation sector, which is separate from the short-term accommodation sector in which tourist resorts, guesthouses and hotels are classified.

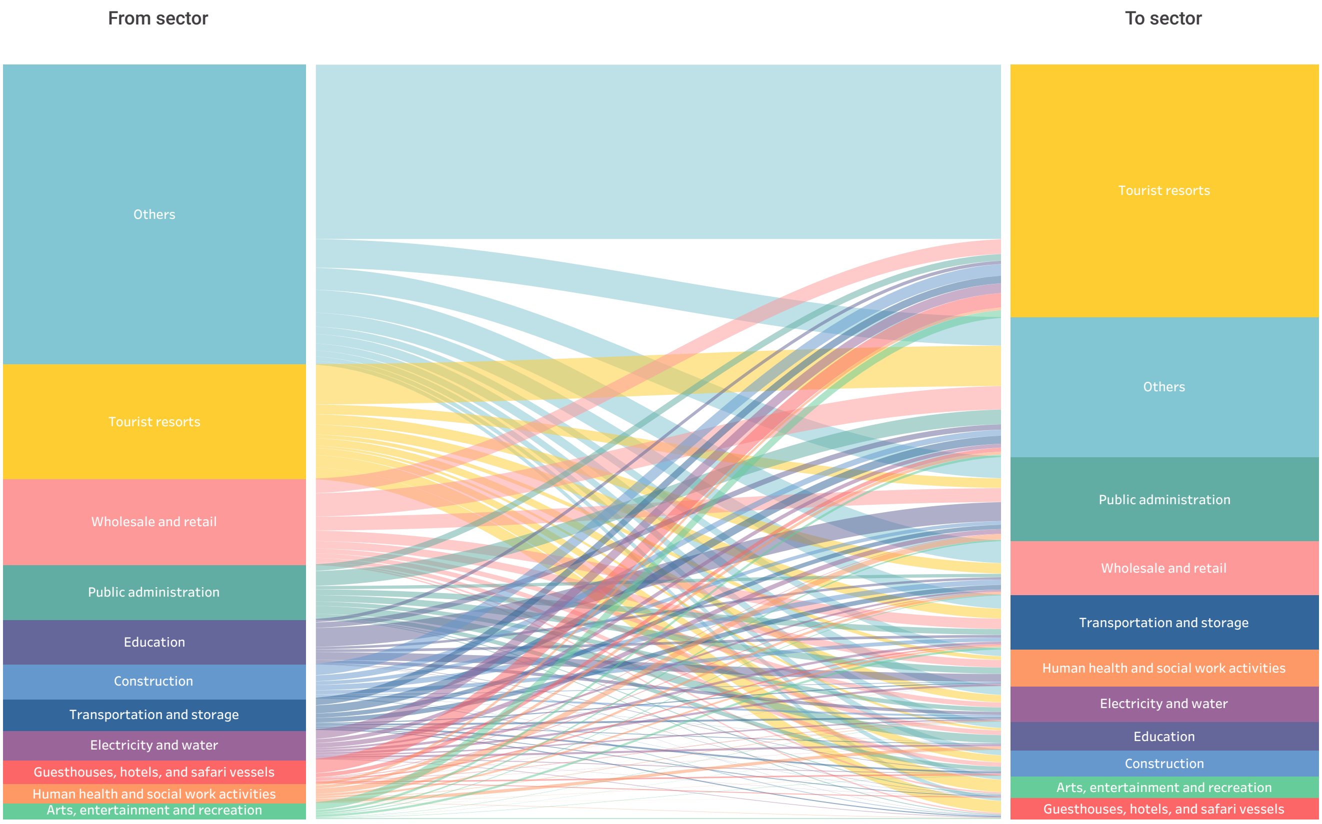
that are complementary services in the tourism industry of the country. Hence, the jobs were moving across the sub-activities of the tourism industry.

During the pandemic, out of the 769 outflows in tourist resorts, the highest percentage of jobs were moved to the wholesale and retail trade sector, which was about 15% of the outflows from the sector, followed by the construction sector (11%) as shown in Figure 5. This further reiterates that amidst the pandemic the wholesale and retail trade was less susceptible to the adversities of the pandemic. Consequently, more people from tourist resorts shifted to the wholesale and retail trade sector seeking for an alternative channel of income. The shift from tourist resorts to the wholesale and retail trade sector was, however, not sustained in 2021. The biggest shift is observed in the arts, entertainment, and recreation sector instead, with 18% of the 1,820 outward movements from the tourist resorts moving to the sector.

Nevertheless, similar to 2020, the construction sector remained as the second highest recipient of outflows from resorts, accounting for 14% of outward movements from the resorts in 2021 (Figure 6). Intriguingly, the movement pattern from tourist resorts to the construction sector has prevailed and sustained from 2020 to 2021 (Figure 5 & Figure 6). This could have been driven by social factors such as individuals working in tourist resorts often being away from their families and may be seeking for opportunities in sectors whereby, they can stay close to their families. Furthermore, for 2020 and 2021, the active jobs that moved out from resorts to the construction sector experienced a positive change in their basic salary by 6% and 22%, respectively, indicating that those that shifted to the construction sector have opted for a higher salary.

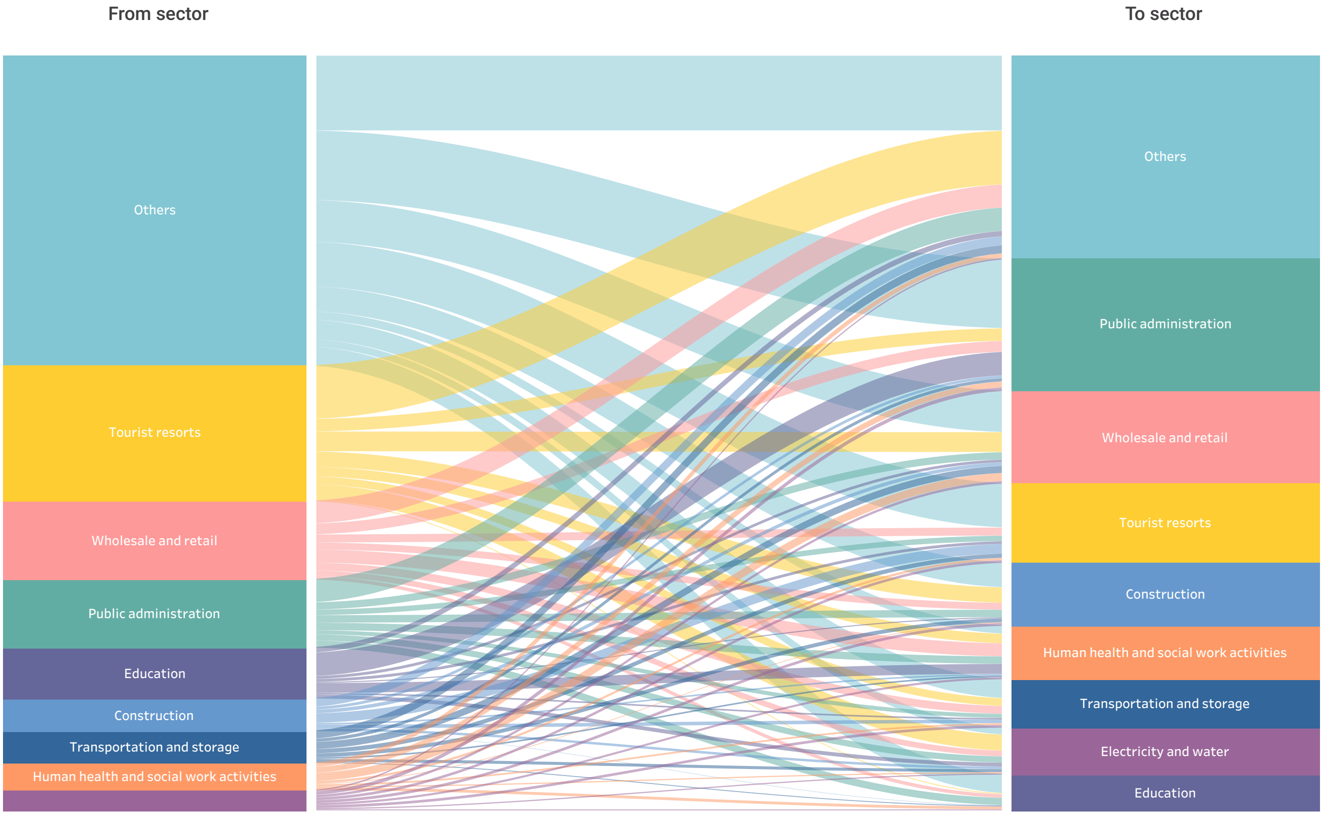
As mentioned previously, except for 2020, tourist resorts have always been the sector that received the highest number of entrants from other sectors, followed

Figure 4: Job Movement Between Sectors for 2019



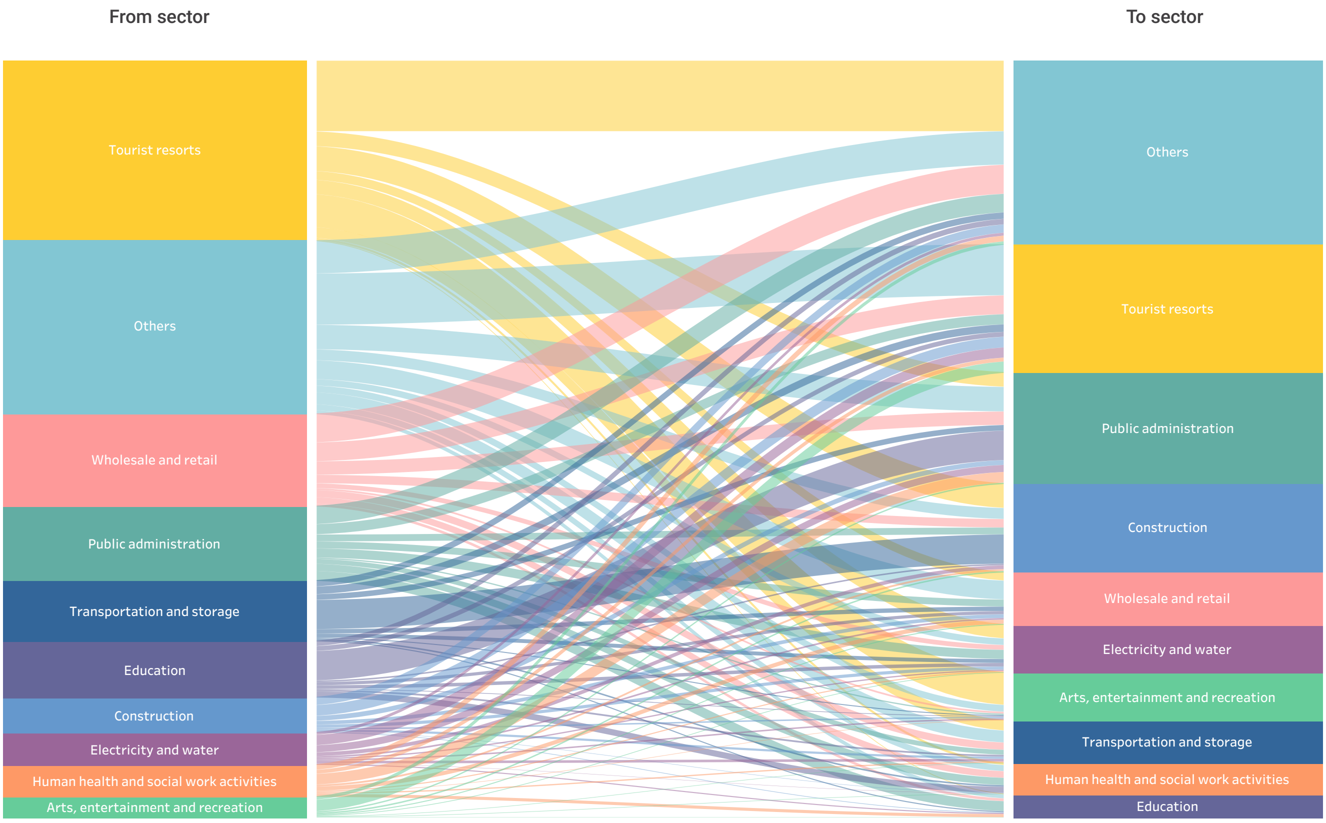
Source: Pension database, Ministry of Economic Development

Figure 5: Job Movement Between Sectors for 2020



Source: Pension database, Ministry of Economic Development

Figure 6: Job Movement Between Sectors for 2021



Source: Pension database, Ministry of Economic Development

by public administration sector for both 2019 and 2021 (Figure 4 and 6). Public administration sector posted the highest number of entrants into the sector in 2020 (Figures 5). The most significant portion of entrants into public administration sector was from the education sector throughout 2019 to 2021. A detailed analysis of the movements from the education sector to public administration showed that these outward movements from the education sector majorly consisted of public education institutions rather than private education institutions. As for the most prevailing entrants to tourist resorts, the highest share of entrants was from wholesale and retail trade for 2019 and 2021, whereas guesthouses and hotels contributed for the largest number of the entrants to tourist resorts for 2020.

Overall, job movements between sectors are more prevalent in the service industries and further compliments the job growth rates observed in Chapter 1, which were also more significant in the tertiary sector. From the movements in the pre, during, and post-pandemic phases of the economy, it was observed that the job movement patterns across sectors changed significantly in 2020, indicating that the Maldivian labour market is relatively sensitive to exogenous shocks. Additionally, as the biggest sector in the economy, tourism, was hit by the crisis, the impact was exacerbated by the ripple effect because of the interdependency of tourism sector and other sectors.

However, on the positive front, some signs of positive restructuration of economic activities have come to light as the country move forward in the recovery phase. For instance, in 2019, the top outflow of jobs was observed in tourist resorts; wholesale and retail; public administration; education and construction sector. In 2021, construction—which was in the 5th place in the ranking of outflow movements in 2019— fell to the 7th rank. Whereas the transport and storage jumped up from the 6th place in 2019 to the 4th place in 2021. This implies that less employees are leaving the construction sector, whilst it is the opposite case for the transportation and storage sector. It is also demonstrated by the increase of inflow to the construction sector in 2021, which is the 3rd biggest cross sector inflow. Therefore, this indicates that the construction sector might be a new market to attract labours. Furthermore, the proportion among the big inflow sectors is now more evenly distributed than in 2019, which used to be largely dominated by the tourist resort. This could be a sign of economic diversification. Nonetheless 2021 was still at the wake of pandemic and some of the effects from the pandemic are long-lasting, hence, we will need to keep observing the future trend and collect more evidence to understand the implication on the sectoral structure of labour market.

Labour Market Entries and Exits

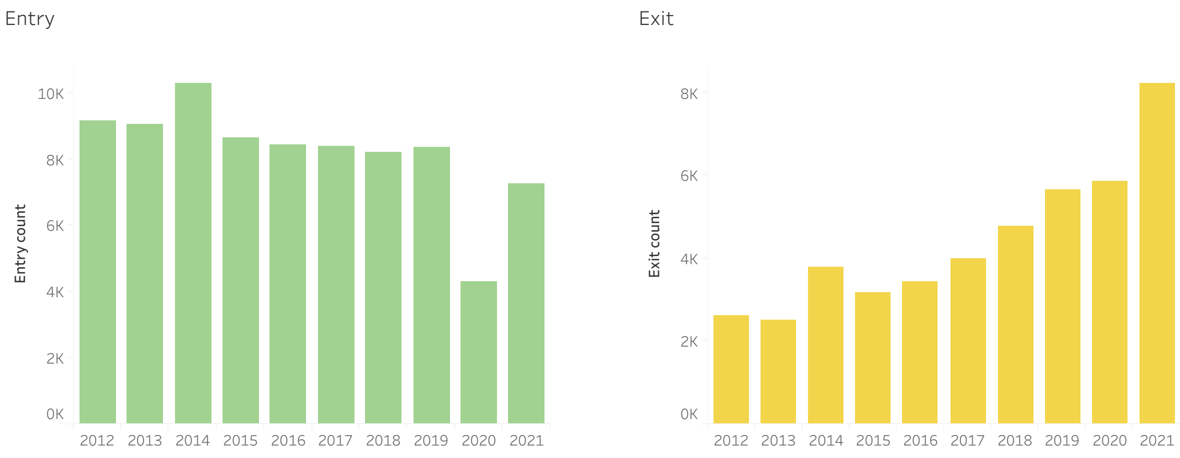
Apart from the employment transitions, the flow of workers into and out of the labour market also provide complimentary information on labour market dynamics. As we continue to experience the long-term impact of pandemic on the labour market, understanding the trends in the rate of transitions from employment to unemployment status or, vice versa, plays a key role in assessing the strength and sustainability of the economic recovery.

To understand the transitions into and out of the labour, we have estimated the number of employees who joined the formal labour market for the first time (fresh entrants[5]) throughout the entire employment history in the pension system and the number of employees who have left and have not yet joined the market (exits[6]) as of the date when the data was received (May 2022) in Figure 7. While the new entrants technically gauge the volume of new additions to the economically active population or labour force, the exits measure the gross outflow of workers from the formal market. The exited worker could have left the market due to retirement,

[5] Fresh entries in this report are defined as the total number of new employees that had entered the labour market for the first time in the given year. These employees would not have appeared in the dataset prior to their first entry being recorded.

[6] Exits in this report are defined as the total number of employees that exited from the pension system, which is used as a proxy for the exits from the formal labour market and has not returned as of the beginning of May 2022. Those who left the market due to retirement have been excluded as we know that they will not be returning to work.

Figure 7: Total Count of Fresh Entrants and Complete Exits, 2012-2021



Source: Pension database, Ministry of Economic Development

migration, or could have left for studies or even have moved to informal sector or economically inactive population.

Looking at the number of fresh entrants to the market, prior to pandemic, the average count of new entrees remained stagnant at around 8,398 new additions per year, except for 2014 which saw the highest number of fresh entrants, with 10,279 joining the labour market during the year. However, following the economic downturn, the fresh entrants dropped significantly and recorded the lowest number of new entrants, with only 4,295 new additions during 2020, as businesses stopped new hires to cut down costs and stay afloat amidst the crisis. While the economy continues to progress, the entry rate has bounced back and reached 7,256 new entrants in 2021, although it has not reached the pre-pandemic level.

The total number of exits from the labour market (excluding those who left due to retirement) shows an upward trend for the past ten years, with the lowest number of exits recorded in 2013—around 2,520 employees left the formal labour market and have not returned as of May 2022. However, reflecting the record number of layoffs at the onset of the pandemic, the number of exits started to increase sharply, with the post-pandemic year 2021 witnessing the highest number of exits (8,222 employees). This could indicate an increasing trend of people transitioning to informal sector or even moving to economically inactive groups, which increases the risk of higher unemployment rate in the future.

However, the number of exits need to be interpreted cautiously as the time frame for exit is different every year. For instance, a total of 2,637 employees who left the formal labour market in the year 2012 has not shown up until April 2022, and hence they have been out of the system for 10 years four months. On the other hand, the total 8,222 employees exited in 2021 has been out of the labour market for a minimum of four months and a maximum of one year four months. Therefore, it is normal in the labour market to have a contract gap for a short period of time, and it may not be an alarming sign to see an increased number of temporary exits as there is a higher chance that most of them may return to the labour market in the future. For instance, a woman might take a maternity leave for a period of 6 to 12 months or even those who leave for higher studies take a period of 1-3 years to re-join. This is evident from Figure 8 which shows the distribution of the contract gap for those who joined the labour market after taking a break. On average, more than 50% of the people rejoined the labour market with a gap of 1-3 years, prior to pandemic. The contract gap for 2021 was, however, prolonged due to the pandemic. Hence, having an increasing trend of exits over the past few years may not necessarily mean that more people are leaving the formal market permanently. Furthermore, looking at the age distribution of the exits (Figure 9), it was observed that the exists are concentrated at the young age category, indicating that majority of them may have left for higher studies.

Therefore, to understand the long-term exits from the formal labour market, a cumulative stock of employee exits over the past nine years have been presented in Table 2. As of May 2022, a total of 44,120 employees—which makes up 37% of the total active employees in 2021—who left the formal labour market have not returned. Moreover, an increasing trend have been observed for the cumulative complete exits, implying that the share of people leaving the formal sector has increased over the years. Since pension dataset covers only the formal sector, it is not possible to conclude whether there is an increasing trend of people transition to informal sector or to economically inactive population.

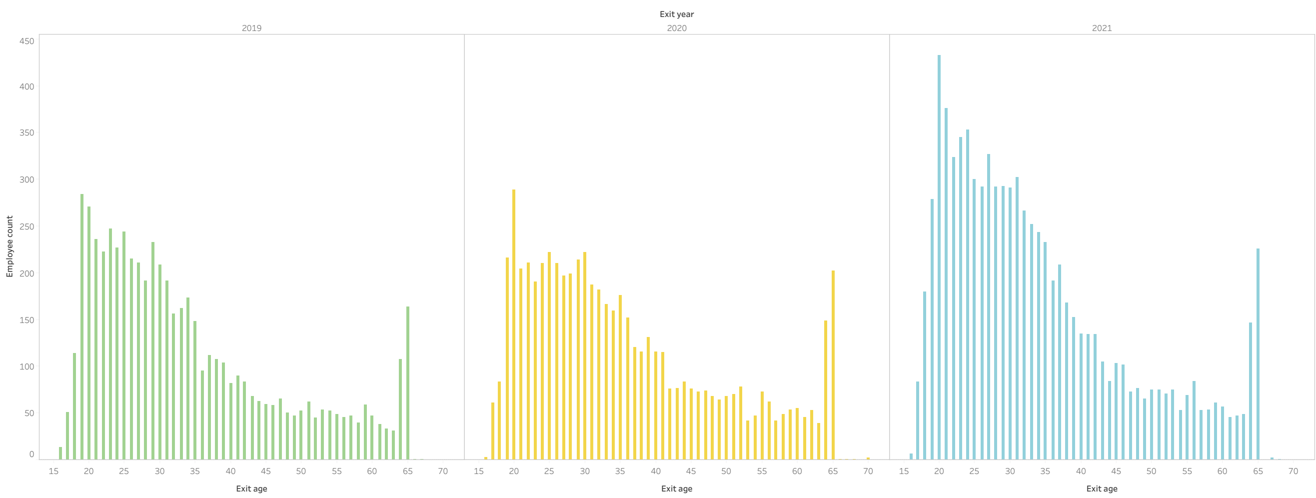
Figure 8: Return of Employees by Out of Work Period, (2012 -2020)

	Return year									
Out of work period	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1 - 2 years	751	1,613	2,021	1,723	1,994	2,077	2,402	2,534	1,546	3,795
2 - 3 years	22	388	1,217	1,073	1,022	1,201	1,081	1,210	708	1,749
3 - 4 years		40	415	758	728	761	845	740	467	1,027
4 - 5 years			25	216	515	445	476	539	345	613
More than 5 years				7	151	487	772	1,024	704	1,418

The analysis includes employees who were out of work at the age between 18 and 64.

Source: Pension database, Ministry of Economic Development

Figure 9: Age Distribution of the Exiting Employees



Source: Pension database, Ministry of Economic Development

Table 2: Percentage of Cumulative Exits Compared with the Employee Stock

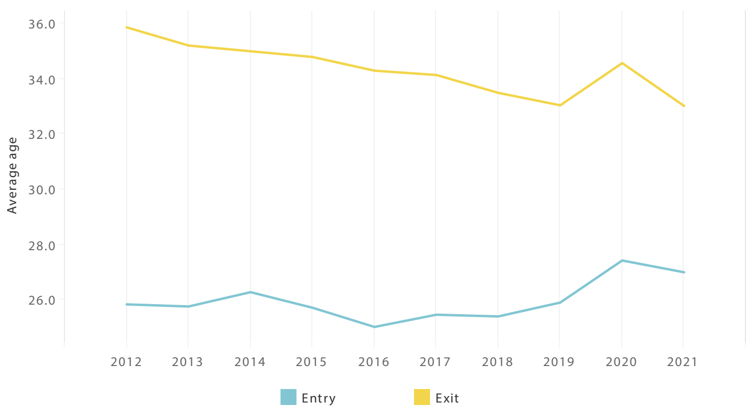
Year	Employee Stock	Cumulative Complete Exits	Percentage of Complete Exits
2012	81,506	-	-
2013	84,333	5,157	6%
2014	90,986	8,955	10%
2015	94,351	12,142	13%
2016	98,831	15,594	16%
2017	104,041	19,594	19%
2018	108,805	24,378	22%
2019	114,147	30,028	26%
2020	112,463	35,898	32%
2021	119,062	44,120	37%

Source: Pension database, Ministry of Economic Development

Looking at the demographic characteristics of the gross flow of workers in the labour market, it was observed that there is a high prevalence of youth transitioning out from the formal labour market (Figure 10). From 2012-2015 the average age of exit from the market was around 35, while it decreased to 33 years in 2021. While some of them could have left the market for higher studies, this may also imply that the younger population are moving to informal sector in pursuit of becoming sole proprietors. There has also been a rise in online businesses in the Maldives, with easy access to social media and easy-to-use tools to set up pages to reach customers. Since there is higher digital literacy among youth, the availability of such platforms could inspire these young individuals to exit the formal sector.

Moreover, the average age for fresh entrants into the labour market is around 25 except for the post pandemic period, which increased to 27 years. At 25 years old, students usually finish their university education and can officially join the labour market as most jobs with higher pay are only available upon attaining a bachelor's degree. Hence, one of the possible reasons that the average age is 25 for fresh entrants could be that more students opt for a university education before joining the labour market. It is also important to note that the shift in post pandemic period could have been due to delays in hiring, reflecting the economic turmoil caused due to the pandemic.

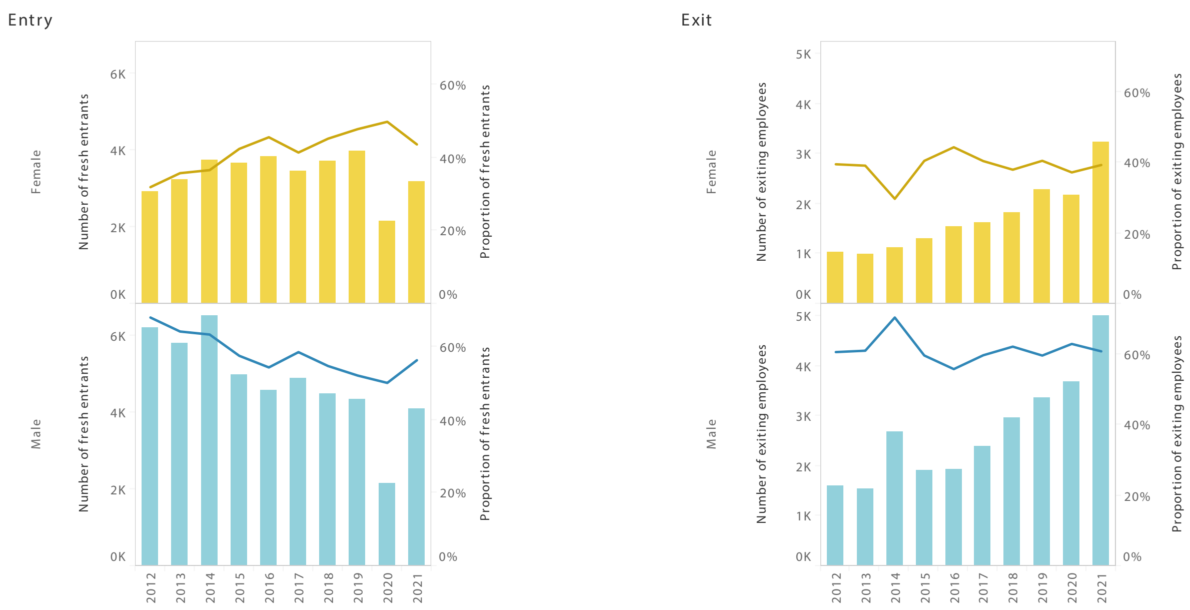
Figure 10: Average Age of Fresh Entrants and Complete Exits, 2019-2021



Source: Pension database, Ministry of Economic Development

Delving deeper into the demographic analysis, the total number of females who joined the labour market has shown a notable growth since 2012, with the composition of female entrants to the labour market increasing significantly over the past few years. While female workers accounted for 32% of the fresh entrants in 2012, the share of female has increased to 50% in 2020. In contrast, the total number of new male entrants have declined over the years. Although a total of 6,219 male employees joined as fresh entrants in 2012, it has dropped to 4,089 in 2021 (Figure 11). As for exits, it is apparent that there is an upward trend in the total count of complete exits for both genders. Regarding the gender breakdown of the complete exits for the past 10 years, around 39% of the people who left the formal labour market and have not returned as of May 2022 were women and 61% were men (Figure 11).

Figure 11: Total Number of Fresh Entrants and Exits by Gender, 2012-2021



Source: Pension database, Ministry of Economic Development

Probing further into sectors which contributed to fresh entrants and which sector recorded the greatest number of exits, tourist resorts; public administration; wholesale, and retail trade; education sectors witnessed the highest number of fresh entrants as well as exits over the past 10 years. To understand whether there was any sectorial change due to the pandemic, sectorial breakdown of the new entrants and exits was made for past three years. As expected, the highest number of exits was seen in tourist resorts, with a total number of exits standing at around 3,822 during the past three years. Similarly, the highest number of fresh entries were also seen in tourist resorts in 2019 and 2021, although it dropped significantly in 2020, reflecting the adversities faced by the tourism sector due to the pandemic. On the other hand, wholesale, and retail trade; and public administration sectors contributed most to the fresh entry in 2020. This implies that people were hesitant to join tourist resorts and opted for industries that were deemed to be more stable. Additionally, the decrease in fresh entries during the pandemic proves that the tourist establishments inability to cater to new hires, due to the halt in business operations following the border closure. This observation is also aligned with the pattern observed for 2020 for the sector job movement outlined in this chapter, whereby the highest number of transitions from other sectors to these two sectors were recorded.

CHAPTER 3

CHAPTER THREE: BUILDING BACK BETTER

BUILDING BACK BETTER

The global COVID-19 pandemic and the subsequent measures adopted to contain the spread of the virus plunged the Maldivian economy and led to an unprecedented impact on the employment of the country. As more data emerges on the labour market, there is rising evidence of the imminent challenges in the country's labour market in many different aspects, revealing increasing risks and vulnerabilities in the market. This gives us an alarming signal to rethink the economic structure and reorient the direction of labour market development for building back better.

Amid the crisis, the vulnerability distributed unevenly across the sectors and demographic segments, creating different dynamics in the landscape of labour market. However, despite the dire economic recession accompanied by an associated downturn in the employment, some sectors have shown greater resilience to the drastic changes and have even demonstrated steady progression towards higher employment growth during the pandemic period. With the reopening of the country's border and the relaxation on the international travel restrictions, the Maldives economy has seen strong economic revival and employment recovery, which has been reflected in the uplift of promising employment and wage growth as well as the shorter unemployment gaps in the labour market.

As part of the labour market dynamics, examining vulnerability of economic sectors to identify the areas that need support is important for the government to put forward effective policy interventions, which will help to rejuvenate the labour market and promote inclusiveness in the employment growth. Meanwhile, learning from the positive deviant sectors that sustained during the crisis and managed to rebound faster, and understanding the possible reasons behind the resilience will shed light on the crisis coping strategies and risk mitigation mechanism for the future.

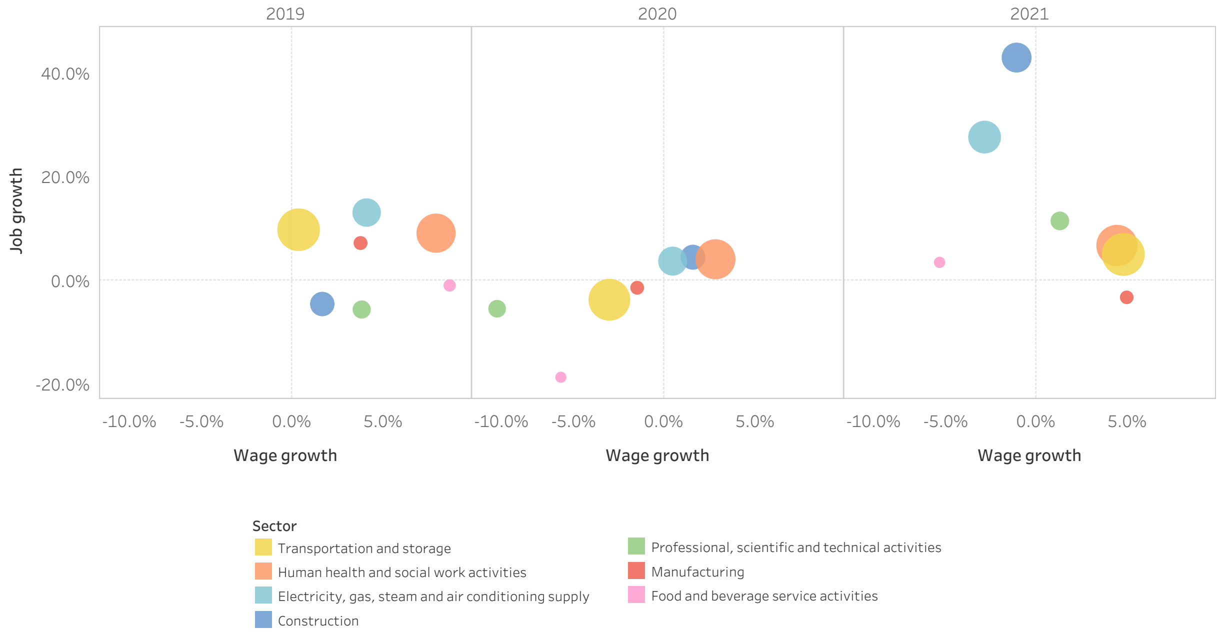
Therefore, this chapter reviews the labour market dynamics from the perspective of the resilience, recovery, vulnerability of the labour market at the sector level based on the observations of changes in employment and wage, as well as the re-employability represented by the contract gaps before and after the pandemic. Moving forward, to understand how people cope with income loss due to the pandemic, this chapter also explores this dimension through analysing the demographic profiles of employees holding concurrent multiple contracts.

Resilience

Adapting the basic concept of the ILO definition of resilience in the local context, the notion of resilience in this research is defined as the labour market's capacity to absorb crisis and mitigate the adverse impact on employment. Focusing on the employment situation in various economic sectors, we analysed the employment resilience based on the ability of the sector to preserve jobs or even create jobs throughout the crisis. Further, we analysed the income resilience of a sector based on the ability to maintain or increase wage during the crisis period.

Robust and healthy sectors in the labour market are expected to be able to continuously generate employment opportunities while ensuring decent pay, welfare, and dignity. Before the COVID-19 pandemic, most sectors were thriving with promising job growth and wage growth. However, the economic contraction following the outbreak of pandemic severely affected some of those sectors, with tourism sector suffering the most in the short term as discussed in the previous chapters.

Figure 12: Resilience of Employment by Highly Impacted Sectors, 2019-2021



Source: Pension database, Ministry of Economic Development

To assess the resilience in the labour market, we have illustrated the trajectory of changes in job growth and wage growth for various sector during 2019 (pre-pandemic) and 2020 (pandemic period) in Figure 12. The size of circle represents the employment size of the sector. Sectors showing drastic changes from uprise trend before the pandemic to downturn during the pandemic indicate less resilience.

Delving into the quadrant of negative job growth and wage growth (bottom left quadrant), none of the sectors were presented there in 2019. However, some sectors like transportation and storage; food and beverage service activities; professional, scientific, and technical activities (which mostly includes activities of head offices; and accounting, audit, and tax consultancy services); and manufacturing were pulled into this category in 2020, implying that these sectors were less resilient. Among them, the transportation and storage; and the manufacturing were the most severely impacted sectors as both job growth and wage growth plunged, moving from the positive quadrant to the negative quadrant. While the job growth in transportation and storage sector stood at 10% in 2019, it declined by 4% in 2020. Meanwhile, the wage declined by 3% in 2020 after recording a marginal growth of 1% in 2019. Furthermore, the employment in the food and beverage service activities as well as the professional, scientific, and technical activities, which already struggled with negative job growth in 2019, became more vulnerable as the wage also declined drastically in 2020.

Due to the closure of border in March 2020, tourist resorts also encountered a job destruction, and consequently, experienced the biggest changes in job growth. Although the basic wage showed a slight growth in 2020, the number of jobs in the sector dropped by 18% in 2020 from a growth of 20% in 2019. A similar phenomenon was also observed in other accommodation facilities in the tourism sector (hotels and guesthouses), where the number of jobs tumbled from a growth of 13% in 2019 to a decline of 14% in 2020. Moreover, due to the interdependency of tourism industry and other sectors, the impact on the tourism sector led to a knock-on-effect across other vulnerable sectors in the ecosystem around tourism.

Despite the economic recession, some sectors demonstrated strong resilience to go upstream, and maintained or even progressed to rising employment growth. Hovering over the quadrant of positive employment growth and wage growth in 2020 (top right quadrant), it shows sectors like human health and social work activities; construction; and electricity services contribute to job creation and ensured steady increase of wage even during the pandemic period.

Given the high demand for labour in the human health and social work activities to fight against the pandemic, job growth and wage growth in this sector continued to be positive throughout the pandemic and post-pandemic period. The job growth stood firmly at 4% in 2020 and continued to thrive at the rate of 7% in 2021, accompanied by a steady wage growth of 3% in 2020 which further increased to 4% in 2021. As for electricity services, it showed a solid positive employment growth of 4% in 2020, since providing electricity is an essential service to sustain households and business' day-to-day life.

Recovery

With the reopening of the country's boarder and the relaxation on the international travel restrictions, the Maldives has seen a notable economic revival in post-pandemic period, although it has not yet reached the pre-pandemic output levels. The robust recovery has also been reflected in the employment upturn, with an accelerated growth of 15% in job stock in 2021. This is a notable surge of 17,994 jobs from 2020 and job stock has even surpassed the pre-pandemic levels in 2019. While employment recovery was seen across all sectors in 2021, the pace of recovery is relatively diverse, with some sectors getting recovered faster and even building back better.

To evaluate the recovery for different sectors we have presented the speed of employment recovery at the sector level with the metrics of job recovery rate (changes in job growth) and wage recovery rate (changes in wage growth) for two periods in a scattered diagram (Figure 13)— pandemic period (2019 to 2020) and post-pandemic period (2020 to 2021)[7] . Recovery in this section is referred to the labour market's capacity to overcome crisis by restoring jobs and generating wage growth in the post-crisis period. Furthermore, the changes in job growth and wage growth have been used as a proxy indicator to gauge the speed of recovery. Sectors with a larger scale of positive changes in job growth and wage growth demonstrate higher recovery rates.

The plot on the left-hand-side illustrates the overall pattern of reduced job growth and validates the devastating impact of the pandemic on the labour market for all the sectors. In comparison, the plot on the right-hand-side depicts a reversed picture of the reviving employment in job creation. The speed of job creation in 2021 for all sectors surpassed the pace observed in 2020, except for the manufacturing sector which showed a decline. Though the job growth is promising, it is notable that the recovery on wage growth still needs more time and effort. From the scattered distribution of sectors across the horizontal axis in the changes of wage growth, it is apparent that less than half of the sectors demonstrated a higher speed in wage growth during the post-pandemic period.

Probing further into the sectors with employment stock of more than 10,000 employees in 2021, tourist resorts; public administration, defence, and compulsory social security (public administration); wholesale and retail trade; and transportation and storage posted the highest recovery, with tourist resorts recording the most prominent recovery. The rate of job growth in

[7] The size of circles represents the amount of job stock in 2020 and 2021.

Figure 13: Employment and Wage Recovery by Sector

Source: Pension database, Ministry of Economic Development

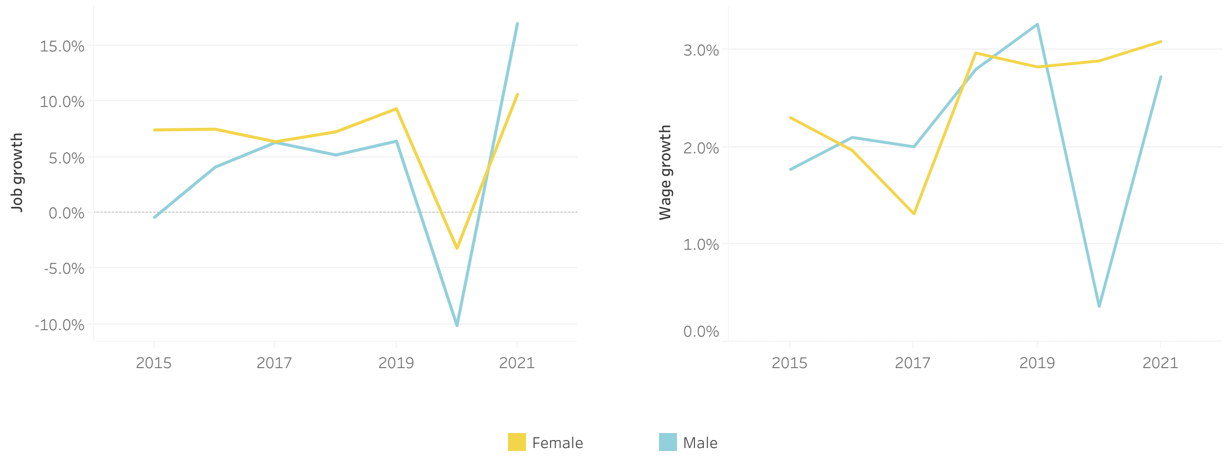
tourist resorts turnaround and boosted to 18% in 2021 after registering a decline of 18% in 2020. However, the recovery in the tourist resort is hampered, to some extent, by the subdued growth in wage following the pandemic period.

Moreover, public administration sector—the largest employer with the highest job stock—rebounded and surpassed the pre-pandemic levels, with an impressing job growth of 24% in 2021 after experiencing a negative job growth of around 2% in 2020. Meanwhile, the wage growth for the sector progressed from 2% in 2020 to 3% in 2021. Similarly, wholesale and retail sector demonstrated a steady trend of building back better, recovering from a negative job growth of 4% of job growth in 2020 to a robust growth 7% in 2021. It is also worth noting that both the job stock and average wage for the sector surpassed the levels observed in 2019.

Vulnerability

Although the pandemic affected the lives, livelihoods, and wellbeing of the entire population, the degree and severity of the impact varied among different demographic groups. Most importantly, the livelihood of women and youth population were disproportionately affected by the crisis, hence imposing the risk of widening social inequality.

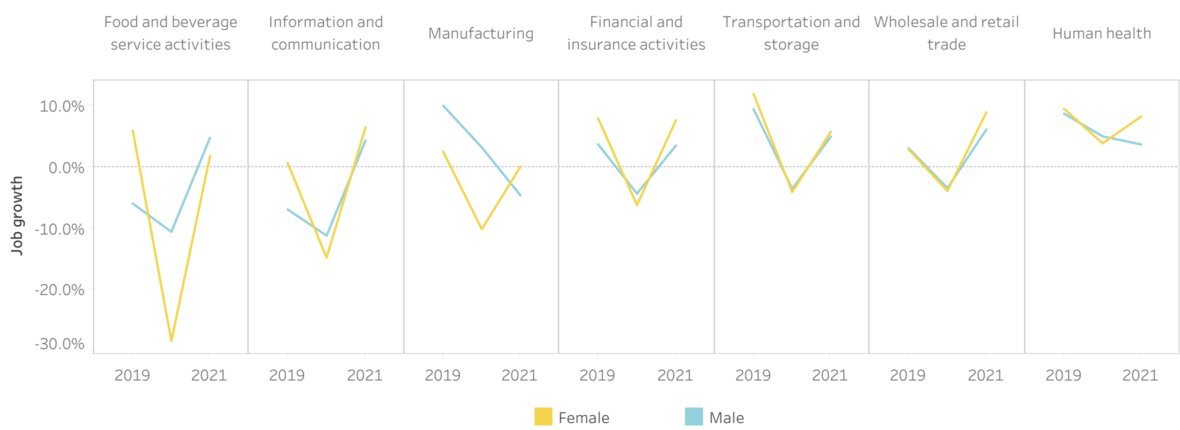
Figure 14: Job Growth and Basic Wage Growth by Gender, 2015-2021



Source: Pension database, Ministry of Economic Development

Looking at the job growth and wage growth from the gender lens (Figure 14), although the women's participation in the labour force remained lower than men in the Maldives population, the progress on job growth among the women labour force had been promising before the pandemic. Furthermore, it is worth noting that in general women in the formal sector demonstrated a relatively stronger resilience during the pandemic—as evidenced from the small degree of impact on women when compared to men—though the job growth fell in both the groups during the period. This is mainly because a large portion of women workers are in the risk-resistant sectors such as public administration, education, and human health and social work.

Figure 15: Job Growth by Sector and Gender, 2019-2021



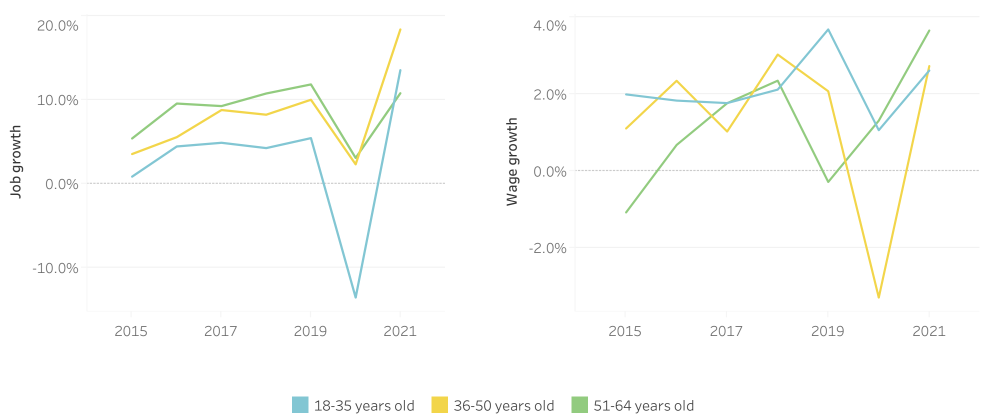
Source: Pension database, Ministry of Economic Development

However, returning to work after the hit seems more difficult for women. The job growth among women labour force in 2021 stood lower at 11% when compared with men (17%), which happened for the first time in the past five years. Besides this, women are also more vulnerable from the perspective of the wage growth. Although the wage growth of women has been on a rising trend over the past two years, women are still placed in a disadvantaged position because the average wage level of women still lags when compared with the average wage of men.

Probing further into the job growth for the gender cohort at sector level, it was observed that women from certain sectors were in a more vulnerable status than men. The sector disaggregation of job growth demonstrated that there has been a declining trend or a weaker growth of jobs for women than men in particular sector of the economy (Figure 15). This was more prevalent in activities such as food and beverage services, which recorded a drastic fall in job growth for women (a decline of 28% in 2020), followed by information and communication as well as manufacturing sector (a decline of 15% and 10%, respectively). This clearly indicated that policy attention would need to be drawn on these vulnerable sectors to empower more women to actively participate in the labour market and promote gender equality.

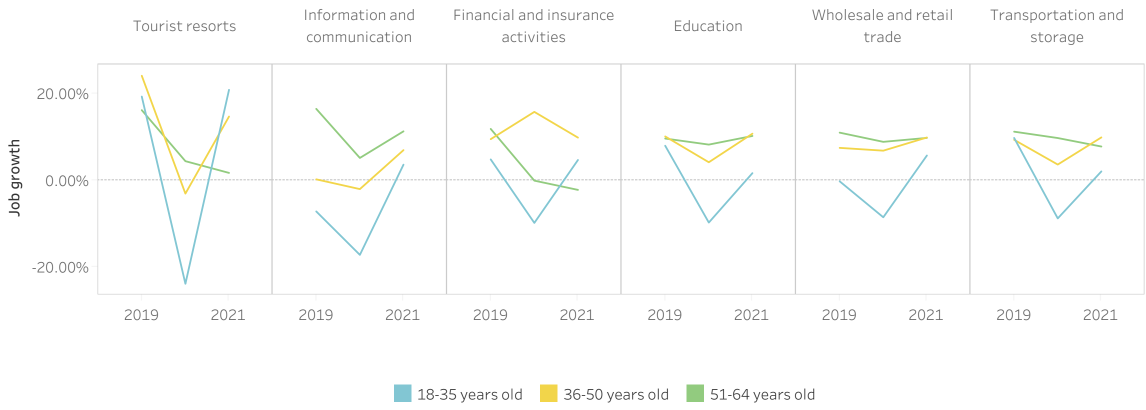
Looking at the impact on the economically active population by age group, it was observed that the youth were exposed to the risk of losing jobs to the greatest extent than the adult employed population. The steep slope of job growth in the age group of 18 – 35 shows that the employment among the youth was devastatingly affected during the pandemic. Job growth for this category plummeted from a growth of 5% in 2019 to the lowest point of a negative growth of 14% in 2020 (Figure 16). Having thrived among all the age groups prior to the pandemic, the dreadful fall in youth job growth indicated the that the youth's job market seems more vulnerable and fragile to the crisis. However, despite the dire economic situation during the pandemic, the wage growth among the youth remained higher than the age group of 36 - 50, implying those being able to sustain might be more competitive in the job market.

Figure 16: Job Growth and Wage Growth by Age Group, 2015-2021



Source: Pension database, Ministry of Economic Development

Figure 17: Job Growth by Sector and Age Group, 2019-2021



Source: Pension database, Ministry of Economic Development

Exploring deeper to understand the sectors that the youth are more prone to the risk of unemployment, it was observed that among the big employment sectors which accommodated more than 1,500 job, the youth working in tourist resorts; information and communication; and financial and insurance activities were impacted the most during the crisis (Figure 17). As such, the job growth among the youth labour force in these sectors declined drastically in 2020, with tourism sector having the most significant decline of 24%, followed by information and communication as well as financial and insurance activities (recorded a decline of 17% and 10% respectively). In comparison, the overall job growth for youth posted a decline of 14% in 2020. Though these sectors are dominated by a larger composition of youth labour force, given the greater magnitude and the sharper drop in their job growth, it is apparent that the youth were more vulnerable when compared with other age groups. This reveals that there is a need for targeted employment assistance and strategic policy interventions in these areas.

Re-employability

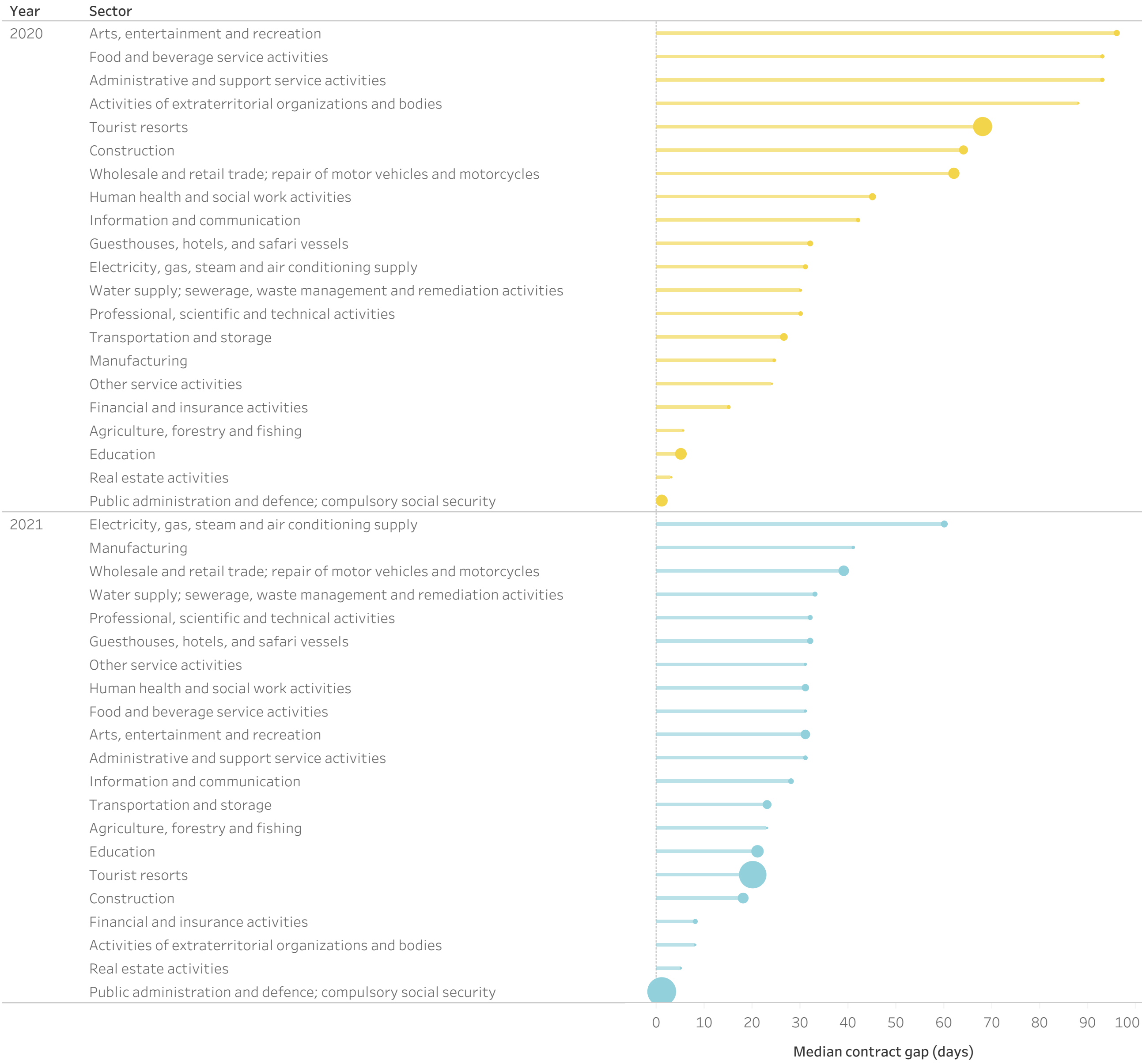
Employment recovery or re-employability provides insights on a different aspect of the unemployment situation and employment gaps in the economy. For instance, getting insights on how fast job seekers can find a job will be informative for the government to design unemployment assistance programmes. Additionally, disaggregating the employment gaps at the sector level will further support the development of targeted policy interventions and identify entry points for collaboration with relevant partners.

To understand how fast people can find the next job, median contract gaps were calculated for those having an employment gap. Additionally, to gauge the speed of re-employment with respect to particular groups in the population, contract gaps were estimated by the categorization of economic sector, gender, and age group. In general, it was observed that half of the contract holders[8] took 18 days to find a new job in 2019, while the number increased to 31 days during the pandemic. However, with the increased employment opportunities in the wake of the economic revival, more than half of the contract holders experienced only 10 days of contract gap in 2021.

Looking at the contract gaps by sector, it was observed that the employment gaps are relatively diverse across

[8] Contract holders are recorded at the contract level. If an employed individual holds a unique contract, s/he will be considered as one contract holder. An employed individual can hold multiple contracts.

Figure 18: Median Contract Gaps by Gender, 2020-2021

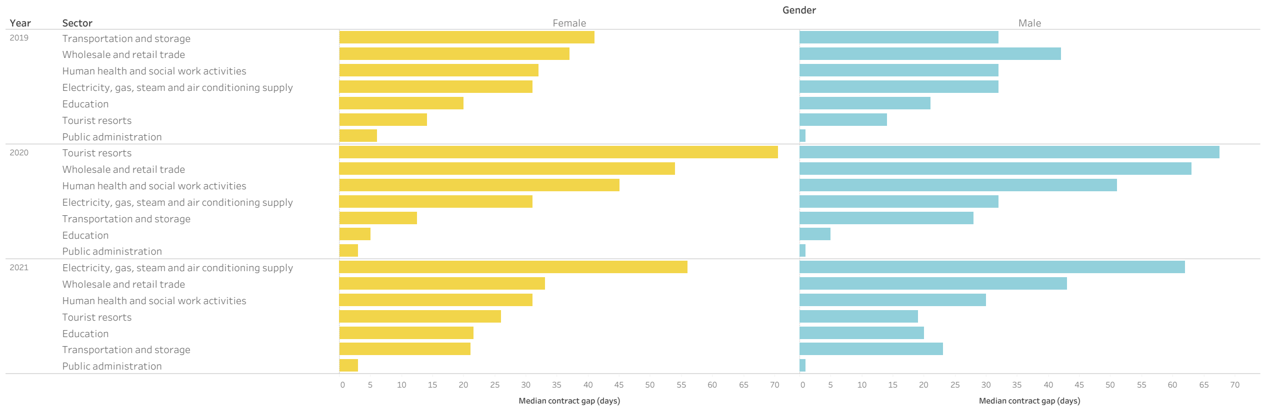


Source: Pension database, Ministry of Economic Development

different sectors of the economy (Figure 18). People working in the sectors such as arts, entertainment, and recreation (mainly diving and water sports); food and beverage service; administrative and support service (mainly travel agency service); tourist resorts; construction; and wholesale and retail struggled more in finding jobs during 2020. As such, half of the contract holders experienced more than two months of contract gaps during the pandemic. However, the situation of re-employment improved significantly in 2021, showing a strong employment recovery in these sectors – with a reduction of at least 20 days in the median contract gaps. This marked the most prominent decline in the post-pandemic times, indicating that the recruitment in these sectors accelerated at a higher speed than other sectors.

Furthermore, a notable improvement in the re-employment was seen in the tourist resorts and construction sector during the post-pandemic period.

Figure 19: Median Contract Gaps by Sector and Gender, 2019-2021

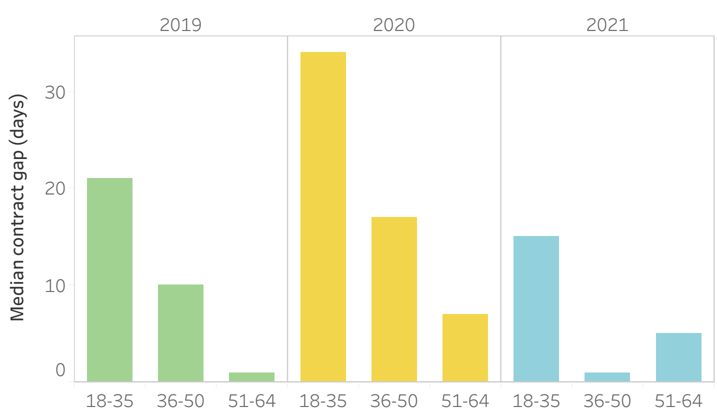


Source: Pension database, Ministry of Economic Development

While contract holders in the tourist resorts and construction sector took around 68 and 62 days to find a new job during the pandemic, respectively, more than half of contract holders could obtain jobs within 20 and 18 days in 2021. On the other hand, a great stability in job transition was observed for contract holders in the public administration sector as they had a smaller contract gap in general—with median contract gap of 1 day in 2020 and 2021—when compared with other sectors.

Digging deeper into the job-hunting experience by different demographic characteristic in the economy, re-employability varies considerably for men, women, and the youth. Among those experiencing contract gaps in 2019, half of the male contract holders used to need at least 16 days to be re-employed, while half of female contract holders spent additional 5 days to find their new job. However, the situation reversed during the pandemic—half of female contract holders needed fewer days (15 days) to obtain jobs, compared with 40 days for half of the male contract holders. This is mainly because most of female contract holders worked in relatively stable and risk-resistant sectors like education, public administration, and human health and social work activities, while a great amount of male contract holders was in the tourist resorts which encountered a large-scale employment setback during COVID-19 times. However, in 2021, women retreated to the pre-pandemic state with more than half of them having at least 21 days in the contract gap, while men rebounded with a much shorter contract gap of 8 days.

Figure 20: Median Contract Gap by Age Group, 2019-2021



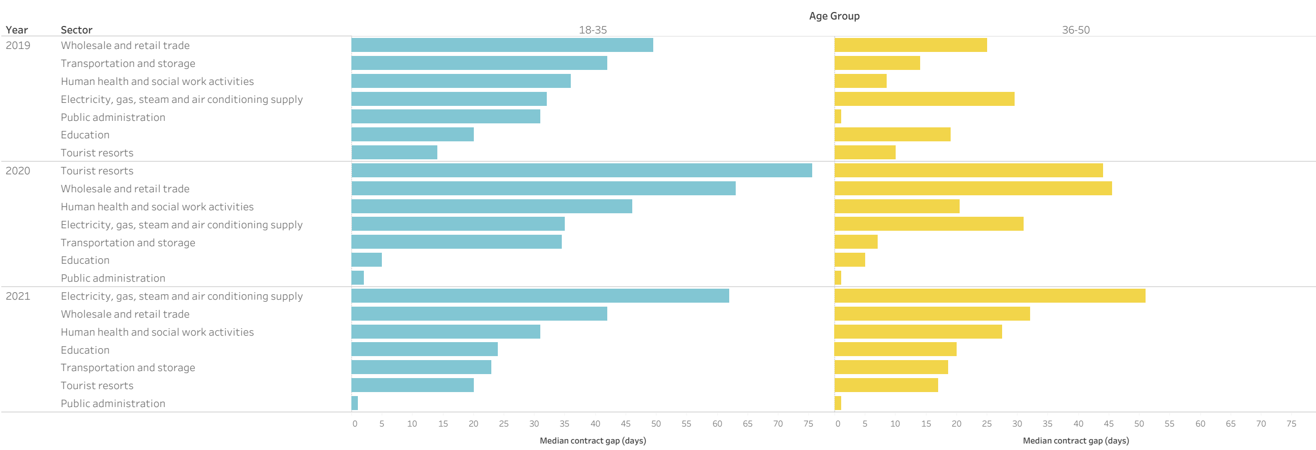
Source: Pension database, Ministry of Economic Development

Zooming in to the male and female contract holders' re-employment prospect at the sector level, the distribution of median contract gap among the large employment sectors (with more than 5,000 employment stock) showed a somewhat diverse picture (Figure 19). Before the pandemic, half of female contract holders needed slightly more days to secure jobs when compared with the male contract holders working in the same sector, except for wholesale and retail (5 days less), electricity, gas, steam, and air conditional supply (1 day less), education (1 day less). During the pandemic, the pattern in the contract gaps for male and female contract holders were aligned, representing the same rank for sectors sorted by the median contract gaps. Opposed to the re-employment outlook in 2019, half of female contract holders spent fewer days to resume employment in most sectors than men in 2021, except for tourist resorts (7 days more) and public administration (2 days more) sector.

Varied trajectories of labour reemployment were also observed among different age groups (Figure 20). The youth normally experienced a longer contract gap in comparison with other age groups, indicating that the youth are probably less competitive given the required working experience and professional network in the employment market. This situation was further exacerbated during the pandemic period, leaving the youth even more vulnerable to the employment disruption.

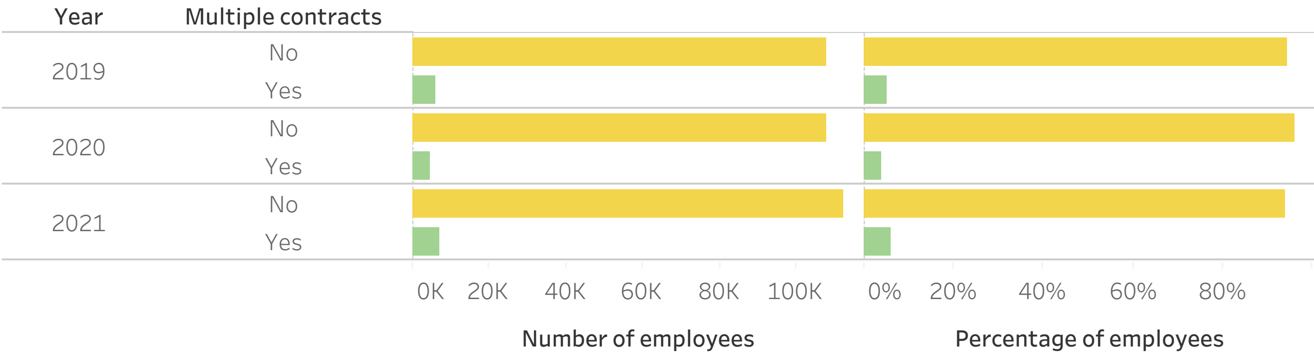
In 2019, half of contract holders aged 18–35 years took around 21 days to be re-employed, while half of contract holders under the age group of 36–50 years and 51–64 years only needed 10 days and 1 day, respectively. Though the contract gaps were prolonged across all age groups during the pandemic, young people were placed in a more disadvantaged position, leading to half of contract holders aged 18–35 years enduring contract gaps of 34 days, which is additional 17 days and 27 days compared with the age group of 36–50 years and 51–64 years, respectively. The uneven distribution in re-employability among different age segments in the population persisted in the post-covid era as well. However, in general, recovery in re-employment was trending in a similar fashion for most of contract holders across different age groups. Among them, it is notable to mark that the speed of re-employment was accelerated to 15 days for half of contract holders at the age of 18–35 years old in 2021, although it was still slower than other age groups.

Figure 21: Median Contract Gaps by Sector and Age Groups, 2019-2021



Source: Pension database, Ministry of Economic Development

Figure 22: Magnitude and Scale of Employees with Multiple Contracts



Source: Pension database, Ministry of Economic Development

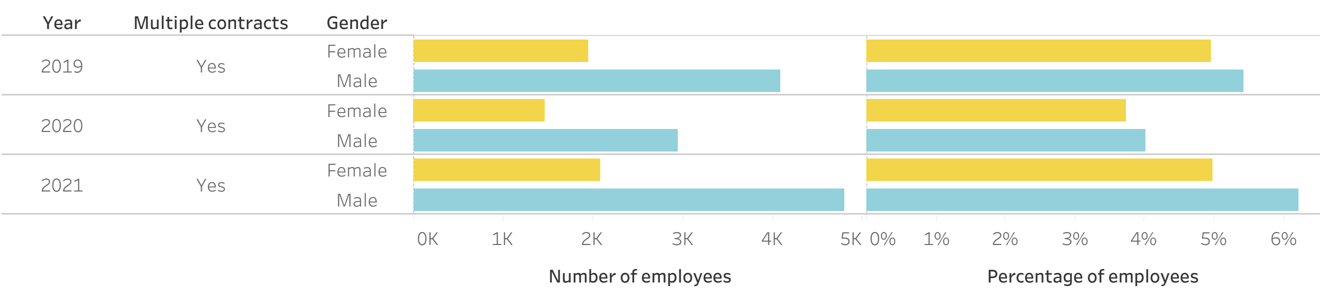
Drilling into the major sectors with more than 5,000 employment stock, the re-employability analysis on the contract gaps by age at the sector level reconfirms the above observation, showing a similar trend in discrepancy between age group of 18 – 35 and 36 – 50 years of employees in the same sector (Figure 21). Among these sectors, half of contract holders at the age of 18 – 35 years experienced longer contract gaps when compared with the age group of 36 – 50 years from the same sector, except for the public administration and defence; compulsory social security sector in 2021 and education sector in 2020.

Multiple contract-holding

To counteract the repercussion on income loss due to the economic setback, some employed individuals might take up more than one job or hold multiple contracts concurrently. Meanwhile, with the digitalization becoming an integral part of the new normal, remote and hybrid working modality has been trending in the post-pandemic era. This has also created a new marketplace for the gig economy, which has been reflected in the employment outlook for the multiple contract holders as well.

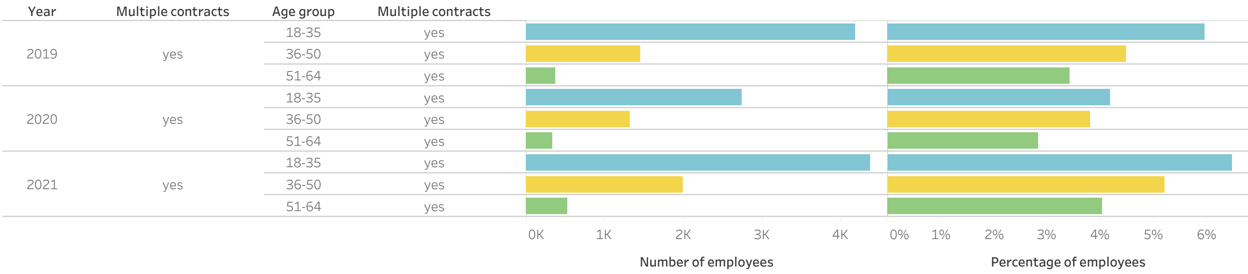
As such, the number of employees holding multiple contracts accounted for 5% of the employed individuals in 2019 (Figure 22). Though the percentage declined to 4% in 2020 given the overall economy downturn, it rose to 6% in 2021 and exceeded the level in 2019. In terms of income, the average wage for the employed individuals holding single contract was higher than those holding multiple contracts, implying the secondary job might be a part-time engagement and offers a lower wage. However, since the multiple contract holders normally had an average of two contracts, the total income

Figure 23: Multiple Contract Holders by Gender, 2019-2021



Source: Pension database, Ministry of Economic Development

Figure 24: Multiple Contract Holders by Age, 2019-2021



Source: Pension database, Ministry of Economic Development

during the overlapping contract period was higher than the single contract holders.

Examining further into those holding multiple contracts, the prominence of this phenomenon varies across different demographic groups characterized by gender and age. In general, there were more men workers holding multiple contracts than women workers regardless of the actual number and its proportion among the respective gender group (Figure 23). And the scale of changes among the male multiple contract holders before and after the pandemic period was more significant as the proportion increased from 5% in 2019 to 6% in 2021, while the proportion for female multiple contract holders remained stable at around 5% throughout the period. Furthermore, it was also observed that on average, men tended to work on more contracts and earn a higher wage than women. However, nuance in the changes of wage was observed in the past three years – the average wage for female multiple contract holders steadily increased while it was an opposite case for men.

From the age lens, both the number and scale of multiple contract holders increased across all age groups over the past three years (Figure 24). Zooming into the broader age categories, the pattern of distribution indicates that more young people are committed to multiple contracts when compared with the other more senior age group. Peeking at 2021, there were 4,372 multiple contract holders aged 18 – 35 years during the year, while the number was significantly lower in the age cohort of 36 – 50 years and 51 – 64 years, which is 1,987 and 521, respectively.

Given the variation in operation of business model and the working modality, different labour market dynamics for those holding multiple contracts were also presented in various sectors. Figure 25 shows the image of the distribution and scale of multiple contract holders across different sectors with the metric of the number of employed individuals holding multiple contracts and its proportion among the groups of employees in the respective sectors. The size of the circle denotes the employment size in the particular sector.

In general, large employment sectors such as tourist resorts, public administration, education, wholesale and retail, and transportation and storage contributed to a great amount of multiple contract holders. However, holding multiple contracts is more prevalent in smaller employment sectors, namely, food and beverage service activities; professional, scientific and technical activities; guesthouses and hotel (short term accommodation activities excluding tourist resorts); art, entertainment and recreation; manufacturing; and administrative and support service activities. The proportion of multiple contract holders in these sectors was above 10% in 2019 and 2021. Though there were fluctuations in 2020 due to the pandemic, the high-level pattern is aligning in the past three years. However, a positive "outlier" emerges in the post-covid times – Construction sector has been growing in the employment size, and accordingly, offering more opportunities for the multiple contracts holders and making it as a unique sector which hosts a decent number of employees with multiple contracts in terms of quantity and prevalence.

Figure 25: Multiple Contract Holders by Sector, 2019-2021

Source: Pension database, Ministry of Economic Development

POLICY RECOMMENDATIONS

POLICY RECOMMENDATIONS

1.Promoting youth employment in priority sectors

The economic crisis resulted from the COVID-19 pandemic has hit hard on young people. In particular, the impact on youth was more prevalent on sectors such as tourism; information and communication; as well as financial sector. This clearly indicated that employment assistance and targeted policy interventions are needed in these areas to reskill and upskill youth labour force. To prepare youth in specific areas and ensure they gain the technical skills, soft skills, and entrepreneurial skills required to compete in these areas, works needs to be done in collaboration with educational providers and training institutions at a national level.

Additionally, employers need to work closely with training institutions and labour market intermediaries to connect youth to opportunities from these priority areas, while they are transitioning from education to employment or re-entering the labour market. For instance, conducting more apprenticeship or internship programs will bridge the gap between education and employment by offering trainees practical experience. The Apprenticeship Programme under the Maldives COVID-19 Emergency Income Support Project (MCEISP) is a renewed initiative that has been taken by the Government in collaboration with the World Bank to address the challenges to youth employability and narrow the skill gap.

However, it is crucial that we measure and monitor the effectiveness of such programs and ensure that permanent jobs are offered to promising candidate through such programs. Furthermore, support can also be provided by providing career counselling services to young people to assist them with career planning.

2. Nurturing youth entrepreneurship

The increase in digital literacy among youth and the surge in accessibility of online platforms has inspired many young individuals to become entrepreneurs. While this transformation is highly beneficial to self-development of youth, it can also contribute to overall growth of the economy as the youth can be job creators than job seekers. Therefore, policy interventions are required to ignite young minds and bring youth entrepreneurs to mainstream, by providing them with entrepreneurship training programs, skill development and self-employed opportunities.

Further, youth entrepreneurship awareness programs can also be incorporated into the education system to encourage them building an entrepreneurial carrier path and train them for the required leadership skills and abilities to become successful entrepreneurs. For such programs to be more successful, training providers can partner with established business leaders to mentor and nurture young business minds. To further unlock bright young entrepreneurial mindset, incubator centres offering mentoring, marketing and financial services can also be introduced in the country to nurture youth's start-ups and help them becoming sustainable businesses. Such centres can be more effective and successful by proving financial support in the form of start-up capital or stipends to attract bright minds.

3. Increasing women involvement and promoting gender fairness

A decline in job growth for women has been observed for some sectors such as food and beverage services, and information and communication. Further, returning to work has been difficult for women amid post pandemic recovery, while average wage has also been low for women. This clearly suggests that policy attention needs to be oriented towards empowering women to actively participate in these sectors and promote gender equality. While digitalization is unlocking many more opportunities for women to embrace, there still exists gender stereotyping in some areas and women also lacks digital confidence to break these gender barriers.

Therefore, to encourage women to work and compete in the male-dominant sectors, training programs and workforce readiness programs need to be conducted particularly for women to narrow the gender gap in these sectors. Programs also should aim to increase digital literacy, to encourage women in adapting the hybrid work models and remote working arrangements and ensure that female workers are not left behind in an increasingly technology dominant world. Additionally, wage data collection needs to be prioritised to conduct in-depth research and understand the pay inequalities existing in the workplace.

4. Encouraging pension contribution for the non-standard forms of work

The increased number of exits from the formal labour market shows that more people are moving to informal sector or non-standard forms of work such as part-time or temporary workers, self-employed workers. The trend is more prevalent among the young age group as the average age of exit from the formal market was around 33 years in 2021. Although pension is mandatory for every employee in the country (as per the Maldives Pension Act) and the pension contribution has increased at an annual average rate of 7% over the past, around 4 in every 10 people in the labour force population are still not contributing to pension.

With a sheer number of employed people being outside the formal labour market, there is an apparent need for exploring more affordable and effective approaches, such as targeted pension schemes for informal sector, to promote not only old-age income security in these groups, but also to address the increasing risks of vulnerabilities in the marginalized groups. With the renewed concerns for social protection in the country, effective national campaigns are also required to change the attitude towards pension contribution by both employee and employers.

5. Diversifying employment structure and bridging skill gaps

One of the key lessons learned from the pandemic is the critical importance of having a diversified employment structure to distribute the risks of external shocks and building more resilience in the labour market. Although, some signs of labour market transitioning towards a more balanced structure have come to light during pandemic period, the labour market transition is met with long-standing challenges of skill shortage and, demand-supply mismatches.

With the rising role in technology, demographic shifts and urbanization, employees need to be equipped with all-inclusive skill sets, which include cognitive skills, socio-emotional skills, technical skills, and digital skills, to increase employability and productivity in the labour market. Therefore, it is crucial that the Government invest in human capital, prioritize retraining and upskilling of workers. While the national Job Center plays a key role in linking the registered user to training and employment, policies priorities should remain steadfast towards developing skills for targeted sectors and under-represented occupations to reinforce competitiveness and bridge the skill gaps in the labour market.

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