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# Republic of Maldives

## Maldivian Labor Market: Spotlight on youth, tourism, and fisheries

Analysis based on census 2014 data

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SOUTH ASIA



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## Maldivian Labor Market: Spotlight on youth, tourism, and fisheries<sup>1</sup>

Analysis based on census 2014 data

### Context<sup>2</sup>

**Over the past 30 years, Maldives has successfully built on its extraordinary natural assets to promote growth and socio-economic development.** Maldives shares many of the Small Island Developing States development challenges, such as: a small domestic market; a narrow and fragile resource base; a shortage of skilled manpower; difficult inter-island transport and communication; high cost of social and economic infrastructure provision; and heavy dependence on external trade and vulnerability to external shocks and natural disasters. However, in the case of Maldives, these challenges are compounded by its high geographic dispersion of 199 inhabited islands grouped in 26 atolls with a local population of 344,000<sup>3</sup>, spread over roughly 90,000 square kilometers. Maldives' unique archipelagic coral island provides the country with an extremely rich and diverse marine ecological system. With more territorial sea than land, marine resources have played a vital role shaping the contours of economic development, with nature-based tourism being the key driver of economic growth (tourism accounts for about a third of the country's GDP) and fisheries an important sector of employment for the local population (World Bank, 2015).

**High GDP growth is mainly driven by public investments, tourism and non-tradable tourism-related activities.**

In the early 1980s, Maldives was one of the world's 20 poorest countries. Thirty years later, its inhabitants enjoy the same levels of GDP per capita and human development outcomes as a middle-income country. Endowed with extraordinary natural assets Maldives developed a high-end tourism sector, which has resulted in a very high pace of economic growth over the past three decades. Gross Domestic Product (GDP) per capita increased from \$268 in 1980 to \$ 8,396 in 2015 (Figure 1). The development of the tourism sector in Maldives has created sizable revenues, which have been used to support job creation in the public sector, to finance the provision of public services and expand access to primary health and education facilities beyond the capital area Malé. However, as a result of an enclave-based tourism model, linkages between resorts and the local economy are limited. Furthermore, despite rapidly growing jobs, most of the jobs in tourism are not seized by the local population and employment of Maldivian women in the tourism industry is particularly low. Fisheries remains an important sector in Maldives as it traditionally provides employment, particularly for Maldivian males outside Malé, exports, and food security.

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<sup>1</sup> This note was prepared by Christina Wieser (Economist) of the Poverty and Equity Global Practice of the World Bank.

<sup>2</sup> An extensive analysis of Maldives' economy and the most critical constraints and opportunities in accelerating progress toward the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner is outlined in the "Maldives Systematic Country Diagnostic: Identifying Opportunities and Constraints to Ending Poverty and Promoting Shared Prosperity" (World Bank, 2015).

<sup>3</sup> Ministry of Finance and Treasury, National Bureau of Statistics (2014), results of the 2014 Population and Housing Census. Based on the same source, foreigners working in Maldives account for additional 63,637 individuals, leading to a total of about 407,000 individuals.

Figure 1. GDP and GDP per capita

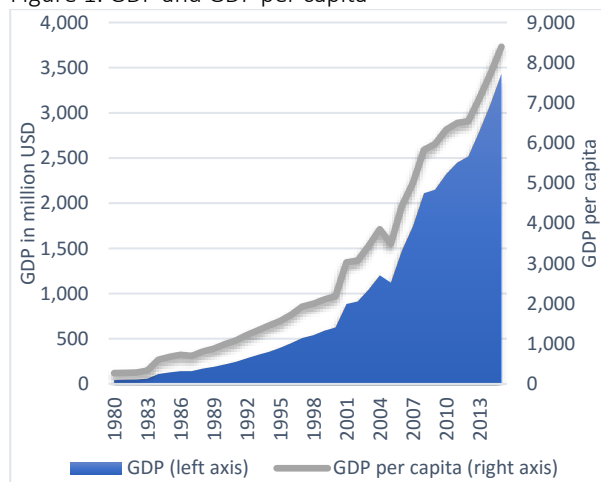
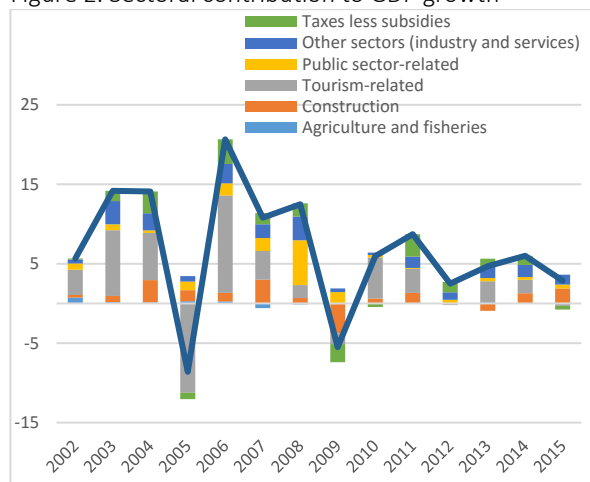


Figure 2. Sectoral contribution to GDP growth



**The ability to productively employ its youth is crucial for Maldives to grasp the benefits of its demographic dividend.** Maldives has almost completed the demographic transition with a fertility rate of 2.5 children per woman (close to the population replacement rate of 2.1) and a receding youth bulge. Taking advantage of the demographic dividend by productively employing its youth is critical if Maldives wants to maintain its generous redistributive system and to meet ever-increasing pension commitments. In addition, the increase in the working age population goes hand in hand with a shift towards a more educated young labor force<sup>4</sup>. This puts pressure on the absorption capacity of the Maldivian labor market which is exacerbated by (i) the hiring freeze of the public sector, which is the main employer for high-skilled labor; and (ii) the increasing competition from a relatively cheaper foreign workforce for low-skilled jobs and a relatively better educated foreign workforce for high-skilled jobs.

**The Maldivian labor market encounters important challenges in productively employing a better educated young labor force.** Even though Maldives has sustained high levels of growth and labor market conditions have improved slightly over time, with an increase in labor market participation and employment, important challenges for the Maldivian labor market remain. These challenges are (i) a stronger labor market inclusion and productive employment for youth; and (ii) important sectors for growth and employment generation are reliant on foreign labor and do not provide opportunities for women. This note attempts to unpack the challenges young Maldivians face in the labor market and to investigate constraints and opportunities for job creation in the tourism and fisheries sectors<sup>5</sup>.

### Challenges faced by youth<sup>6</sup>

**Maldives has experienced a high pace of growth, but the main challenge going forward, is to enhance inclusiveness, especially for young Maldivians.** A growing gap between aspirations and opportunities for socio-economic inclusion contributes to fostering disenfranchisement among Maldivian youth. Education opportunities at the post-secondary level are limited, and only 41 percent of 18 to 19 year olds; and 19 percent of 20 to 24 year olds are at school. At the same time, school to work transition has become

<sup>4</sup> We observe an increase in the highest academic/vocational certificate achieved by the Maldivian labor force between 2006 and 2014.

<sup>5</sup> The analysis in this note relies on data from the Population and Housing Census of Maldives conducted in 2014<sup>5</sup>. The strength of the census data is its wide coverage (enumeration of all residents including foreigners), it's weakness, however, is its limited scope of the questionnaire. The census can therefore provide broad answers but a more in-depth analysis would have to rely on a more detailed questionnaire

<sup>6</sup> The United Nations defines youth as persons between the ages of 15 and 24. This note follows the same age classification.

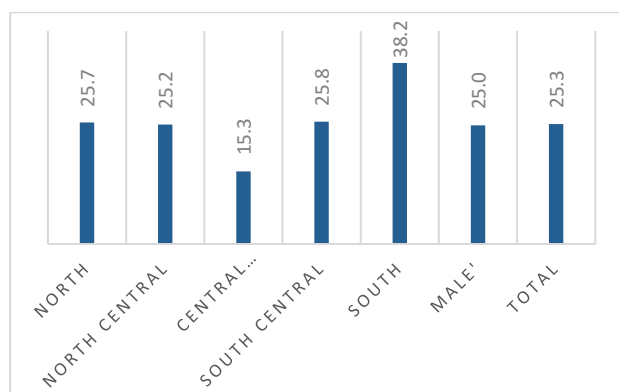
increasingly difficult. Competition from foreign labor at both the high and low end of the skill distribution has increased with economic development. Furthermore, the fiscally constrained public sector is no longer able to generate jobs for the local population at the same pace as before. School to work transition appears to have become increasingly challenging, with inactivity and unemployment among the youth on the rise.

### Youth unemployment<sup>7</sup>

**One in four Maldivian youth looking for a job end up being unemployed.** In 2014, the unemployment rate for individuals aged 15 to 24 was 25.3 percent, more than double the unemployment rate of 25 to 64 year olds and much higher than the average youth unemployment rate for upper middle-income countries. A total of about 10,400 young Maldivians are unemployed, three fifth of which have lost hope to find a job and stopped looking for one. The largest number of all unemployed youth resides in Malé (44 percent of all unemployed youth) and the highest unemployment rate, and second highest number of all unemployed youth, resides in the South of Maldives (Figure 3).

**Female youth suffer a higher risk of unemployment than their male counterparts.** Contrary to other Muslim countries in South Asia, Maldivian women have traditionally been very active in the labor market. Female labor force participation in Maldives is 41 percent, in line with other countries at a similar level of development. However, Maldivian women, especially youth, have a higher risk of unemployment than their male counterparts. One in three female youth looking for a job is unemployed, against only one in five male youth.

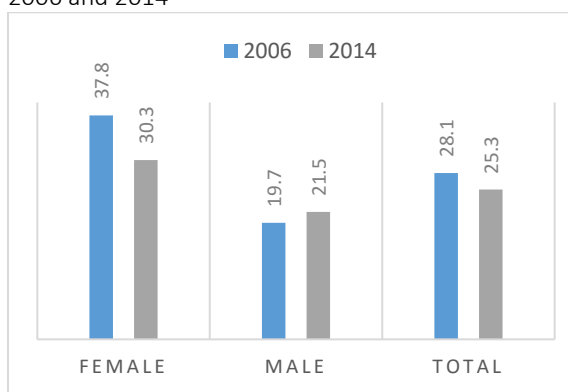
Figure 3. Youth unemployment rate by region, 2014



# OF UNEMPLOYED YOUTH	MALE	FEMALE
15-24	5,024	5,387

Source: Authors' calculations based on census 2014 data.

Figure 4. Youth unemployment rate by sex and age, 2006 and 2014



Source: Authors' calculations based on census 2006 and census 2014 data.

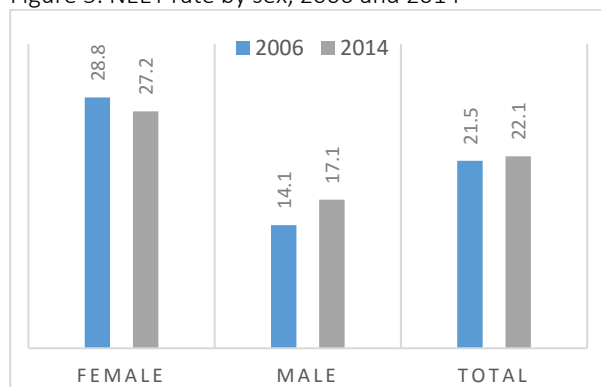
**...but unemployment of female youth has decreased over time, while that of male youth has increased.** More young males are unemployed in 2014 compared to 2006 and unemployment increased by almost 2 percentage points (Figure 4). In contrast, young women's unemployment reduced by almost 8 percentage points. This reduction in unemployment is a result of improved labor market conditions for young females with a large share of young inactive females entering the labor force and finding employment. This growth in employment rates was mainly driven by an increased number of jobs in the services and trade sectors.

<sup>7</sup> Unemployment in this note refers to a broad definition of unemployment, including discouraged workers. Discouraged workers are workers that are available to work but are not looking for work. This definition of unemployment differs from the national definition used in Maldives as well as from the ILO definition. The authors chose this definition, however, to draw attention to the large share of discouraged workers in the Maldives.

**Male youth who are neither at school nor in employment are a growing concern.** The share of young Maldivians who are not in employment, education or training (the so-called “NEET rate”) is high at 22 percent. The NEET rate is a relatively new indicator but one of increasing importance as it measures vulnerabilities among youth and gives an indication of youth who are at risk of becoming socially excluded<sup>8</sup>. Of the 22 percent of Maldivian youth who are NEET, over 60 percent are female. Yet, while the share of female NEET has declined over time, increasingly more male youth are left at the margin of any productive engagement, either in school or in the labor market (Figure 5).

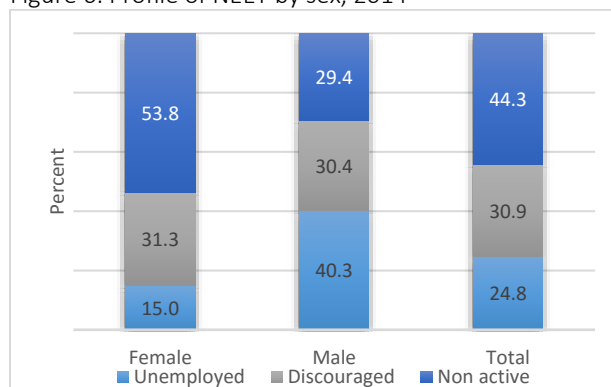
**The reasons for being out of school and employment differ between male and female youth.** About 40 percent of male youth is NEET because of unemployment and about 30 percent are discouraged<sup>9</sup> and not active, respectively (Figure 6). The biggest reasons for unemployment indicated by male youth are the lack of economic opportunities in the island of residence and the lack of suitable employment which matches their respective education or training. The majority of young women, on the other hand, is NEET as a result of non-activity. When asked for the reasons of inactivity, young females mostly mention family reasons with 50 percent reporting household chores and child care.

Figure 5. NEET rate by sex, 2006 and 2014



Source: Authors’ calculations based on census 2006 and census 2014 data.

Figure 6. Profile of NEET by sex, 2014



Source: Authors’ calculations based on census 2014 data.

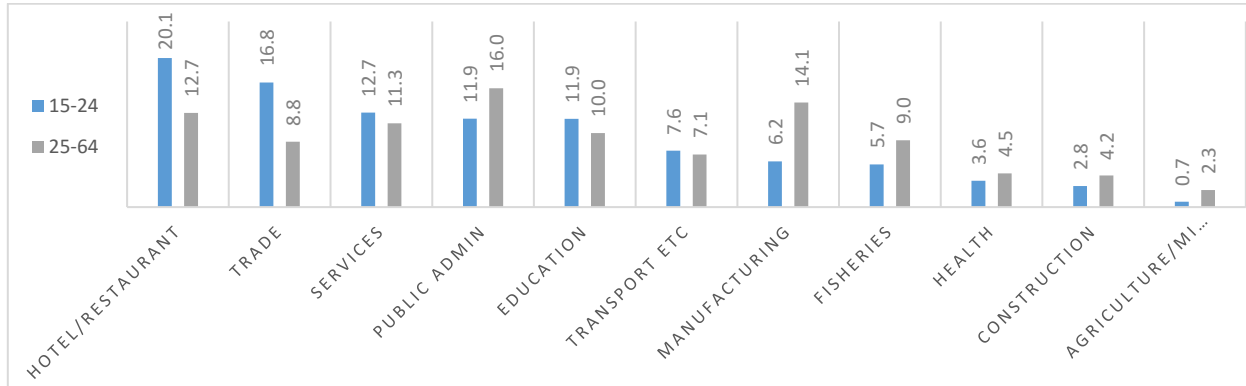
### Sectoral profile of youth employment

**A higher share of young Maldivians works in tourism and trade compared to older Maldivians.** To better understand the challenges that young Maldivians face in finding employment, it is important to consider the sectors of employment youth are engaged in compared to sectoral employment by older Maldivians. Most 25 to 64 year old Maldivians work in public administration and tourism with employment shares of 16 and 13 percent respectively. The sectoral profile of employed youth, however, deviates from that of adults with fewer young Maldivians employed in public administration and manufacturing but a larger share of youth employed in tourism and trade (Figure 7).

<sup>8</sup> See ILO, 2015; OECD, 2017

<sup>9</sup> Applying the ILO definition of those youth who are available but not actively looking for work.

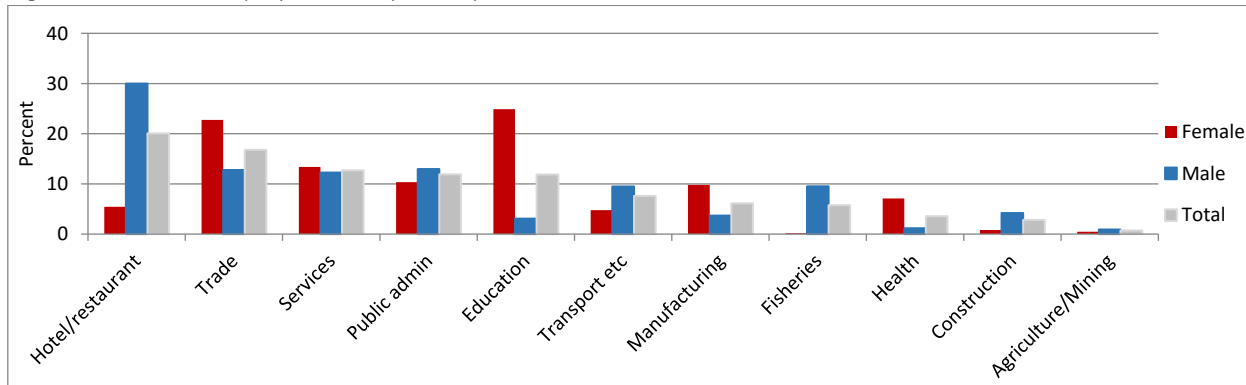
Figure 7. Sector of employment for youth by sex, 2014



Source: Authors' calculations based on census 2014 data.

**Young Maldivian men are primarily employed in tourism while young Maldivian women are highly reliant on public sector jobs.** Young Maldivian men are primarily employed in tourism. About 30 percent of all employed male youth work in tourism, young women, however, are underrepresented in the tourism sector with only 5 percent of employment in tourism. Research suggests that social dynamics influence employment decisions such that families are reluctant to allow young women to take jobs in the tourism sector for several reasons. One is that young women would have to travel from home to other islands and women's limited control of transportation means to finding transportation to travel to and from resorts may be difficult. Another reason is that the tourism sector is associated with "immoral and unethical" practices (ADB, 2014; Hope for Women, 2012; Gunatilaka, 2013). The most important sectors of employment for female youth is education with an employment share of 25 percent.

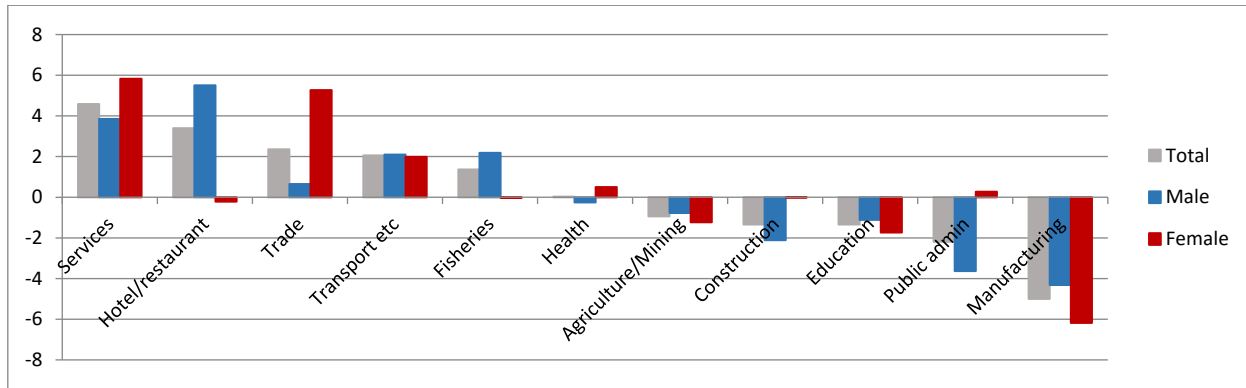
Figure 8. Sector of employment for youth by sex, 2014



Source: Authors' calculations based on census 2014 data.

**Despite strong job growth for the overall economy, growth translated only very modestly to job increases for Maldivian youth.** The largest contributor to increased employment opportunities for youth was the service sector (Figure 9). We again observe large gender differences. Tourism was the largest contributor to increased male youth employment but despite its growth potential, the participation of young women in tourism is low and declining over time.

Figure 9. Sectoral contribution to job creation for Maldivian youth, 2006-2014



Source: Authors' calculations based on census 2006 and census 2014 data.

**Due to a hiring freeze, opportunities for Maldivian youth to public sector employment declined over time.** Even though public administration is the most important sector of employment for Maldivian workers of all age groups, we see a sharp reduction of public sector employment of Maldivian youth over time and in 2014, about 12 percent of young Maldivians work in public administration (Figure 9). The contribution of the public sector to job generation falls as countries grow, undergo structural transformation, and diversify the economy; this is also the case for the Maldives, where the share of the public sector in the total number of jobs began to fall even before the hiring freeze. Reduced opportunities for employment in the public sector, which tends to provide jobs that are well enumerated and have good working conditions and benefits, may contribute to discontent of Maldivian youth, particularly those with high levels of education who used to benefit from public sector employment.

**Reduced employment opportunities in the public sector makes young Maldivian men look elsewhere for jobs.** Unemployment and the incidence of NEET increased over time for male youth while labor market outcomes improved for female youth. Even though male youth have taken advantage of job opportunities in the growing tourism sector, uptake of jobs has not been sufficient to make up for lost jobs in other sectors. The dominant sectors of employment for male youth, are sectors in which there are also signs of strong competition from foreign labor for both, the high and low end of the skills distribution. More than half of all tourism jobs of youth are occupied by foreign youth. There is particularly high demand for highly educated foreign youth for tourism jobs. About 22 percent of foreign youth working in tourism have A-levels or above while less than 3 percent of Maldivians do. On the other hand, about 40 percent of foreign youth employed in tourism have no certificate. Even though competition is fierce in tourism, fisheries is a sector of employment seized mainly by Maldivians and provides employment opportunities particularly for youth with low levels of education.

**Young women may be left behind in benefitting from growth through jobs and socio-economic inclusion.** The most important sectors of employment for young women are education, trade, and services, sectors which do not have a strong potential for growth in the future. Furthermore, education, the most important sector for young Maldivian women, which employed a quarter of all young women in 2014, reduced substantially between 2006 and 2014 and over 6 percent of jobs in the education sector were lost (Figure 9). Traditionally, trade and services tend to be sectors that offer good economic opportunities to Small Island Development States as particularly services tend to become more important as countries develop. These sectors provide important opportunities for female youth and should be strengthened through cross sectoral linkages within the economy. In the past, women could benefit from growth through jobs in the public sector. The current generation of female youth, however, may not benefit from growth equally as their parent's generation did



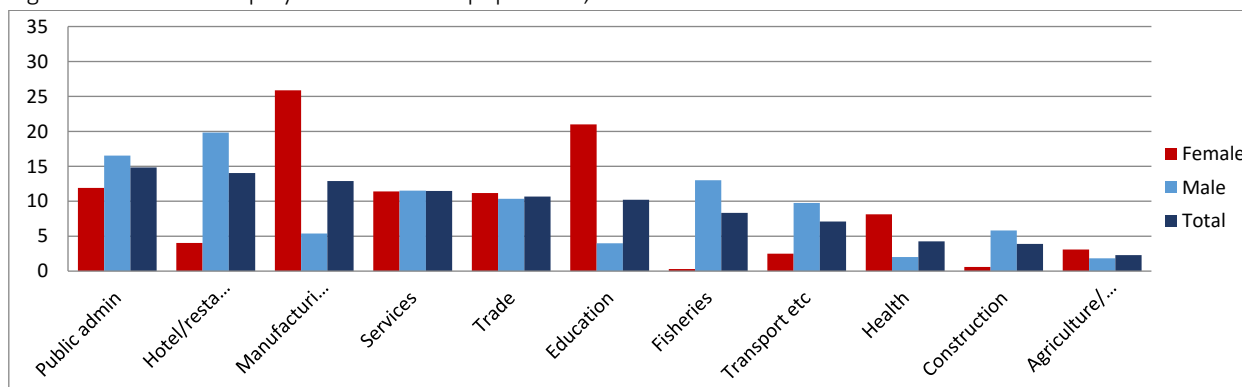
as a result of a reduction in employment funded by the public sector and the fact that female youth are not engaged in the drivers of growth of the Maldivian economy (tourism and construction).

### Employment in tourism and fisheries<sup>10</sup>

**The Maldivian economy is dominated by tourism, while tradable sectors and physical exports are largely limited to fisheries.** Tourism has leveraged the country’s endowments to underpin a very rapid growth, but the largely high-end tourism industry has developed in an enclave way, with limited linkages with the local communities (World Bank, 2015). Fisheries on the other hand are a significant source of employment, particularly for men with lower levels of education and outside of Malé. In this section, we will focus on tourism and fisheries as a case study of two critical sectors for future employment of Maldivians by highlighting the features and potential of the sector.

**Employment in tourism is the most important sector and employment in fisheries the third most important sector of employment for Maldivian men.** About 14 percent of Maldivians are employed in tourism but tourism is highly segmented by sex (Figure 10). Women work predominantly in public service delivery sectors, such as education and public administration as well as in manufacturing<sup>11</sup>. Despite its relatively modest employment share overall, fisheries remains an important sector of employment for men in Maldives. Approximately 13 percent of Maldivian men are employed in the fisheries sector and fisheries is the most important sector of employment for Maldivian men in administrative islands (outside Malé).

Figure 10. Sectoral employment Maldivian population, 2014



Source: Authors’ calculations based on census 2014 data.

### Tourism sector profile

**Tourism is a large and rapidly growing source of jobs.** Tourism is not only the most important sector of employment outside the public sector and for youth, it is also a rapidly growing source of jobs. Over 8,000 jobs were created in tourism for Maldivians between 2006 and 2014. Tourism, supported by large infrastructure projects, is expected to remain a key driver of growth in the medium term and will continue to play an important role for generating employment and revenues in Maldives.

**... tourism, however, is dominated by male employment.** Across the board, only 14 percent of employed Maldivians—20 percent of employed men and 4 percent of employed women—work in the tourism sector. Tourism sector employment is predominantly “male”. Almost 90 percent of all jobs in tourism are seized by

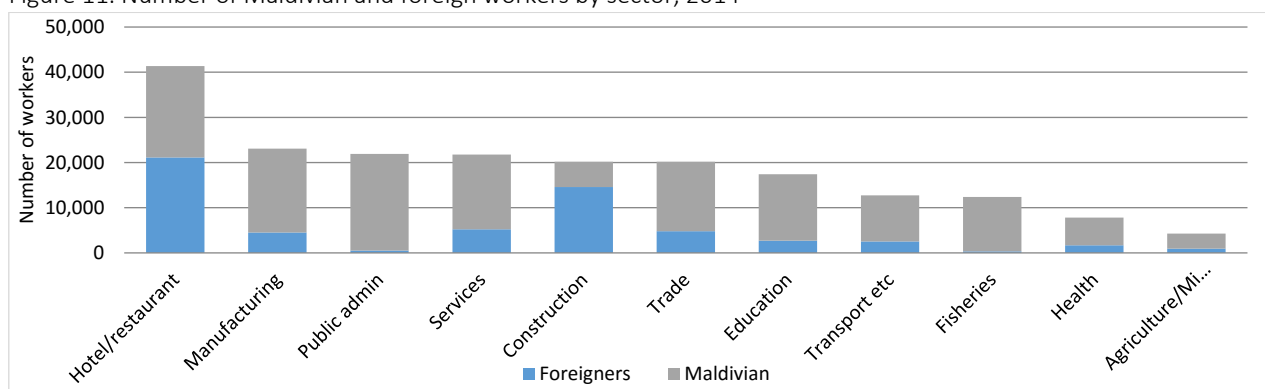
<sup>10</sup> For a detailed discussion on the tourism and fisheries sector, please refer to the “Maldives Systematic Country Diagnostic: Identifying Opportunities and Constraints to Ending Poverty and Promoting Shared Prosperity” (World Bank, 2015).

<sup>11</sup> Maldivian women in manufacturing work primarily in jobs related to craft making. Of all women in manufacturing, 45 percent manufacture products of wood cork straw and plaiting materials; 25 percent manufacture food products; and 17 percent manufacture wearing apparel.

male workers. The male dominance in tourism can be observed for Maldivian and foreign workers alike, with an employment share in tourism of only 10 percent for foreign and Maldivian women.

**... and tourism is highly reliant on foreign labor.** Despite the rapid growth, most jobs in tourism are not seized by Maldivians. In 2014, about half of all employment in tourism was seized by foreigners (Figure 11). Competition in the sector is high at both ends of the skills distribution. Maldivians are disadvantaged in seizing high-skilled jobs as their levels of education and skills accumulation are lower than those of high-skilled foreign workers. On the other hand, low-skilled Maldivians are disadvantaged as they cannot compete with low labor costs for foreign workers. An emerging segment of locally owned guesthouses may represent a valuable option for diversification and stronger integration of tourism with local communities. Growth in this segment, however, has limitations and this segment poses risks to the cultural and social fabric of the country (World Bank, 2015). Resorts, particularly, depend on foreign labor and about 69 percent of all foreigners employed in tourism work in resorts (Figure 13). Foreign women specifically, come to Maldives to work on resort islands; 9 out of 10 foreign women employed in tourism work in resorts. This stands in sharp contrast to Maldivian women of whom only 13 percent work in resorts.

Figure 11. Number of Maldivian and foreign workers by sector, 2014

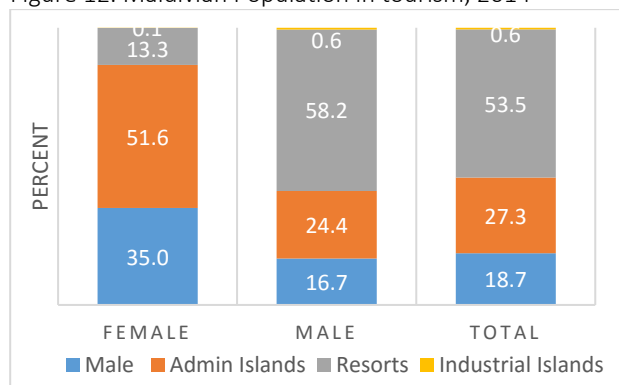


Source: Authors' calculations based on census 2014 data.

**Then enclave-based tourism model has limited spillover effects to other sectors of employment.** Tourism in Maldives has grown steadily since 1970s and Maldives has managed to position itself as a high-end destination with tourists paying high premiums based on the unique natural resources of Maldives, as well as the exclusivity of facilities. Tourism constitutes by far the biggest contributor to GDP at 35 percent in 2015, and is the greatest generator of government revenue at more than 50 percent in 2016. Tourism in Maldives, however, is built around an enclave model with resort islands attracting high-end tourists but because of geography, the scope for cross-sectoral spillovers to the local economy, beyond employment spillovers, are limited. Better linkages between the resorts and local enterprises may help to leverage tourism growth for development of other tradable sectors.

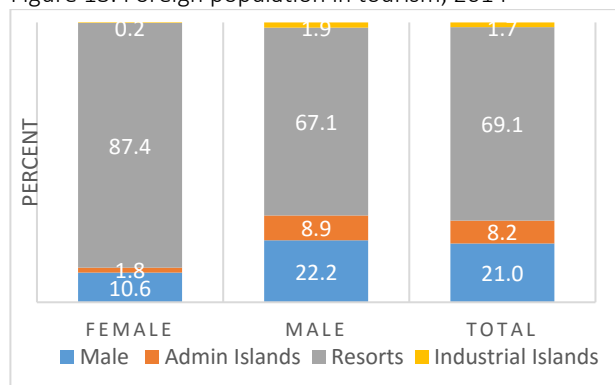
**... and creates challenges for employment for Maldivians, particularly women.** Men working in tourism (Maldivian and foreigners) are more likely to work in resorts compared to other locations (Figure 12 and Figure 13). When looking at Maldivians only, we see that more than half of all Maldivians working in tourism are employed on resort islands. The enclave-based tourism model, however, creates challenges for employment for Maldivians, particularly women. About 58 percent of Maldivian men employed in tourism work on resort islands but only 13 percent of Maldivian women work in resorts (Figure 12). Maldivian women in tourism are predominantly employed in administrative islands and Malé as a result of challenges to access employment opportunities on resorts.

Figure 12. Maldivian Population in tourism, 2014



Source: Authors' calculations based on census 2014 data.

Figure 13. Foreign population in tourism, 2014



Source: Authors' calculations based on census 2014 data.

**There does not seem to be a clear relationship between the education level of the worker and the occupation he is employed in.** In addition to the difference in the shares of Maldivian and foreign male workers employed on resort islands, the education profile of males in resort islands also differs. For Maldivian men, there does not seem to be a clear relationship between the education level of the worker and the occupation he is employed in. For example, half of Maldivian males in resorts have completed their O-levels and 35 percent have no certificate but 22 percent of either category are employed in unskilled occupations. For foreign males employed in resorts, on the other hand, there is a clear relationship between the level of education and the type of occupation. Foreigners are in occupations in correspondence with the level of skill or education with 42 percent of foreign men employed in unskilled labor with no completed certificate. Possible issues related to this skills mismatch could either be the quality of education of Maldivians, the lack of so-called “soft skills” which tend to play an important role in tourism, or the role of networks that may determine who can get certain jobs.

#### Fisheries sector profile

**The fisheries sector is a critical contributing sector for the country's national economy and forms the most important primary economic activity in almost all of the country's inhabited islands.** Before the development of tourism, fisheries was the most important industry and source of growth for Maldives and, to a large extent, fisheries remains an important reference in Maldives culture. Although the relative importance of the fisheries sector has declined, its role in the Maldivian economy remains significant. Fisheries remain a large source of employment, the largest source of physical exports, one of the few local industries supplying the touristic resorts, and a major source of food supply for the local market (World Bank, 2015).

**Fisheries are an important sector of employment for the local population.** Employment in fisheries is almost exclusively occupied by Maldivian men with 97 percent Maldivian employment. Over 12,000 individual fishermen and their families depend on fishing. Fisheries is also the second most important sector of employment (after tourism) for Maldivian men in administrative islands outside Malé with an employment share of 19 percent. Furthermore, fisheries is the single most important sector of employment for Maldivian men aged 40 to 64 (Figure 13) and for Maldivian men outside Malé with no formal education certificate. Even though, workers in the fisheries sector lack “formal education”, it is a highly “skilled” profession with high levels of on the job training. The fisheries sector has shown job growth of almost 10 percent between 2006 and 2014 with over 3,600 additional jobs (10 percent of all jobs created during this period). Fisheries is also an important sector for Maldivian youth and about 15 percent of all Maldivian youth outside Malé are employed in fisheries.

**Despite its potential for job growth and its importance for employment outside of Malé, the fisheries sector almost exclusively employs men.** Approximately 98 percent of all jobs in fisheries are occupied by men. The reduction in women's employment in fisheries over time is particularly dire; the increased mechanization of the fisheries has largely taken over the fish processing activities that were the foundation of female employment in this sector. Thus, women's work in fisheries has been phased out such that female employment in this sector is very small (World Bank, 2015). Despite the sector's large employment and export revenue generation, Maldivian women are unlikely to benefit from jobs in this sector.

## Moving forward

**Maldives has experienced a high pace of growth, but the main challenge going forward, will be to enhance inclusiveness for young Maldivians.** There has been an increasing concern for stronger inclusion of Maldivian youth in the labor market and creating productive employment opportunities for youth. Analysis shows high levels of unemployment for youth and one in four Maldivian youth looking for a job ends up being unemployed. Even though female youth suffer a higher risk of unemployment than their male counterparts, male unemployment has increased over time. Though a declining trend in unemployment, young Maldivian women have high rates of inactivity with almost a third of young women neither in employment, education, or training.

**Further analysis is needed to answer nuanced questions on the Maldivian labor market.** Given the labor market challenges, particularly for young Maldivians, and the limitations of labor market analysis using census data, there is a clear need for further analysis to obtain deeper insights into the Maldivian labor market. Analysis will therefore be undertaken using rich household survey data (HIES 2016) once it becomes available to better understand:

... **constraints that limit Maldivians from seizing job opportunities in the tourism sector.** Using HIES 2016, we will be able to better understand the reasons of why young Maldivians with low skills do not take up jobs in tourism by considering reservation wages of Maldivians. Furthermore, HIES data may be able to provide answers to questions on the lack of skills for technical and managerial jobs by considering the type of skills that Maldivians working in tourism have or skills related to the tourism sector that they may lack. We will also attempt to better understand the issues of the lack of skills for Maldivians, particularly youth. Anecdotal evidence points to challenges in the education system, a system which does not seem to provide Maldivians with skills that are sought after in the labor market. To the extent possible, we will explore the issue on school-to-work transition, skills accumulation, and the reasons why many young Maldivians miss out on valuable years of secondary education. Using HIES data, we will further attempt to answer questions on the labor supply but an important gap on skills that youth bring to the labor market, particularly on the quality of skills, may remain unanswered due to missing data on skills.

... **how to improve linkages of tourism to sectors where local labor is traditionally employed.** Further analysis is also required on improving linkages of the tourism sector to other sectors of employment, particularly those with high levels of local employment. More specifically, more evidence is needed to better connect the growing sectors of the economy to female employment to ensure stronger labor market inclusion and productive employment for young women.

... **youth labor market aspirations.** Further analysis is needed to better understand youth labor market aspirations to answer questions such as the types of jobs that are deemed "suitable" for Maldivian youth and their families or the types of income (not from employment) that is available to Maldivians that may determine the need for young Maldivians to engage in employment. Furthermore, we will attempt to shed light on questions on the reasons for inactivity and why jobs are turned down as well as the preferred types

of organizations and jobs for Maldivians using HIES 2016 data. In addition to analyzing supply side issues, there is an urgent need to better understand constraints to private sector led job creation in the Maldivian economy.

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