

THE IMPACT OF COVID-19 PANDEMIC ON EMPLOYMENT IN THE MALDIVES



Acknowledgements

This publication was prepared on request of the Minister of Economic Development, Uz.Fayyaz Ismail. The main objective of the report is to analyse and document the impact of COVID-19 pandemic on employment in the Maldives. Although data used for the analysis was collected digitally through the JobCenter portal, the data was initially not classified to be able to use for an economic analysis. Therefore, the data was coded in accordance with the International Standard Industrial Classification of All Economic Activities (ISIC), which took a lot of time and faced substantial challenges due to the unavailability of the information required for coding in some of the cases. Coding work was done by temporary staff hired for the income support program and ministry staff, with the guidance and supervision of Aishath Sajny (Consultant for Policy and Research Department).

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Contents

Acknowledgements

Introduction	4
<i>Methodology</i>	5
The Labour Force of the Maldives	6
Analysis	10
<i>Estimating the overall magnitude of the impact</i>	11
<i>Assessing severity of the impact</i>	14
<i>Impact by Industry</i>	14
<i>Industry Impact by Employment Status</i>	18
<i>Employment Impact by Age Group</i>	21
<i>Gender Impacts on Employment</i>	27
Key Takeaways	31
Policy Responses and Policy Priorities	32
Box Article: Tourism Industry Linkages	34

Introduction

Like many other countries around the world, the Maldivian economy has struggled with the devastating consequences of the coronavirus (COVID-19) pandemic. While the global economy witnessed an economic downturn of a magnitude and speed that were unprecedented in peacetime, the Maldivian economy experienced a dire fall in economic activity in the year 2020. The real gross domestic product (GDP) is estimated to have declined by 33.5% during 2020¹, reflecting the adverse impact of strict lockdown measures implemented to prevent the spread of the novel virus. Tourism—the main driver of the economy—crippled, while many other tourism-related businesses struggled to stay in business. Consequently, the economic fallout from the global pandemic has put an unprecedented toll on employment.

Since February 2020, several containment measures have been taken by the Government to prevent the transmission of the virus. As such, in February 2020, a travel ban was placed on those travelling from China, the single largest source market for inbound tourism. With the emerging of the first positive cases of COVID-19 in the Maldives on 7 March 2020—imported cases from tourist resorts—restrictions were further tightened by placing restrictions on visitors travelling from high-risk countries or virus epicentres. Following this, on 27 March 2020, the country's border was closed, and a blanket suspension was imposed on visas, bringing a standstill on the tourism industry. Moreover, the interdependency of tourism industry and other industries, eventually propagated the economic shock across all sectors. Further to this, when the first

confirmed case of community transmission of the novel virus was spotted in Male' city, a-round-the-clock lockdown was announced for the greater Male' area in mid-April 2020. This was eventually followed by a nation-wide travel ban and movement control regulations to mitigate the spread. This brought an instant halt to several business operations, leading to a knock-on effect across all sectors of the economy.

Subsequently, the pandemic led to a record high level of layoffs, although the impact was limited, to some extent, because of the stimulus package introduced by the Government. While an ample amount of job terminations and salary reductions were associated with the adverse effect experienced by the tourism sector, prolonged closure of workplaces and ceased business activities magnified the negative impact on employment. Additionally, Small and Medium Enterprises (SMEs) and self-employed people—generally constrained by credit—lost more income due to low demand for services. However, with the gradual relaxation of containment measures from June 2020 onwards, business operations resumed, resulting in an improvement on the employment situation.

To minimize the economic impact of the pandemic, the Government announced an Economic Recovery Plan (ERP) of USD162 million (equivalent to 3.4% of GDP) on 20 March 2020. This mainly included a loan scheme to support resorts, large businesses and SMEs, and an income support allowance scheme to support individuals who lost their jobs and faced salary reductions. The loan scheme provision was conditioned on retainment of employees in those businesses. With the condition met, resorts and large businesses with an

¹ According to the Quarterly National Accounts (2021 – Q2) published by the Maldives Bureau of Statistics.

The pandemic led to a record high level of layoffs, although the impact was limited, to some extent, because of the stimulus package introduced by the Government.

annual turnover of MVR10 million could apply for a maximum loan of MVR7.7 million and MVR1.0 million respectively. Businesses with an annual turnover of less than MVR10 million or SMEs were eligible to apply for a maximum loan of MVR500 thousand. The income support scheme provides an allowance of up to MVR 5,000 per month for individuals whose employment was affected by the crisis and self-employed individuals who faced loss of income due to the crisis.

Methodology

This report analyses the impact of the COVID-19 pandemic on employment in the Maldives using data gathered from the income support allowance program that was administered through the online JobCenter (JobCenter.mv) hosted by the Ministry of Economic Development. This is a portal developed by the ministry with the primary objective of providing a modern platform that automatically matches applicants to vacancies based on skills. Since the onset of the crisis, the portal had been used to apply for income support allowance. Using the information provided by these applicants, this report evaluates the impact of the pandemic on employment in the form of job loss and income loss. It also examines the unequal severity of the impact on age groups, gender as well as industry.

It is important to note that a rapid assessment on the employment impact had been conducted by the United Nations Development Programme (UNDP) in collaboration with the Ministry of Economic Development in June 2020. As the rapid assessment was conducted at the earlier stage of the pandemic, information provided by 7,500 applicants of the allowance program was used for the analysis, while this report covers information of 22,940 individuals who were eligible and paid under the program.

It is also noteworthy that the data is limited to local employees as foreign workers were not eligible to the scheme. Additionally, the allowance was not granted unless the reduced salary fell below MVR5,000 or if their business is registered in the case of self-employed individuals. Hence, the data lacks information of these two groups. However, as the official unemployment data for the Maldives is not readily available, the estimates produced by this assessment will serve as a proxy to gauge the magnitude of the impact.



The Labour Force of the Maldives: Some Stylized Facts

The Maldives does not conduct a labour force survey, which is the main type of household survey used to collect labour statistics. Instead, a labour force module² has been included in the Household Income and Expenditure Survey (HIES) since 2016, to capture labour market information. The HIES survey is conducted by the National Bureau of Statistics in every five years and primarily collects information on the income and expenditure of households in the Maldives. Hence, key indicators such as the unemployment rate, which is crucial for assessing short-term trends in the labour market, is not available in the Maldives. Nevertheless, the data collected from the HIES labour force module potentially conveys a comprehensive picture of the landscape of the labour force of the Maldives. Table 1 presents some of the basic information about the characteristics of the working population of the Maldives for 2016 and 2019.

According to the HIES results, the working-age population of the Maldives is estimated at 317,482 persons in 2019, which is an increase of 21% when compared with 2016. Of the total working-age population, there were 191,270 persons in the labour force that were economically active in 2019. This is an increase of 26% when compared with the labour force estimated in 2016. Reflecting these developments, the labour force participation rate (LFPR) increased by two percentage points and stood at 60% in 2019. The LFPR is a key indicator that measures the relative amount of labour resources available for the production of goods and services in a country.

² The labor force module is designed to measure the labour supply and the characteristics of the working age population 15 years of age and residing in administrative islands and in regular households, outside of collective living quarters.

Table 1: Characteristics of 15 Years and Above Population, 2016 - 2019

Details	2016	2019
Working-Age Population	263,311	317,482
Female	139,957	169,729
Male	123,354	147,753
Labour Force	151,706	191,270
Female	59,047	77,421
Male	92,659	113,849
Employed	142,422	181,144
Female	55,721	73,717
Male	86,701	107,427
Unemployed	9,284	10,127
Female	3,326	3,704
Male	5,958	6,423

Source: Maldives Bureau of Statistics

Out of the 191,270 persons who are classified as economically active or in the labour force, 94.7% people (181,144) were employed in 2019, which was slightly higher than the 93.9% employment rate estimated for 2016. Meanwhile, unemployment rate edged down from 6.1% to 5.3% during the same period, mirroring the favourable economic situation observed over the period (Figure 1).

Youth population (18-34 years) comprises of a large portion of the labour force, accounting for around 50% of the country's labour force.

Delving into the economically active population by age group, youth population (18-34 years) comprises of a large portion of the labour force, accounting for around 50% of the country's labour force. Out of the total youth population, 53% are females and 47% are males (Figure 2). Moreover, a transition of a large number of persons in the school leaving population entering the labour market has been observed over the past few years. This was evident from the sharp increase in the overall labour force participation rate (LFPR) at the age group 20-24 years (Figure 3). The LFPR peaks at the age group of 25-29 years and remains almost steady until the age group 40-44 years, before it drops sharply after the age group of 50-54 years.

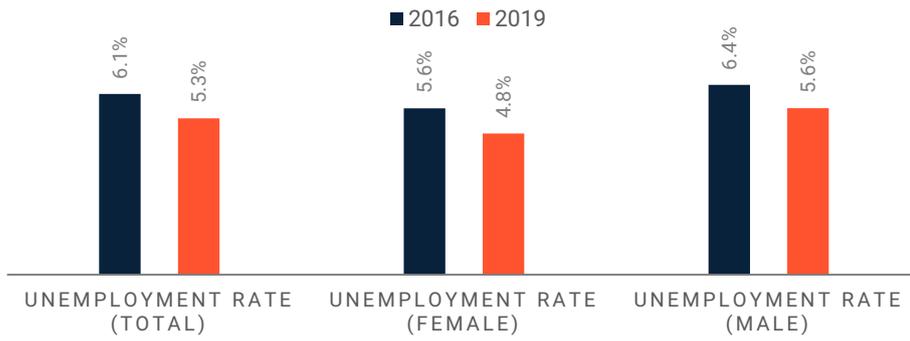
Looking at the main industry at a national level, the service sector³ employs the highest number of workers (133,972 people) and represents almost 74% of all employment in the Maldives. In 2019, the top five industries—public administration, education, wholesale, and manufacturing accounted for almost 50% of the total employed labour force, while accommodation category which includes resort industry holds 7% of the employed population. Furthermore, examining the top industry in Male' region, employment is heavily concentrated in public administration, while wholesale, transport and education sectors also holds a large proportion of employment (Figure 4).

The service sector employs the highest number of workers, representing almost 74% of the employed population in the Maldives.

3 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"

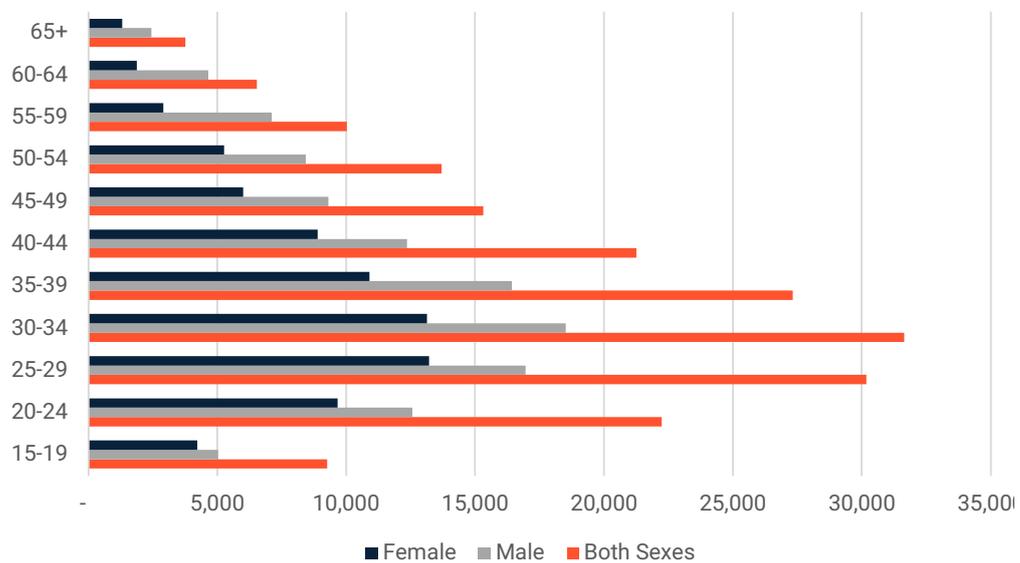


Figure 1: Unemployment Rate, 2016 - 2019



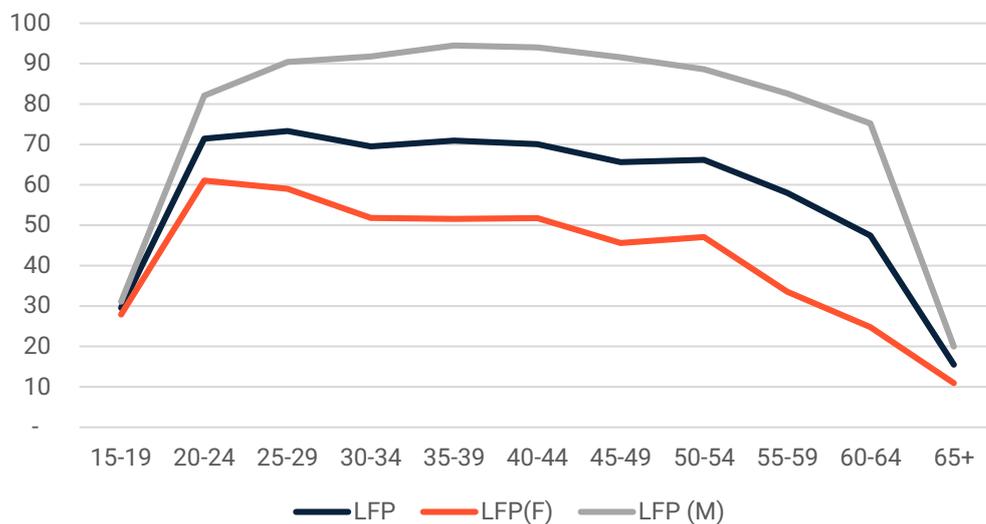
Source: Maldives Bureau of Statistics

Figure 2: Labour Force by Age Group, 2019



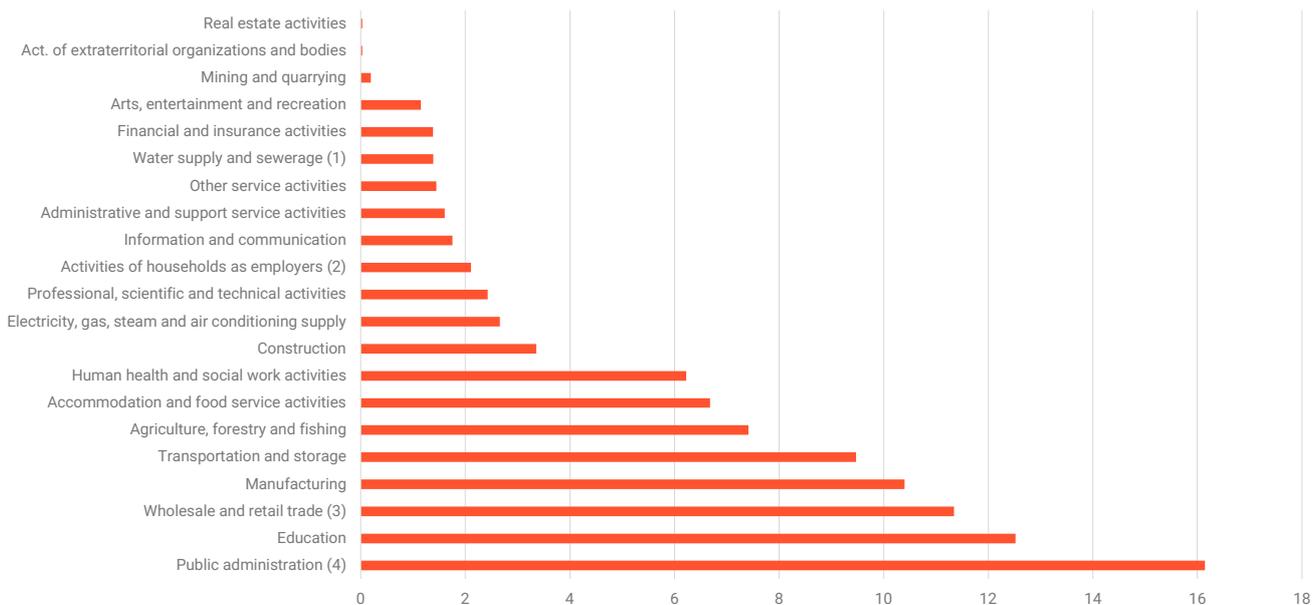
Source: Maldives Bureau of Statistics

Figure 3: Labour Force Participation Ratio by Age Group, 2019
(in percent)



Source: Maldives Bureau of Statistics

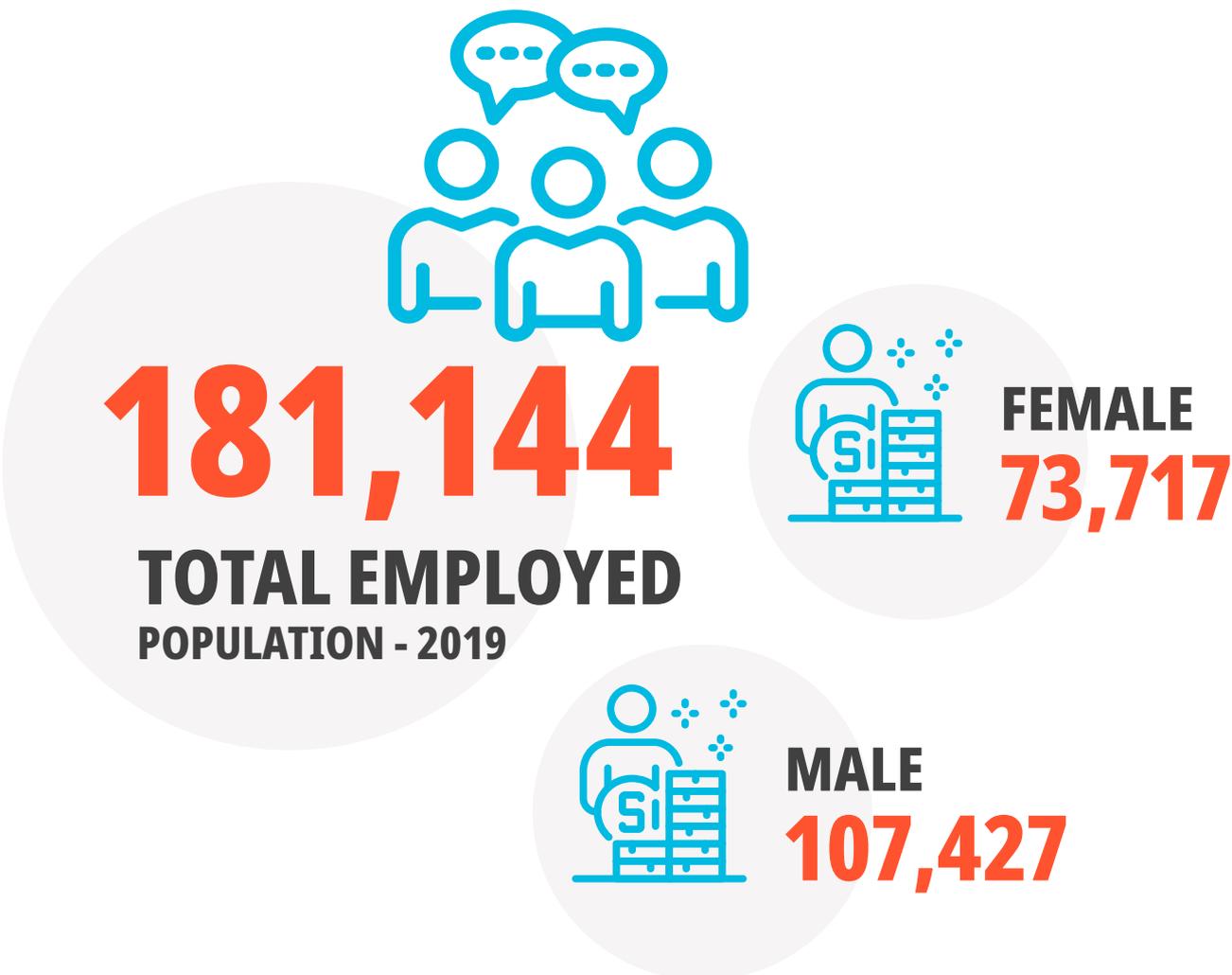
Figure 4: Employed Population by Industry



Source: Maldives Bureau of Statistics

Note:

- (1) Water supply; sewerage, waste management and remediation activities
- (2) Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
- (3) Wholesale and retail trade; repair of motor vehicles and motorcycles
- (4) Public administration and defence; compulsory social security



Analysis

To estimate the magnitude of the impact, information provided by the applicants of the income support allowance program has been used as a main source of data for the analysis. The allowance was given to salaried employees and self-employed people whose income was affected as a result of job or work loss, forced unpaid leave (furlough) or salary reduction. All Maldivian citizens who were employed until a certain period⁴, and whose income fell below MVR5,000 were eligible for the scheme. An allowance of MVR5,000 was provided for those who were facing a complete loss of income, while a difference of up to the maximum amount was paid to those who were earning less than MVR5,000. The program was opened for application on 18th May 2020 and was initially designed to provide allowance for those individuals whose income was affected during April through June. However, later the Government extended the program till the end of 2020 to counteract the unfavourable repercussions of the pandemic.

As of January 2021, a total of 107,647 applications have been submitted by 27,151 individuals. Out of the total, 93,906 applications by 22,940 individuals successfully met all the criterion of the program and received the benefit during the period. Among the 13,741 applications that did not receive the allowance, total 7,570 applications failed to meet the criterion and 4,344 applications were submitted without all requisite information or did not submit the required information when asked to re-submit. Furthermore, a total of 1,413 applications were withdrawn by the applicant as they opted alternative support schemes or due to changes in their income status (Table 2).

As the report seeks to understand the nature of the impact in the form of job loss and income loss, we have used the data of paid applicants for our analysis. Therefore, 22,940 individuals who provided full set of information and got eligible for the allowance have been used for the purpose of this analysis. Additionally, to understand the breadth of the impact, the unequal severity of the impact on gender, age groups, as well as industry has been also analysed for the same group of people.

Table 2: Closing Status of Applications

Status	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Incomplete	1,490	511	389	351	469	578	159	162	235	4,344
On Hold				26	42	46	89	91	120	414
Paid	3,861	4,030	3,873	12,097	13,810	13,153	14,840	14,503	13,739	93,906
Rejected	1,732	628	361	897	981	932	747	710	582	7,570
Withdrawn	166	389	431	186	74	77	37	35	18	1,413
Grand Total	7,249	5,558	5,054	13,557	15,376	14,786	15,872	15,501	14,694	107,647

Source: Ministry of Economic Development

4 In the first phase of the program, a person should have been employed until 1st March 2020 to be eligible for the allowance, but the criterion was changed in phase two and three such that the person should have been employed since December 2019.

Estimating the overall magnitude of the impact

While a total of 27,151 people applied for the scheme, 22,940 people received the allowance at least once during the period, which reflects 84% of the individuals that applied for the program were eligible to receive the allowance. This clearly indicates that at least 13% of the employed population⁵ of the country must have been affected by the crisis, either through a job loss or income loss. Regarding the nature of the impact, 6% of the employed population faced a salary loss (either in the form of no-pay leave or reduced-salary), while 2% of the employed people lost their job (terminated) during the pandemic (Table 3). Some of the applicants who initially claimed no-pay leave were later terminated, hence it can be inferred that at least 6% of the employed population lost their job during the pandemic (Figure 5).

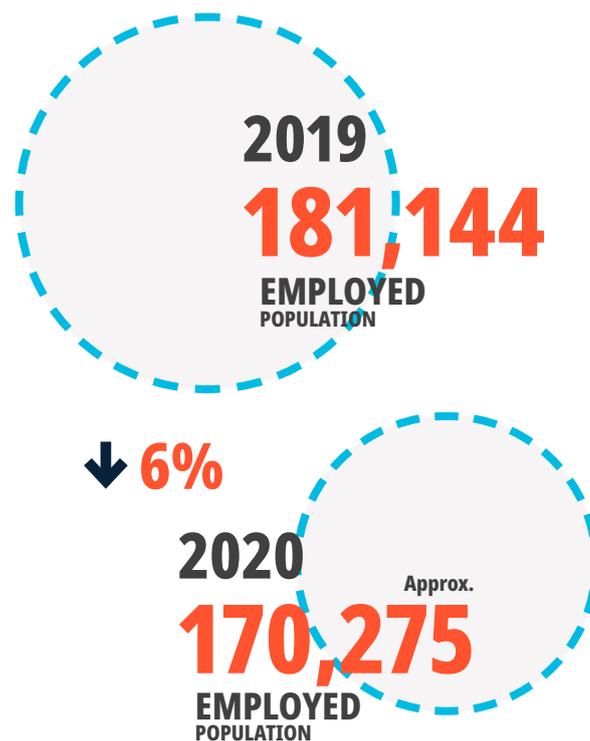


Table 3: Impact by Employment Status

Impact	Individuals	As a percentage of the total employed population of the country
No.of.paid applications	22,940	13%
Employed people who claimed for job loss (terminated at least once)	3,769	2%
Employed people who claimed no-pay at least once	6,490	4%
Employed people who claimed salary reduction at least once	4,478	2%
Self-employed people (income loss)	8,203	5%
Paid applicants (employed)	11,976	9%
Paid applicants (self-employed)	10,964	25%

Source: Ministry of Economic Development

At least 13% of the employed population of the country must have been affected by the crisis, either through a job loss or income loss.

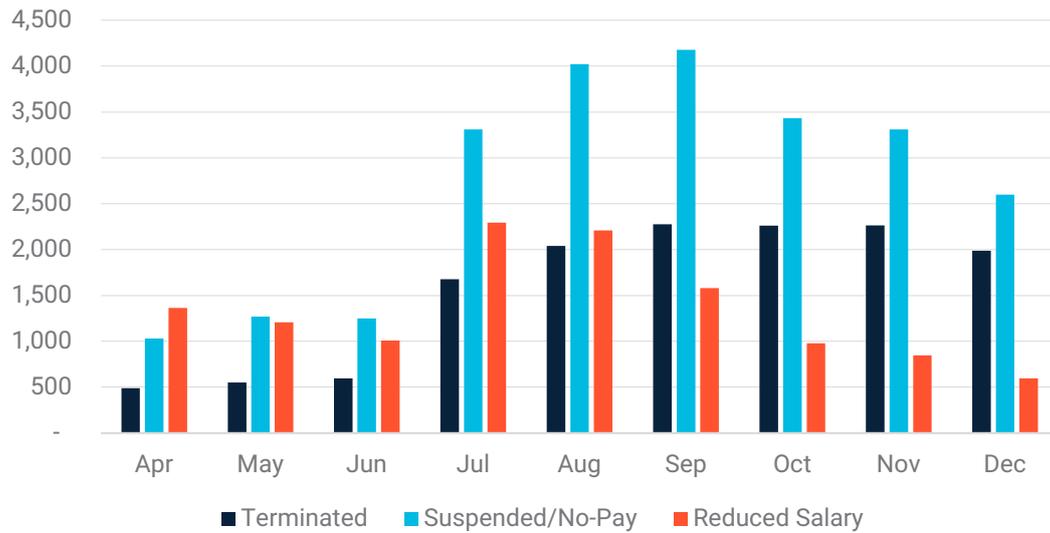
⁵ Based on the most recent available Labor Force Survey conducted in 2019, the total employment total was estimated at 181,144 employees. This includes 137,124 employed people and 44,020 self-employed people.

Among the people who received the allowance, 11, 976 (52%) applicants were employed people and 10,964 (48%) were self-employed people. This translates to around 9% of the total number of employed people in the country were impacted, while 25% of the total self-employed people in the population faced some form of income loss during the pandemic (Figure 6). The impact on self-employed people, however, is estimated to be higher because a considerable number of self-employed workers in the informal sector (mostly women and those working in vulnerable groups) were unable to receive the allowance due to lack of documentations. As most of the applicants in this category are engaged in primary and manufacturing sector, which is relatively informal in nature, they found it difficult to prove any income loss without proper book-keepings and work contracts. However, self-employed individuals are expected to have suffered more in terms of income loss due to the uncertain and unprecedented conditions that followed in business environments and loss of customers due to covid-19 concerns. Unlike the employed group, the recovery of self-employed workers was also noticeably lower even with the relaxation of containment measures in June 2020 (Figure 7). This largely reflected the weaker demand for their products, especially from resorts, coupled with the logistic difficulties associated with the restrictions in inter-island travel.

This was further evidenced by the similar composition in the amount of allowance received by each employment category. Under the income support allowance program, a total of MVR421.0 million was disbursed, of which a total of 52% was claimed by employed persons, whereas a total of 48% was claimed by self-employed individuals. Moreover, the total amount received by each applicant remained fairly equal in each category, with a typical applicant in the employed category receiving MVR18,337 and MVR18,371 in self-employed group.

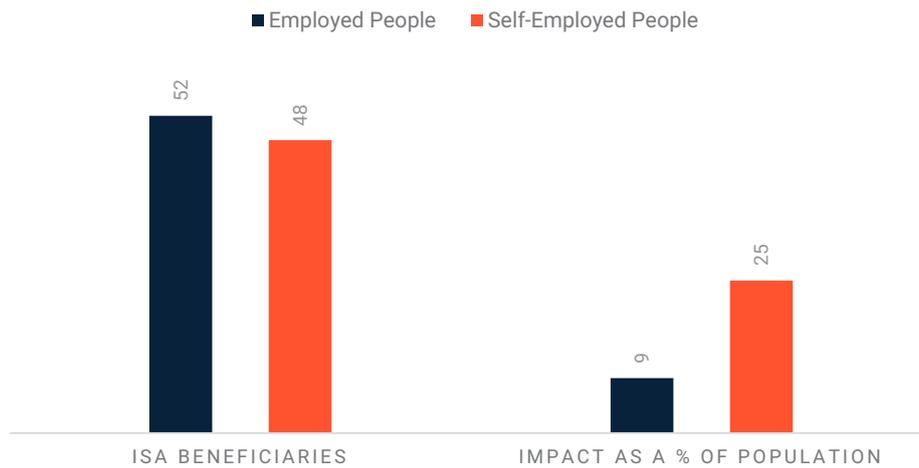


Figure 5: Employment Status by Month



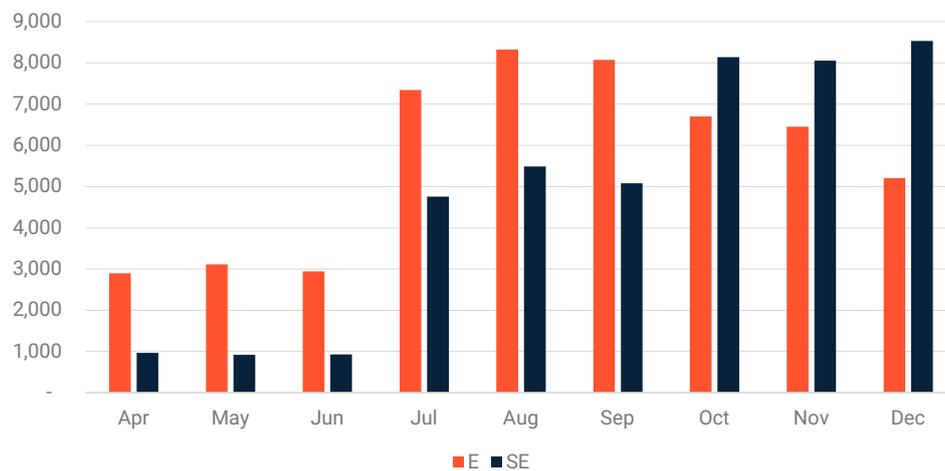
Source: Ministry of Economic Development

Figure 6: Impact by Type of Employment



Source: Ministry of Economic Development

Figure 7: Employed and Self-Employed Beneficiaries by Month



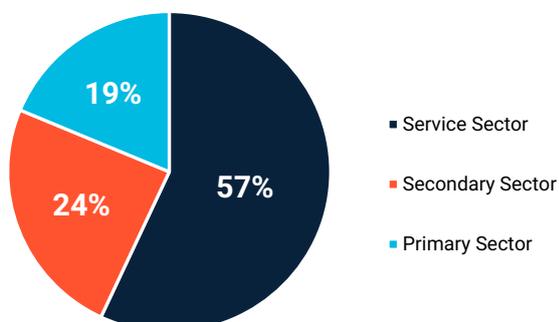
Source: Ministry of Economic Development

Assessing severity of the impact

1. Impact by industry

As the service sector employs the highest number of workers in the country, services-sector employees are amongst the largest impacted group (Figure 8). Looking at the main industries of those who received the allowance, most of the beneficiaries are amongst people working in the accommodation and food service activities (making up 32% of the total recipients). This was followed by manufacturing (with a share of 20%) and agriculture, forestry, and fishing (19%), which mainly consists of self-employed people (Table 4 and Figure 9). While beneficiaries from other industries were significantly low, transport and storage, construction, wholesale and retail, arts and entertainment, and education were other key sectors with a relatively high number of beneficiaries.

Figure 8: Sector Composition of ISA Beneficiaries

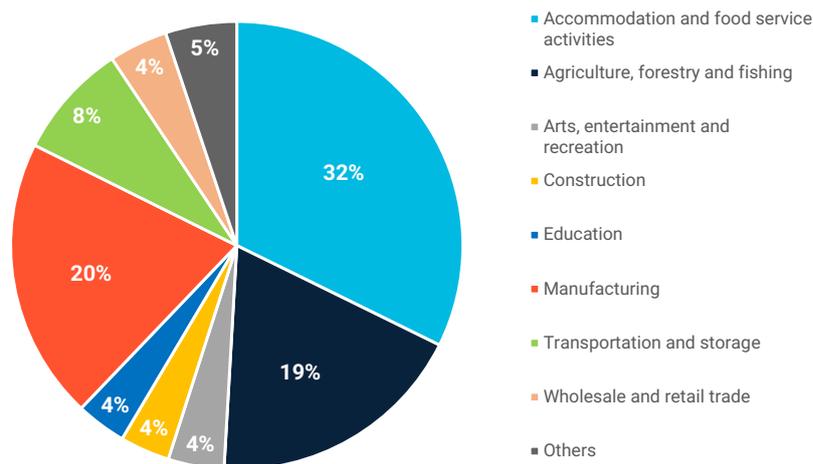


Source: Ministry of Economic Development

To understand the severity of the impact, the number of beneficiaries in each sector was compared with the estimated employed population of each industry from HIES-2019. As expected, employees in the accommodation and food services took the brunt of the impact, with around 61% of the employees from the sector being affected either in the form of job loss or salary reduction. This largely reflected the drastic reduction in activities of the hospitality industry, which led to many workers becoming redundant for a long period time. While the tourism sector accounts for a significant portion of employment in the country, nearly all the jobs in the tourism sector were impacted by the pandemic due to the complete closure of tourism



Figure 9: Composition of ISA Beneficiaries by Broad Industry Level



Source: Ministry of Economic Development

Table 4: Sector Breakdown of ISA Beneficiaries

Economic Classification	No.of. Beneficiaries	Amount Paid (MVR)
Service	13,049	244,262,558
Accommodation and food service activities	7,415	130,054,564
Transportation and storage	1,905	39,974,939
Wholesale and retail trade; repair of motor vehicles and motorcycles	965	16,731,472
Arts, entertainment and recreation	918	21,042,071
Education	827	16,218,070
Administrative and support service activities	351	8,186,550
Professional, scientific and technical activities	264	5,110,869
Human health and social work activities	118	2,352,766
Information and communication	98	1,429,826
Other service activities	97	2,071,376
Public administration and defence; compulsory social security	73	820,529
Activities of households as employers; undifferentiated goods- and	7	111,500
Financial and insurance activities	6	68,026
Real estate activities	5	90,000
Secondary	5,530	95,492,706
Manufacturing	4,660	80,655,673
Construction	818	13,827,997
Electricity, gas, steam and air conditioning supply	43	734,351
Water supply; sewerage, waste management and remediation activities	9	274,684
Primary	4,361	81,267,508
Agriculture, forestry and fishing	4,262	79,384,508
Mining and quarrying	18	314,400
Mixed Industries	81	1,568,600
Grand Total	22,940	421,022,772

Source: Ministry of Economic Development

Employees in the accommodation and food services took the brunt of the impact, with around 61% of the employees being affected.

industry. In addition to this, all dine-in services, cafés and restaurants were closed for a long period of time to adhere to the health and safety guidelines of the health Protection Agency (HPA).

Meanwhile, with the standstill in the tourism sector, the spill over effect of the tourism sector was felt across all sectors of the economy. While around 30% (around 54,000 job) of the total employment in the country are indirectly linked to tourism activities, it is estimated that 12% (approximately 12,000 jobs) of these jobs were impacted by the crisis. This mostly included jobs in diving and water sports, travel agencies and tour operators, transport, fisheries, and farming industry that was hit hardest due to lack of demand (refer to *Box Article: Tourism industry linkages*).

Construction sector, which has a share of around 7% of the country's GDP, was the second largest industry which came to a halt due to the lockdown. Although construction companies were given permission to resume activities from July onwards, the pandemic interrupted most of the construction projects because of the disruption to global supply chains along with the suspension of new investment projects by the Government due to weak fiscal position. This has led to a pronounced impact on employment in the industry although this was not apparent from the number of income support allowance beneficiaries in this sector. While there are many employees engaged in construction sector activities, only 13% of the employees claimed for the allowance, mainly because the industry employs mostly foreign workers, and they were not eligible for the program.

Although employees in the service sector are amongst the most affected, jobs in wholesale and retails, public administration, health, and education were relatively

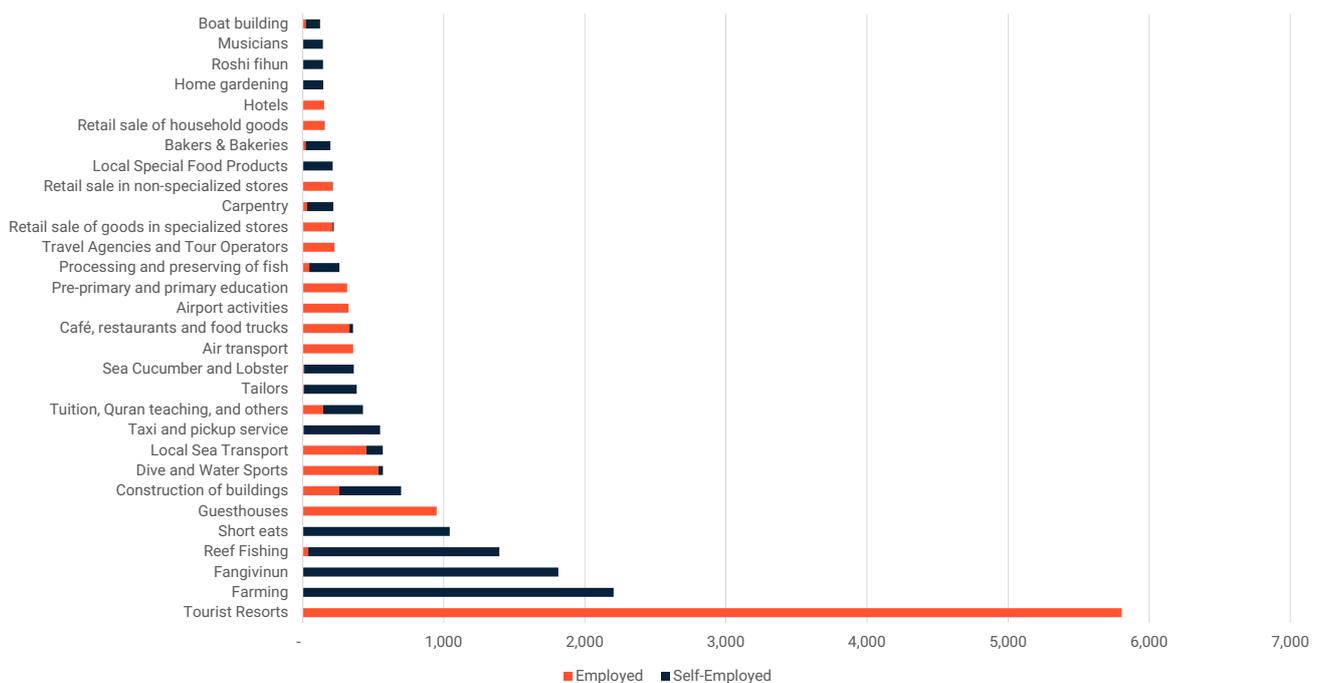


less impacted by the crisis. Among the people who received allowance from these sectors, 5% work in the wholesale and retail, 4% in education, 1% in health and less than 1% in public administration services. While the wholesale and retail sector is the fourth largest contributor to the country's GDP and has a share of around 11% of the country's employed population, only 5% of the employees in this sector is estimated to have been affected by crisis. This mainly included specialized businesses which sells household equipment, textiles, hardware, and other construction materials. Rest of the wholesale and retail businesses had a minimal impact as they were able to conduct their businesses online. Employees in health, education (especially in the public sector) were relatively less affected as there were only a few dismissal or salary reductions. Furthermore,

public sector employees did not face any dismissal and hence, it was the least impacted sector.

Apart from this, informal workers who are mostly engaged in fisheries, agriculture and manufacturing sector are expected to have had a large employment impact of the crisis and are also more vulnerable to the impact. There was a relatively high prevalence of work loss among the informal workers engaged in these categories as most of their products are sold to the tourism sector. Furthermore, freelancers in the recreational or entertainment sector (local musicians, live performers) and cleaning services who provide services to resorts also lost their work for a long period of time (Figure 10).

Figure 10: Top 30 ISA Beneficiaries by Economic Activity



Source: Ministry of Economic Development

With around 30% of the country's employment being indirectly linked to tourism activities, it is estimated that 12% of these jobs were impacted by the crisis.

2. Industry Impact by Employment Status

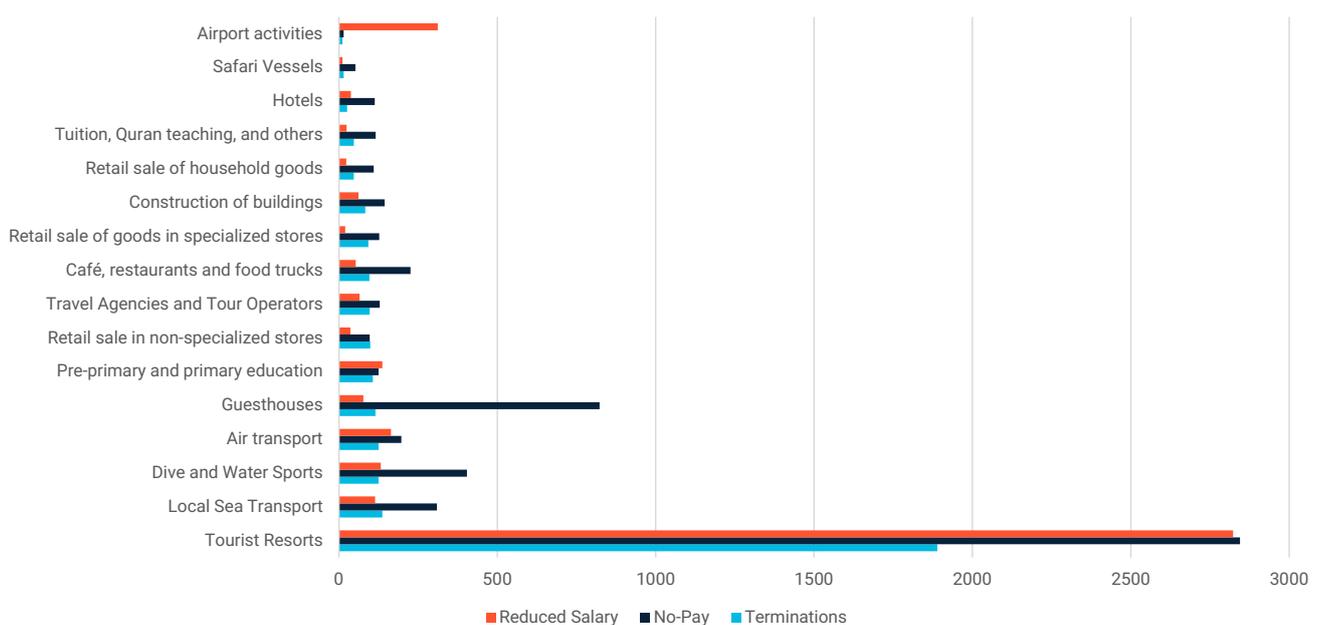
The containment measures led to an unprecedented impact on employment and income as businesses had to downsize and prioritize cost-effective business strategies. One of the major and inevitable consequences of the COVID-19 was the employees' terminations due to minimal ways of sustaining liquidity or even generating enough revenue to keep businesses afloat. While a few numbers of workers were laid off immediately, a considerable number of workers who were initially put on furlough later got terminated or did not have their contracts renewed.

Amongst the paid applicants, a total of 3,769 individuals reported to have been terminated from their jobs. With a total number of 1,889 terminations, tourist resorts make up approximately 50% of the total terminations recorded, mirroring the tourism shutdown due to the virus. Industries that are interlinked to the tourism sector such as local sea transport and dive and water sports, reported to have the second and third most terminations with 4% and 3%, respectively. Additionally, air transport and guest houses make up 3% and 3% of the terminations reported, respectively. Although these are much smaller proportions in comparison to the

astounding percentage reported under tourist resorts, the number of terminated workers in relation to the number of people employed in these industries are notable. Therefore, this is evident that despite the magnitude of the impact, the industries that experienced most of the terminations belong to tourism related industries (figure 11).

Moreover, the total amount of allowance claimed by terminated individuals also showed a similar result to the number of terminations observed. A total of MVR39.4 million was disbursed to the terminated individuals from tourist resorts, which accounts for 50% of the total amount disbursed for terminated individuals. In addition to tourist resorts, local sea transport, dive and water sports, guest houses and travel agencies and tour operators make up the top 5 industries that were paid amongst terminated individuals. This further echo the fact that most of the terminations occurred, and employees that were negatively impacted belonged to tourism related industries. Workers in these activities had been laid off to combat the immediate loss faced due to border closure and travel bans within the country as well.

Figure 11: Employment Status by Top Economic Activity



Source: Ministry of Economic Development



Another negative consequence many employees faced during the pandemic was that employees were being forced to take no-pay leaves due to cost cutting strategies. While a total of 6,490 individuals were asked to take no-pay leave due to covid-19 crisis, close to 44% of them (2,845) belong to tourist resorts. Additionally, guesthouses reported as the second largest group of individuals who went on no-pay with 823 individuals (making up to 13% of the total beneficiaries among individuals that were forced into furlough).

Like terminations, a similar trend was observed for no-pay in tourism-related business activities. This was apparent from the top industries such as dive and water sports, local sea transport, café, restaurants and food trucks and air transport having the highest number of employees that were forced to take no-pay leave (figure 11). As expected, the largest chunk of allowances claimed by those who were on no-pay also belong to tourist resorts, with a sum of MVR53.4 million. Employees from guesthouses that were on no-pay claimed MVR 20.1 million in total. This also shows a clear indication of the negative impact absorbed by the tourism sector as a whole during the pandemic.

A total of 3,769 individuals reported to have been terminated from their jobs, of which, tourist resorts make up approximately 50% of the total terminations.

Furthermore, many individuals experienced reduction in their salaries and wages due to covid-19. It was observed that a total of 4,478 individuals who received the income support allowance had their salaries reduced, at least once. Similar to terminations and furloughs, tourism sector makes up a remarkably huge proportion under salary reduction, with a total of 2,823 (accounting for 63% of the applicants with a reduced salary) staff from tourist resorts. This was followed by airport activities and air transport both of which are associated with tourism sector. Unlike the beneficiaries in the terminations and no-pay category, airport and

airport activities outranked in this group. Although activities in airports were almost brought to a halt with the border shutdown in the country, only a few employees working in the sector were terminated as airports were operational for cargo transportation.

Contrary to terminated beneficiaries and those who were put on no-pay leave, a relatively higher number of applicants in the pre-primary and primary education sector had their salaries reduced, accounting for around 3% of the total applicants whose salary got reduced. This largely reflected the closure of private schools and education service providers in March 2020 (figure 11).

Regarding the allowances disbursed to those who claimed to be on reduced salary, a similar trend was observed during the period. A total of MVR 63.9 million was disbursed to those beneficiaries whose salary got

reduced at least once during the period. Of which, MVR34.5 million was claimed by individuals belonging to tourist resorts, MVR6.5 million was claimed by employees from airport activities and employees working in air transport sector claimed a total of MVR3.5 million during the period.

Furthermore, it is also notable that the total number of employees whose salary got reduced is substantially higher than terminated employees, reflecting the employee retention condition tied to the ERP loan facility for businesses. Hence, in attempt to acquire financial assistance through the ERP, instead of terminating employees, many businesses had opted to put their staff on reduced salary, which was one of the conditions of ERP.



3. Employment Impact by Age Group

As youth employment is generally more sensitive than adult employment to economic downturns, the pandemic has had a particularly devastating effect on young people. By having an in-depth look at the employment impact on different age groups, it was apparent that young workers were particularly hard hit by the crisis. This was mostly because of the overrepresentation of youth workers in the hardest hit industries coupled with a higher proportion of young population in the working-age group.

Based on the HIES 2019 data, the most economically active population of the Maldives was reported to be the youth population (between age 18-34), with almost 47% of the employed population being the youth population. Drawing on the income support allowance data, almost 52% of the beneficiaries belong to the youth population, indicating young workers have been disproportionately affected by the crisis.

Looking at the overall age distribution of the individuals who received the allowance, the highest concentration is in the age group between 30–34 years, closely followed by the age group of 25-29 years (Figure 12), each group accounting for around 18% of the beneficiaries. While the average age of those impacted is 36 years and median lies at the age of 34 years, the age ranged from a minimum of 17 years to a maximum age of 77 years. However, the largest number of individuals who received benefits was reported to be 31 years old, indicating that the impact was more pronounced among the young people.

Young workers have been disproportionately affected by the crisis, with almost 52% of the beneficiaries belonging to the youth population.

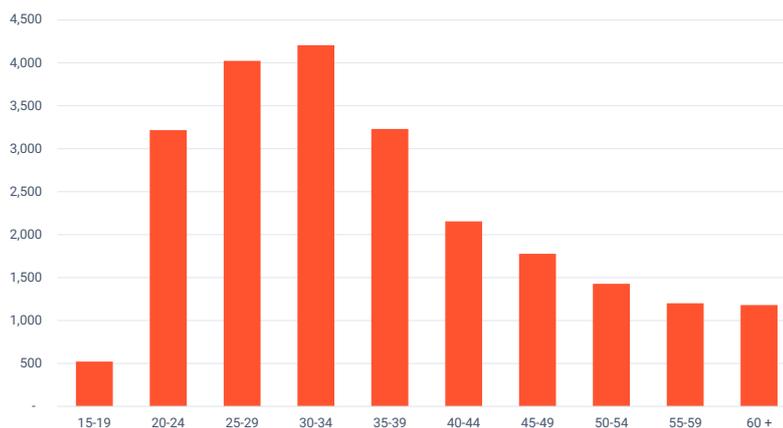


The number of beneficiaries in each age group has also been compared with the estimated employed population in the respective age category, to further understand the severity of the impact in each age group. Workers in the age group 20-24 (the age group of school-leavers entering labour market) has been affected the most, with around 16% of the population in this group being impacted either in the form of job loss or income loss. This further indicates that the youth population, especially new entrants to the labour market, experienced the undesirable consequences due to the crisis. Moreover, the impact on the age group of 60-64 has also been relatively higher than the rest of the age groups. This was mostly because the age group being overrepresented in the agriculture and fisheries sector, which faced interruptions in transport and logistics due to disruptions in inter-island mobility (Figure 13).

There is also a clear distinction amongst youth employees and the older age groups in terms of termination, furloughs and pay reduction. Out of the total of 3,769 terminations, 69% of the individuals belong to the youth-age category. While 25–29-year-old individuals reported the greatest number of terminations, with 24% of the individuals belong to this age group, the second most terminations were reported under the age groups 20-24 and 30-34—the proportion of terminations were 22% and 19%, respectively. The average age for terminations recorded is 32 years old, while the highest frequency of terminations was reported for 26 years.

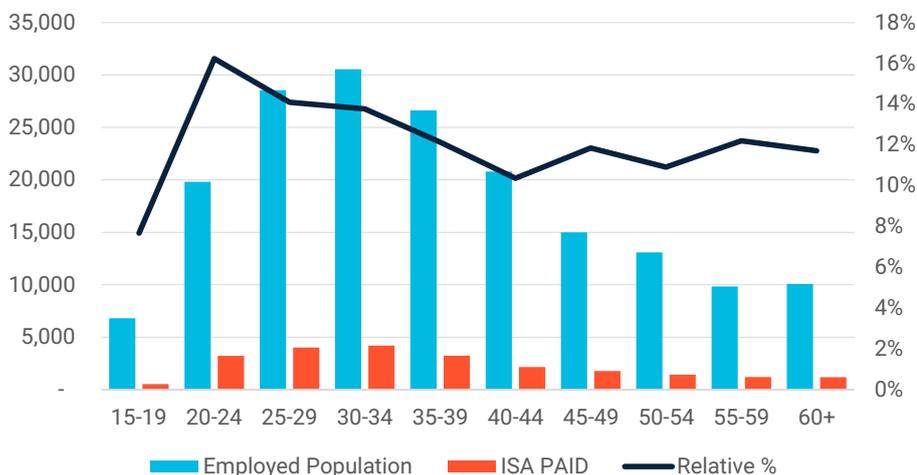
Referring to the age groups on the further end, we observed that the total number of terminations does not commensurate even half of the age group that experienced most terminations. This also indicates

Figure 12: Age Distribution of the Beneficiaries



Source: Ministry of Economic Development

Figure 13: Age Distribution and ISA Beneficiaries



Source: Ministry of Economic Development

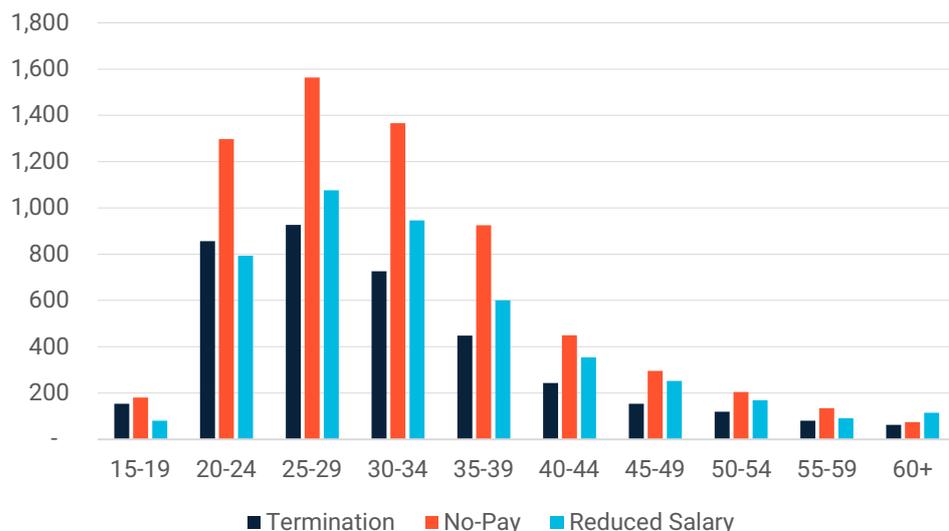
lower terminations were reported for older age groups than young work force (Figure 14). This could infer that businesses and employers have prioritized to retain those who have been with them for longer term over youth population that may have joined recently. While younger age groups are perceived to lack of experience, expertise, which makes them less imperative to retain compared with older age groups, it is intuitive to retain long-served employees (the more experienced group, which is the middle-age group) to keep the services and business afloat during difficult times.

Similar to terminations, most of the individuals that were put on no-pay leave are also reported to be in the younger age group, with the highest concentration in the age group of 25-29 years (Figure 14). While the average age of individuals that were forced to take no-

pay leaves is 32 years, the highest frequency of no-pay leaves reported are 31 years of age, exhibiting further that the youth has been more affected than the middle-age and older-age population.

Looking at the age group of those who faced salary reduction, youth population accounted for 64% of the employees whose salary got reduced, with the highest number of them recorded in the age group of 25-29 years. The average age of the people who were put on reduced salary is 33, whereas the highest number of employees reduced salary was recorded in the age of 26 years.

Figure 14: Age Distribution of Termination, No-Pay and Reduced Pay



Source: Ministry of Economic Development

Air transport recorded the highest number of no-pay leaves and reduced salary amongst youth, with 84% and 88% of the employees in the youth-age group being put on no-pay leave, respectively.

Probing further into the industries of the highest impacted age-groups, the greatest number of terminations in the younger age group was observed in tourist resorts, with almost 72% of the terminated employees from tourist resorts being in the youth population. This was followed by air transport and; dive and water sports. As for other age groups, local sea transport showed a lot of terminations in the middle-age group, with almost 63% of the terminated employees belonging to the 35 and above age group. In contrary, air transport posted the lowest number of terminations in the middle-age group, with only 8% of the terminated employees in this age category (Figure 15).

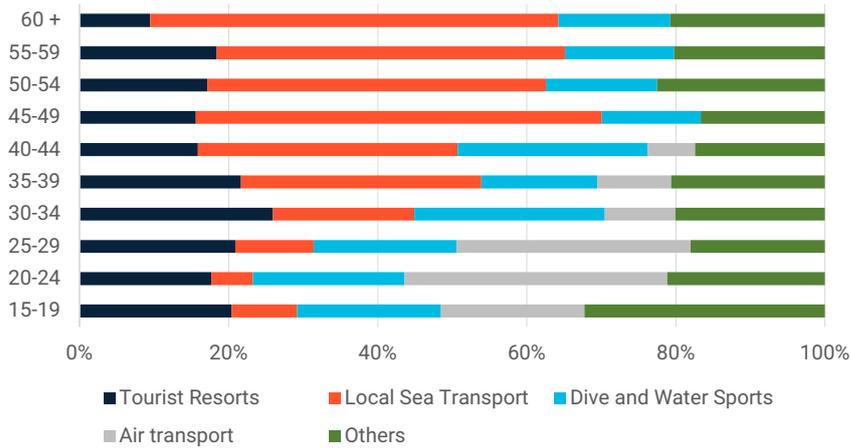
Looking at the industries of the most impacted age groups in the furlough category, air transport recorded the highest number of furloughs when compared with other industries, with 87% of the employees in the youth-age group being put on no-pay leave. This was followed by tourist resorts, café, restaurants and food trucks, dive and water sports, guesthouses and local, sea transport.

Detailing into industries of those whose salary got reduced, air transport had the most number youth employees with reduced salary in relation to the number workers in the industry (88% of the employees being in the youth age category), although the highest number of young employees in tourist resorts facing salary reduction in absolute terms. While young employees working in tourist resorts and pre-primary education saw the second highest number of salary reduction, young workers in dive and water sports, local sea transport and airport activities also had their salary reduced in relative terms.

The highest number of terminations in the younger age group was observed in tourist resorts, with almost 72% of the tourist resort terminations being in the youth population.

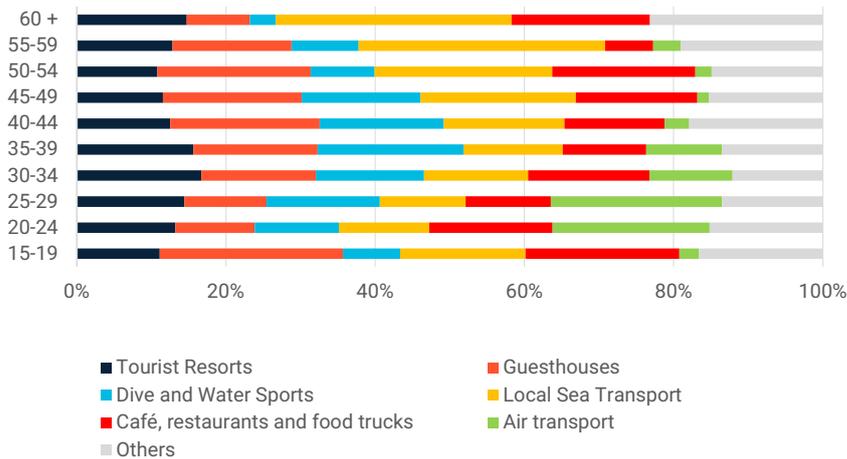


Figure 15: Age Distribution of Terminations by Major Activities



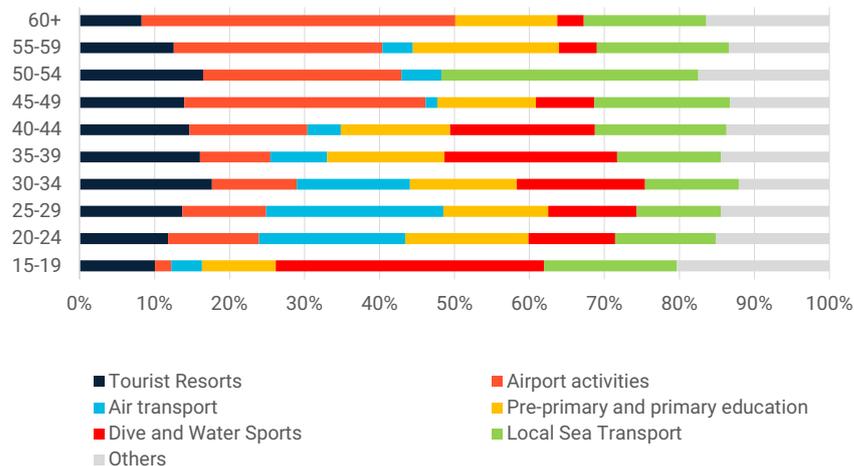
Source: Ministry of Economic Development

Figure 16: Age Distribution of No-Pay by Major Activities



Source: Ministry of Economic Development

Figure 17: Age Distribution of Pay Reduction by Major Activities

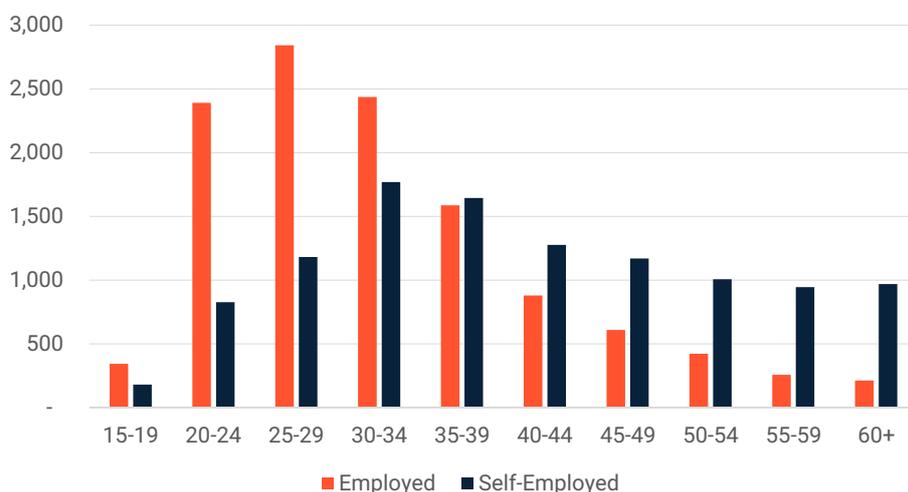


Source: Ministry of Economic Development

However, youth population in the self-employed category was relatively less impacted to the interruption of economic activities, mostly because of the underrepresentation of youth population in the self-employed category. Out of the 10,964 self-employed beneficiaries, 3,956 (36%) are in the youth age category. While 64% of the self-employed beneficiaries belong to the middle-age or older-age group, individuals between the age of 35 and 37 recorded the greatest number of self-employed beneficiaries. Regarding the industry concentration in the age-groups, most of them are engaged in farming, with the average age of the category remaining at 42 years, followed by fangivinun (42 years), reef fishing (41 years), short eats (40) and taxi driver (44).

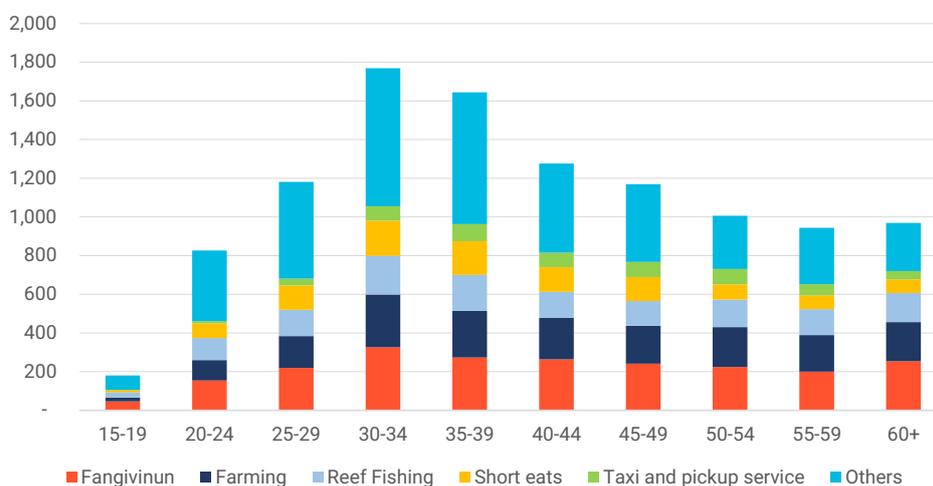
Out of the 10,964 self-employed beneficiaries, only 36% are in the youth age category, mostly because of the underrepresentation of youth population in the self-employed category.

Figure 18: Age Distribution of Employed and Self-Employed Category



Source: Ministry of Economic Development

Figure 19: Age Distribution of Self-Employed Beneficiaries by Industry



Source: Ministry of Economic Development

4.2.4. Gender Impacts on Employment

Although the pandemic affected the lives and livelihoods around the world at different levels, the disproportionate impact on women has been common across all countries. While the pandemic and its economic fallout have had a regressive effect on gender equality, the social and economic impact fall harder on women than on men. Further, there is a looming threat of having a long-term impact on gender equality, rolling back on the impressive progress made over the past years.

Looking at the gender comparison of the people who sought allowance during the crisis, 39% (8,842 individuals) of the people who received the allowance was female and 61% (14,098) was men, illustrating a very different picture. However, it is important to note that there exists a considerable under-representation of women in the country's labour market as most of the women in the working age population are out of labour force. Drawing on the HIES 2019 data, around 40% of the working age population is out of the labour force, with almost 73% of them being women. Also, a significant number of women in the employed population are engaged in informal sector (self-employed). Due to lack of supporting documents (such as invoices, service receipts), a substantial number of self-employed workers were not eligible for the scheme. Furthermore, there is a considerably higher share of women employment in the public sector jobs such as health and education, which faced minimal impacts during the crisis.

It was estimated that around 12% of women in the employed population has been affected by the crisis, indicating that the impact on women has been relatively higher.



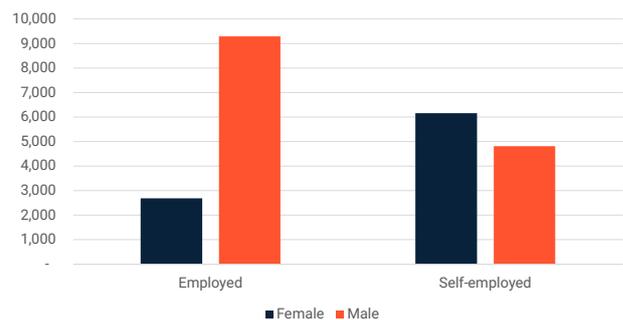
To paint a more representative picture of the impact, the number of beneficiaries has been compared with the estimated number of men and women represented in the employed population. It was estimated that around 12% of women in the employed population has been affected by the crisis, while 13% of the impacted people being men, proving that the impact on women has been relatively higher than men in proportion to the employed population. Moreover, around 56% of the self-employed people who received the allowance is women (Figure 20), with more than half of them engaging in low paid work such as farming and manufacturing activities such as preparing local food and other products. It was also observed that a large number of self-employed workers in these categories who supplies goods and services to resorts and other tourism-related activities did not have supporting documents to be eligible for the benefits. This further indicates that women have been more vulnerable to the impact and are exposed to more risks than men.

Analysing further into self-employed category, out of the total 10,964 individuals who received the income support allowance, 56% were female workers and 44% were men (Figure 20). As for the industry concentration, the self-employed category is mostly dominated by manufacturing and agriculture, forestry, and fishing sector, with a share of 41% and 38%, respectively. While 87% of the self-employed workers who were eligible to

receive the allowance in the manufacturing sector were women, 41% of the self-employed beneficiaries in the agriculture, forestry and fishing sector were women.

Detailing the impact by activities, women-dominant activities such as Fangivinun and producing food (short eats and other local food products) remained as the activities that were most affected in the self-employed category. Other activities such as manufacturing wearing apparel (tailors), other education (mostly private tuition teachers and Quran teachers) and processing and preserving fish were also some of the women-dominant sectors that saw a considerably large downfall (Figure 21).

Figure 20: ISA Beneficiaries by Gender



Source: Ministry of Economic Development

INDUSTRY CONCENTRATION

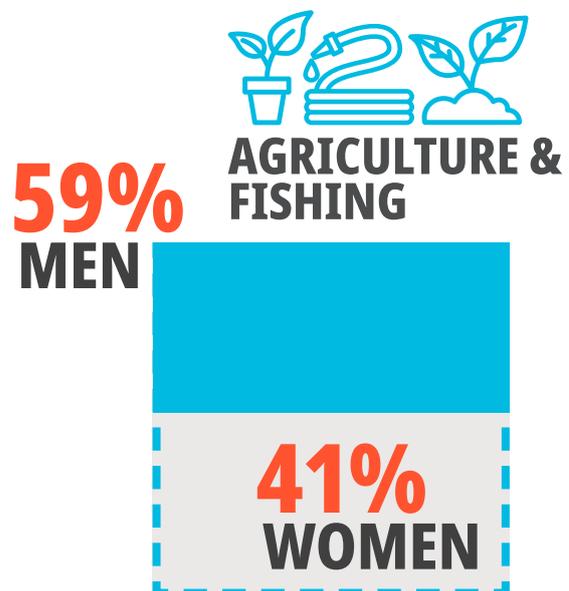
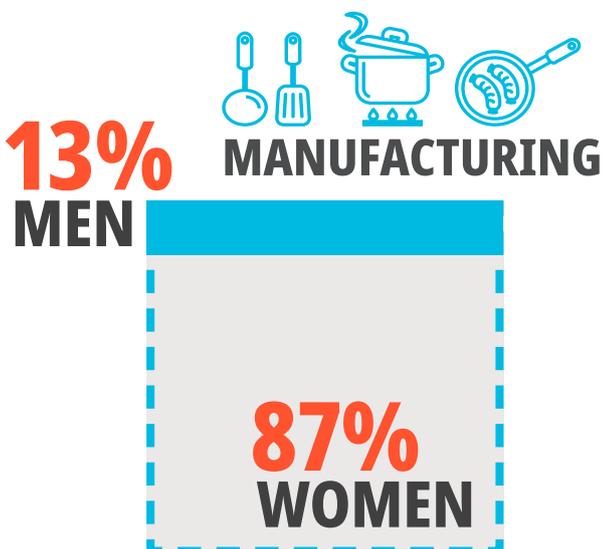
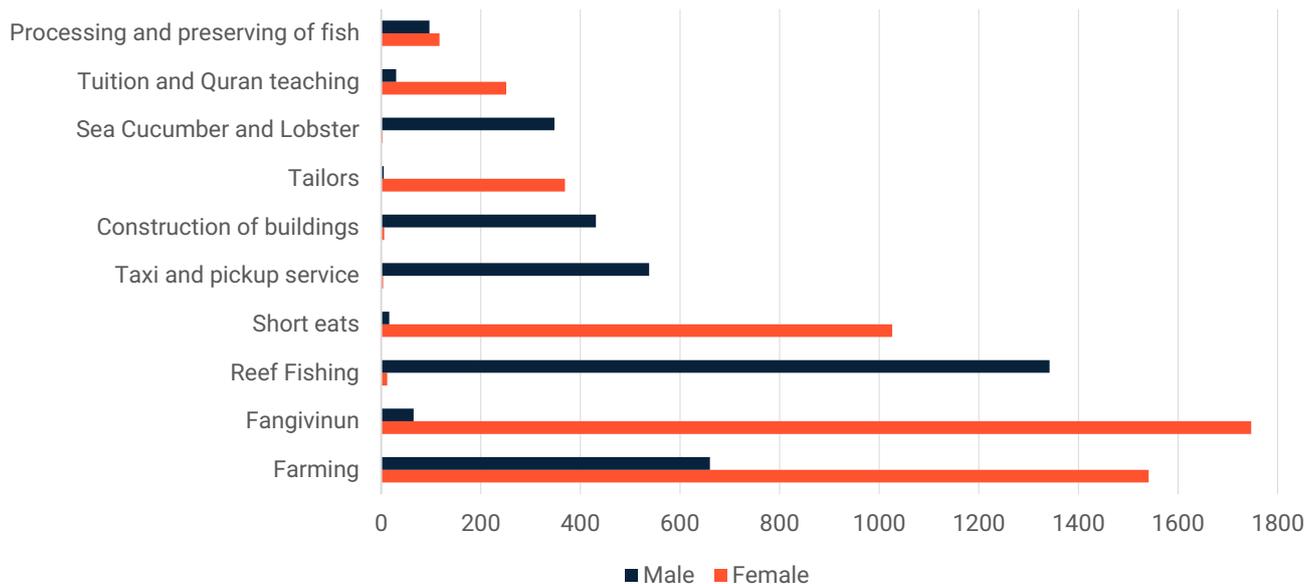
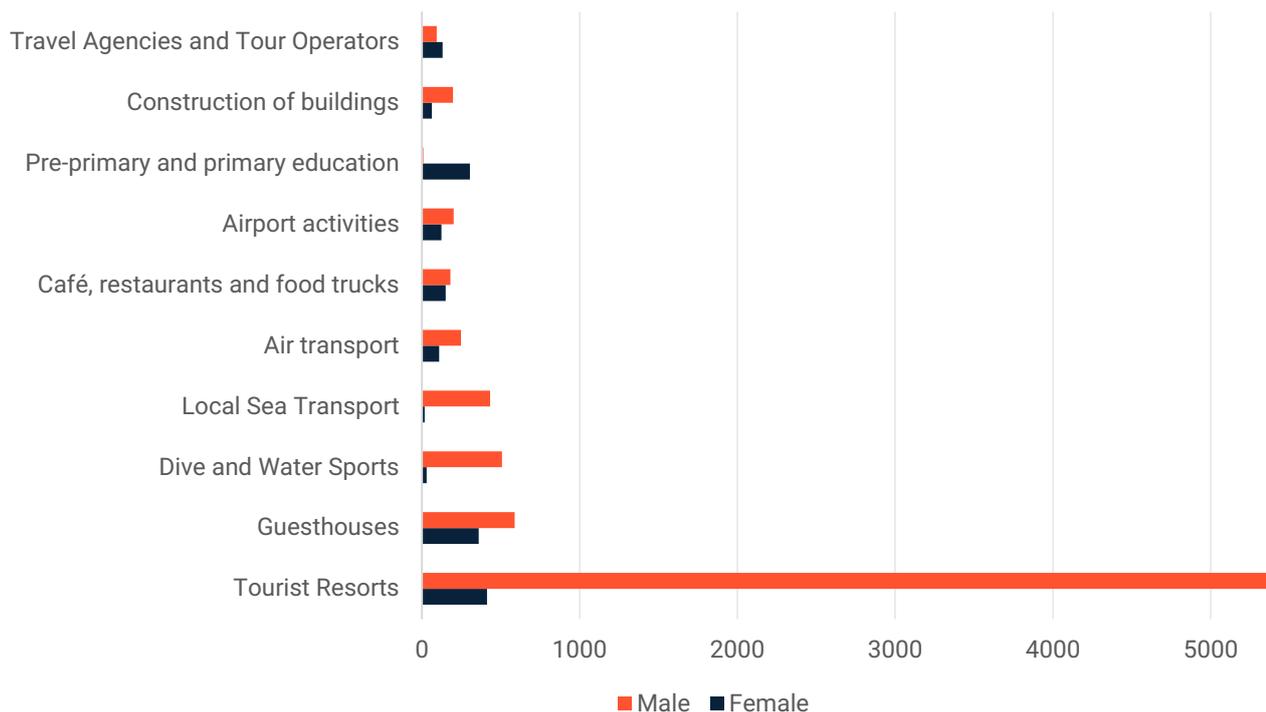


Figure 21: Top 10 Industries in the Self-Employed Category



Source: Ministry of Economic Development

Figure 22: Top 10 Industries in the Employed Category



Source: Ministry of Economic Development

Around 56% of the self-employed people who applied for the allowance is women, with more than half of them engaging in low paid work such as farming, preparing local food and other products.

Moreover, farming and reef fishing were amongst the hardest hit activities in the agriculture, forestry and finishing industry. Around 41% of the beneficiaries in the industry were engaged in farming, with a women's share of 71%, whereas beneficiaries who are engaged in reef fishing was the second most popular activity in this category, mostly dominated by men.

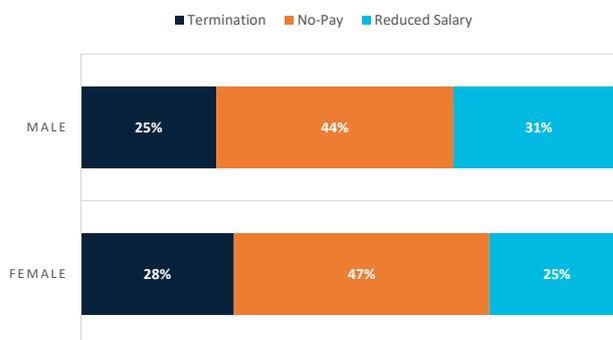
These activities were affected mostly due to the slump in demand from tourism sector and lower demand from sellers associated with the containment measures. Most of the food items produced by home-based women workers as well as the produce from farms is sold to local shops or supplied to resorts or capital city Male'. With the logistic disruptions associated with the containment measures and the lack of demand from the tourist resorts, self-employed workers are expected to have faced a huge loss in their income. Hence, the gender comparison across different activities suggests that women were disproportionately affected in the most vulnerable categories.

As for the employed category, the impact on women is relatively low because of the under-representation of women in most of the hard-hit industries, especially tourism sector. Out of the total of 11,976 employees who received the allowance, 78% were male and 22% were female employees. While employees in tourist resorts have been the most impacted people in this group, with a share of around 48%, only 7% of the beneficiaries in the tourist resorts are women. However, the impact on women has been substantially high in the educational sector, which is one of the female-dominant sectors, with around 86% of the impacted people in the sector being women.

Furthermore, the gender comparison on the type of impact on employed workers across all sectors shows that termination was slightly higher for women than men, with around 28% of the women reporting redundancy when compared to a 25% for men (Figure 23). As the early measures to contain the spread of the virus first hit the jobs that are held predominantly by women, termination was even higher for women than men at the onset of the pandemic. This was apparent from the gender composition of terminations for the three phases of the allowance. About 16% of the women reported redundancy during the first phase when compared to 13% of men being terminated in the

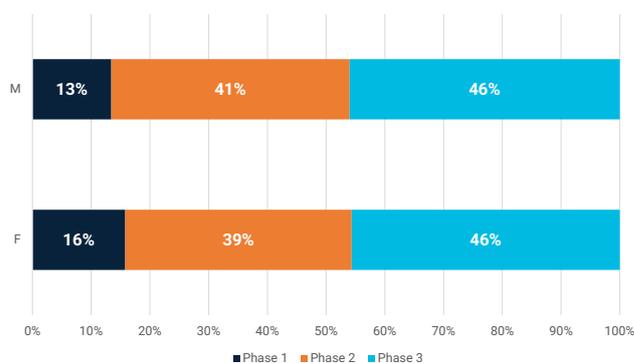
first phase (Figure 24). The impacted groups are mostly engaged in providing educational services to private institutions, working in travel agencies and tour operators and specialized retail stores, which were affected due to fall in demand for their services due to containment measures.

Figure 23: Type of Impact by Gender



Source: Ministry of Economic Development

Figure 24: Type of Impact by Gender in Each Phase



Source: Ministry of Economic Development

While farming and reef fishing were amongst the hardest hit activities, women accounted for around 71% of this group.

Key Takeaways

- ◇ The COVID-19 pandemic has severely affected the labour market, with a record high level of layoffs in the country. However, the impact was limited, to some extent, due to the stimulus package introduced by the Government.
- ◇ This assessment analyses the impact of the pandemic on employment using information provided by the applicants of the income support allowance program, which provided a safety-net to workers who were affected by the pandemic. The analysis covered information of 22,940 impacted individuals who were eligible to receive the allowance.
- ◇ As the service sector employs highest number of workers in the country, employees belonging to this sector are amongst the largest hit group, with tourism sector taking the brunt of the impact in terms of job cuts, furloughs and pay reductions. Consequently, prolong workplace closure that led to business inactivity and knock-on effect further magnified the impact on employment.
- ◇ The impact on self-employed workers were also considerably high, with the prevalence of work loss being high among informal workers, who are mostly engaged in fisheries, agriculture, and manufacturing sector, due to lower demand for their products.
- ◇ It was apparent that young workers were particularly hard hit by the crisis, mostly because of the overrepresentation of youth workers in the hardest hit industries coupled with a higher proportion of young population in the working-age group. While terminations in the younger age group was mostly concentrated in the tourist resorts, new entrants to the labour market experienced the undesirable consequences due to the crisis.
- ◇ The analysis on gender impact shows that women have been disproportionately impacted by the crisis. Although the impact of gender in employed category was less significant, termination was higher for women than men at the onset of the pandemic as the early measures to contain the spread of the virus first hit the jobs that are held predominantly by women.
- ◇ The analysis also indicates that women have been more vulnerable to the impact and are exposed to more risks than men. A large portion of the self-employed people who applied for the allowance was women, with more than half of them engaging in low paid work including farming and manufacturing activities such as preparing local food and other products.
- ◇ The findings are generally in line with the rapid assessment conducted by the UNDP in collaboration with the Ministry of Economic Development in June 2020. However, the impact on self-employed workers and gender turned out to be higher than the initial assessment as a large portion of applications from these groups were received during second and third phase of the program.

Policy Responses and policy priorities

Following a year of unparalleled disruption, the labour market has been showing positive signs of recovery in 2021. Based on the number of employees contributing to pension, employment has shown a welcoming recovery during the year. However, as the breadth and depth of the employment shock was observed across all occupations in the country, one of the key lessons learned from the pandemic was that resolute policy measures are required to fully revive the labour market and create more resilience. Therefore, concerted actions have been taken by the Government, in collaboration with international organization (World Bank and UNDP), to rejuvenate labour market conditions with renewed purpose.

Developing an efficient labour market through job-matching technology

Developing an efficient labour market through job-matching technology is one of the key initiatives targeted to facilitate job seekers as well as employers and, reverse the setbacks. Under the initiative of the Ministry of Economic Development, a national JobCenter was implemented in November 2019 as an intermediary between employers and jobseekers. It is an online job matching platform tasked with consolidating all job market related information to a single platform and carrying out research to further develop and refine the Maldivian job market. The JobCenter is also tasked with establishing a platform where the available job opportunities are easily accessible by prospective jobseekers as well as a mechanism to carry out the application process via the same platform. To further improve its effectiveness and increase outreach, a modern redesigned JobCenter was launched recently in April 2021 and its functions were resumed at full capacity. The platform is also being used to verify whether employers have sought local employees before applying for expatriate quota.

Beyond its potential role of job-matching and promoting employment, the platform is expected to play an instrumental role in addressing some of the key labour market challenges. As such, the Government plans to link registered users to training and employment opportunities through the platform, which will provide workers with more rewarding opportunities, incentivize employers, and ensure workers have the skills necessary to thrive.

Promoting youth employment in priority sectors

As the pandemic has led to many challenges to youth employment and narrowing gender gap in the labour market, renewed initiatives have been taken by the Government in reskilling and upskilling youth workforce. “Maldives Enhancing Employability and Resilience of Youth (MEERY)” project—that was initially launched in 2019 by the Government and the World Bank— has been one of the key program designed to address the challenges. Continued works have been done under the project in improving the relevance of technical and vocational skills and nurturing entrepreneurship to promote youth employment in priority sectors, with a renewed objective of fostering livelihoods amid. While targeted courses such as entrepreneurship, personal skills development and waste management trainings are being designed under the projects, courses are scheduled to commence in late 2021. With around 4,800 businesses participating in the project, partnerships have been made with employers to ensure that permanent jobs are offered to promising candidates.

Nurturing local businesses and SMEs

New initiatives have been taken by the Government to support small local businesses by providing technical and other support to new business start-ups. Business Center Corporation (BCC), the national SME development corporation established under the purview of Ministry of Economic Development, plays a key role in delivering these policies. Currently BCC operates and manages 6 Regional Business Centers across the country. BCC has been conducting targeted programs for youth and women such as trainings and business consultation sessions to support and promote local small businesses. Furthermore, BCC has recently introduced co-workspace (SEEDS by BCC) to obtain affordable workspaces for individuals and businesses with all the amenities of a working environment available. Additionally, BCC has been planning to introduce co-shared kitchen facility to facilitate home-based workers looking to scale up their production but are financially unable to expand their business as they may not be able to rent large spaces and acquire commercial-grade equipment. Apart from this, BCC has also been conducting business pitch competitions for young business owners. Such programs will help young workers who have lost their job during this pandemic, leveraging their skills and talents or even those who plan to start a new business.

Providing financial assistance for SMEs

As the pandemic has severely affected SMEs, which are in general financially constrained when compared with large businesses, the Government has been taking various measures to support small businesses and keep them afloat. As part of the ERP program, the Government has partnered with the SME Development Finance Corporation (SDFC)—which is the leading financial institution assisting and supporting the development of SMEs in the Maldives—to assist small businesses facing difficulties in meeting their operational requirements. Meanwhile, SDFC continues to extend financing for small businesses and, especially for priority groups such as young entrepreneurs and women. For instance, to provide financial assistance for micro and small businesses, the corporation has been providing loans of up to MVR1.0 million without

any collateral. As of now, the institution has provided financing for 715 SMEs, which is a total of MVR 900 million in financing. A large chunk of these loans was extended to women entrepreneurs engaged in commerce, manufacturing, and tourism industry.

Mitigate the negative impacts of the pandemic through economic rehabilitation

In response to the food supply disruptions resulted from the pandemic and to address the vulnerabilities owing to import dependency and food security in the country, the Government has been taking measures to revive the agricultural sector. As such, a state-owned enterprise, Agro National Corporation Pvt Ltd (AgroNat) has been established to create a platform for farmers to market and sell their produce. Farmers can now sell locally produced fruits and vegetables to the company and the produces are being resold to wholesalers. The company also plans to reduce imports of certain locally produced crops by 50% in the long run, which will boost local production and add more value to the sector. Furthermore, this will gain confidence of self-employed farmers to engage in agricultural activities and hence will create employment opportunities in the sector.

Box Article:

Tourism industry linkages

Background

Since the opening of the first tourism resort in 1987, the tourism industry has been the main driver of the Maldivian economy which constitutes to approximately a quarter of the country's GDP¹. Since then, the tourism sector has established several linkages with other economic activities and the interconnectedness has grown exponentially over the years.

Looking at the industry composition, the tourism industry comprises of 151 operational resorts; 10 hotels; 695 guesthouses and 133 safari vessels registered under the Ministry of Tourism to date². In addition to this, there are several businesses that are directly linked to the industry such as travel agencies, dive schools and water sport facilities. Persistence of a high number of guesthouses reflect how the tourism industry is not solely revolving around large scale investments but rather a significant number of SMEs, especially middle-income companies. Hence, in terms of risk, an economic shock could easily falter the development trajectory of the tourism industry as SMEs are quite vulnerable to sudden shocks – this was the case observed during the COVID-19 pandemic.

The economic impact of the COVID-19 pandemic dawned upon the industry from the initial lockdown measures and travel restrictions placed during March 2020. Under the dire economic outlook and looming threat of the pandemic, almost all the resorts brought their operations to a halt and only key essential staff were retained to maintain the resort vicinity and its facilities. At the onset, majority of the resort employees were sent off on paid leaves or at least assured full salary for one month and a reduced salary afterwards. In some cases, employees were given no pay leave but were financially supported via a pandemic allowance – mostly a proportion of their original wages. Provided that majority of the guesthouses are operated by SMEs, the shock was more dominant in the guesthouse activities and in many cases, employees were laid off or given no pay leave for an indefinite period until the industry resumed.

As mentioned earlier, given the intertwined nature of the Maldivian economy and its heavy reliance on the tourism industry, it was observed that the shocks in the industry resonated profoundly in other sectors of the economy to the extent that some of the sectors were brought to a complete halt.

¹ Tourism industry constituted %26.3 of GDP in 2019 as per the National Bureau of Statistics.

² As reported on the Ministry of Tourism website, <https://tourism.gov.mv/>

Fisheries and Agriculture

The fisheries and agriculture sector came to a standstill when the travel restrictions were announced by the government to battle the increasing number of COVID-19 cases. Farmers were unable to sell their produce while fishermen could not sell their catch as they had to remain quarantined on board. Fisheries sector was suffering due to the lack of demand both locally and internationally as access to major export markets such as Spain were cut off due to growing numbers of COVID-19 cases in Europe. The local demand shock was absorbed by the government by providing loan packages³ to the major local-based fish exporters to purchase the catch at a fair price.

However, the sector took its biggest toll due to the dire financial status of the tourism sector where all tourism related activities were on hold due to closure of the Maldivian borders. This was observed by the 4,262 applicants who has applied for the Income Support Allowance which constitutes 32% of the total individuals engaged in this sector⁴. Majority of the applicants were directly or indirectly involved in this sector with heavy reliance on the tourism as their primary market. Farmers and fisherman were able to fetch higher prices for their produce as well as sustained demand from the tourist resorts. Therefore, the financial impact from the lockdown measures were further exacerbated as many resorts were forced to dissolve existing contracts with suppliers and left majority of the produce either to rot or were forced to sell at margin.

Manufacturing

The Maldivian manufacturing industry closely revolves around food-based production and food processing while a handful number of individuals are engaged in traditional-based production such as thatch weaving, coir rope and lacquer work. The emergence of fish canning factories across multiple atolls meant job opportunities for the locals and the once own-account workers were brought to employment. However, the disruption in tuna exports translated to high number of fish processors being laid off from work. While a total of 4,660 individuals (approximately 20% of the total applicants) applied for the income support allowance were from this sector, this is around 25% of the total number of workers in the manufacturing sector (18,836 individuals in total⁵). This indicates the large magnitude of income loss that accompanied with the pandemic.

³ The government released a loan facility of USD 6.5 million (approximately MVR 100 million) to support the financial needs of fish exporting companies specifically engaged in sales of Yellowfin Tuna and handline fisheries.

⁴ According to the Household Income Expenditure Survey (HIES) 2019 published by National Bureau of Statistics (NBS), the total number of individuals working in the Agriculture, forestry and fishing sector was recorded at 13,428 individuals.

⁵ As per HIES 2019

Moreover, due to the restrictions and closure of food and beverage service outlets, many individuals specializing in food production, especially local food product manufacturers, were significantly impacted as many individuals relied upon the income received for their daily expenses. An apparent observation is that the tourism industry accounts for a larger proportion of demand for local food products, mainly from the community-based tourism establishments in rural islands. The guesthouses served as the most sustainable source of income for the small-scale local producers.

Learning from the income support allowance experience, the major demand for thatch and coir rope were from tourist resorts where it was utilised for interior works to portray local aesthetics. Hence, the marketable value of such products was as low as zero with the closure of tourist resorts during the pandemic.

Transport

Internal movement restrictions, inter-island travel bans and especially the border closure resulted in a complete disruption in the transport industry. Most significantly, the air travel industry borne the biggest impact as almost all flights were grounded – only few were utilised for emergency responses and supply of goods to remote islands. Hence, a high number of terminations and unpaid leaves were observed among pilots and flight crews. The impact also translated to other airport activities and supporting services such as ground handling and logistics services where reduced salaries and other cost cutting measures were implemented. The inter-island travel ban halted the sea transportation services completely and internal movement restrictions, combined with the contagious nature of the COVID-19 virus meant that land transportation was out of question. Hence, a total of 1,905 individuals applied to the income support allowance programme under this industry reported a high number of salary reduction, especially in the air transport services.

The direct impact on the industry during the pandemic was indeed the travel restrictions however, the linkages with the tourism industry is quite apparent, and this was observed during the reopening of Maldivian borders on 15th July 2020. The initial upkeep of the tourism numbers was considerably low⁶ therefore, the anticipated revival of the transport industry was dampened drastically. The growth observed in both air and sea transportation in the Maldives is directly linked to the exponential growth observed in the tourism industry where establishment of large

⁶ Recorded 1,752 individuals which was a %97.8 decline compared with the corresponding month from previous year, 2019

seaplane fleets as well as a rise in domestic air travel are closely linked to the growing number of tourist arrivals. Followed by the easing of travel restrictions and opening of international markets translated into higher number of flights and greater recovery of the transportation industry. Increased frequency of tourist transfers from resorts to the nearby islands helped restoring sea transportation services, while the easing of the internal movements to cater to the increasing number of tourist arrivals opened up the land transportation services to a great extent in the capital city.

Artists, Musicians and performers

To this day, tourism industry remains as the biggest platform for individuals engaged in arts and entertainment where local talent is highly appreciated. A once declining entertainment industry was revived significantly, where tourism sector has provided multiple and diverse opportunities. Since the industry prioritises hiring of local bands and musicians – a total of 2,087⁷ local individuals are engaged in this area – which meant that the sector was heavily reliant on the tourism industry to the extent that majority of the Maldivian artists solely survived on tourism gigs. This was mainly observed under the Economic Relief Programme opened for freelancers under the COVID-19 Emergency Income Support Project where 21.0 million Maldivian Rufiya was approved under the self-employed category since their major – in some cases only – source of income was disrupted. Additionally, 918 individuals (which makes up 44% of the total individuals in this industry) opted to apply to the income support allowance instead of the relief loan.

The impact on the tourism industry was not only concentrated among musicians or performers but the toll was also taken by individuals engaged in photography and other creative arts. Availability of high-commission jobs via tourist resorts has incentivised a large pool of Maldivian freelancers to rely upon the industry. Given the direct linkages and heavy reliance on tourism, the pandemic-induced income shock was dominant in this area and a considerable number of individuals applied to the income support allowance programme to ease the income loss until they could resume their activities once the tourism industry opens up.

⁷ As per HIES 2019

Tourism Revival

Maldives being one of the first countries to ease the travel restrictions and open their borders for tourism, it experienced a first-mover advantage. Announcing the 3V tourism programme – Visit, Vaccinate and Vacation – took the first step towards tourism sector recovery. Looking at the current situation, since reopening of the borders, the industry has been recovering at an increasing rate where a total of 870,862 tourist arrivals were recorded as of September 2021 , reaching 70% of tourist arrival in pre-pandemic level.

The developments in the tourism industry directly translated to the revival of the other industries given the intertwined nature of our economy. Reliance on a single industry and its interconnectedness had meant that the economic shocks experienced from the COVID-19 pandemic was of a higher magnitude as the disruption in the tourism industry had a domino effect on the Maldivian economy. To this extent, one major lesson learnt during the COVID-19 pandemic was the urgency as well as the necessity for the Maldivian economy to diversify more and develop the existing industries to be more independent from one another.

⁸ According to the monthly statistics reported by Ministry of Tourism, Monthly Statistics – September 2021



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