

LABOUR MARKET REPORT 2021



MINISTRY OF
ECONOMIC DEVELOPMENT
REPUBLIC OF MALDIVES
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ABOUT THE REPORT

The Labour Market Report is prepared by the Ministry of Economic Development. It analyses the labour market developments in the Maldives and provides insights on the key indicators of labour market including employment growth, job growth, wage levels and wage growth. As a labour force survey is not conducted frequently in the Maldives, the report draws on administrative sources.

Following the Quarterly Labour Report published by the Ministry in 2021, this report focuses on the annual development to track the trends at the macro level. Given the analysis is conducted using the data obtained from the Maldives Pension Administration Office (MPAO) which serves as a proxy, assumptions and methodologies based on the specific context are developed to better gauge the employment and wage growth.

The cut-off date for the data used in this report was May 2022 unless any exceptions are explicitly indicated. Furthermore, all the employers in the dataset have been classified into the most relevant economic group in accordance with the International Standard Industrial Classification of All Economic Activities (ISIC).



EMPLOYMENT AND JOB GROWTH



**Labour market
surpassed the
pre-pandemic level of
employment at the end
of 2021**

EMPLOYMENT GROWTH

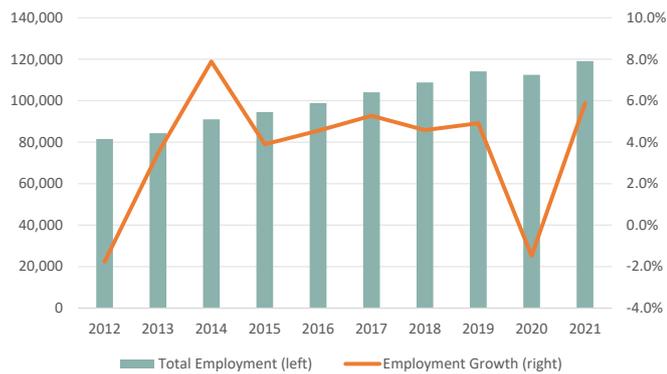
After the deep economic distress experienced by the economy due to COVID-19, the Maldivian economy showed a solid recovery in 2021. This was largely due to the re-opening of the country's border, combined with the successful vaccine roll-out and the timely policy responses implemented by the government to keep the economy afloat. Meanwhile, following the rebound in economic activity, the labour market showed a marked recovery and surpassed the pre-pandemic level of employment at the end of 2021.

Based on the data provided by the Maldives Pension Administration Office (MPAO) as of May 2022 a total of 119, 062 employees¹ were registered under the payroll of employers listed in the pension system by the end of 2021 (Figure 1). This is an annual growth of 6% when compared with the total of 112,643 employed persons reported at the end of 2020, indicating a strong growth in employment during the year 2021. This largely reflected the strong economic recovery, with real GDP growth bouncing back to a positive growth of 31.6% in 2021 after posting a negative growth of 33.5% in 2020 (Figure 2). In comparison, the annual average growth of employment pre-pandemic stood at approximately 5% from 2015-2019.

¹This is a proxy for the number of employees in the labour market under the following assumption: 1) The count of employees at the end of the year is taken from 1st of January of a year till 31 Dec of that year. In this period if an individual had entered into the labour market even once, they will be included in the count for that year. 2) If an individual had entered into the labour market in a year and were still active by the end of that year then they would be carried forward as 'active' employees in the labour market unless and until there has been a termination.

Figure 1: Employment Growth

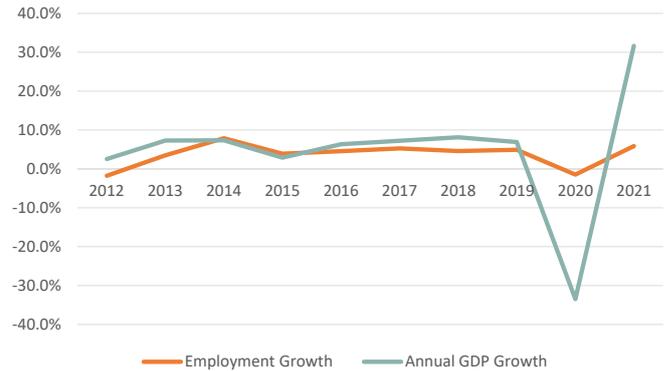
(In annual percentage changes)



Source: Pension database

Figure 2: Employment and Real GDP Growth

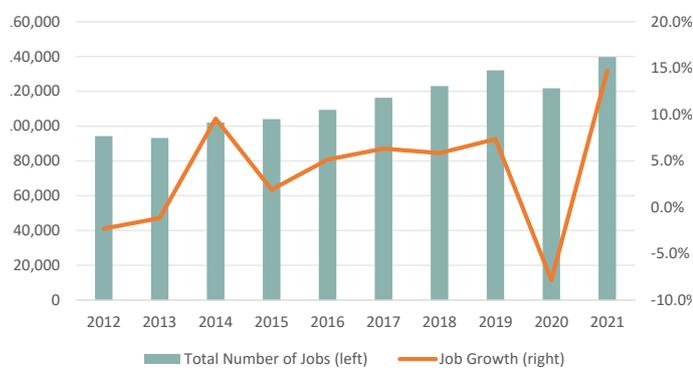
(In annual percentage changes)



Source: Pension database, National Bureau of Statistics

Figure 3: Job Growth

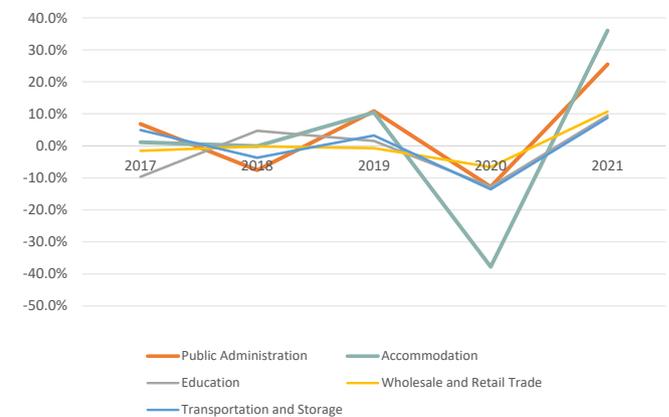
(In annual percentage changes)



Source: Pension database

Figure 4: Job Growth by Sector

(In annual percentage changes)



Source: Pension database, Ministry of Economic Development

JOB GROWTH

Reflecting the prolonged closure of workplaces and ceased business activities, the number of jobs² in the labour market decreased from 132,105 in 2019 to 121,761 in 2020, which was a negative growth of 8% in annual terms (Figure 3). It is important to note that the total number of jobs in the market tend to be higher than the total number of employees as they can hold more than one contract with multiple employers. Similar to the employment growth pattern in 2021, the number of jobs in the labour market showed a remarkable growth of 15% in annual terms and totaled to 139,755 jobs. The annual employment growth (Figure 1) and annual job growth (Figure 4) have followed a similar growth pattern from 2012 to 2021. However, in 2021 the annual job growth exceeded the employment growth rate by 8.9%. This might have been a result of employees switching to different and/or new employers post-covid19 or individuals may be doing multiple jobs to earn more income.

The robust growth in jobs during 2021 was mainly driven by the Accommodation sector which reflected the strong recovery of the tourism sector. This was followed by the job growth in public administration and, wholesale and retail sector (Figure 4). While the wholesale and retail sector were benefited by the spillover effect from the tourism sector growth, the growth in public administration may be attributed to the fact that more people moving to government job for stability and job security. It is worth noting that in-depth research of the job movements across sectors is being done by the Ministry in collaboration with UNDP. Therefore, a more detail analysis on this segment will be shared in the upcoming publication.

² Total number of jobs reported in this report follows the following assumptions: 1) If an individual has had multiple contracts with the same employer within a year, it is counted as one job. 2) If an individual has had multiple contracts with a different employer(s) then it is counted as different jobs.

WAGE LEVELS AND WAGE GROWTH



**Average basic wage
growth showed a
remarkable rebound
and peaked in the last
quarter of 2021**

The pandemic's unprecedented shock to the labour market resulted in a significant reduction in wages, especially in the private sector – most notably in tourism, which accounts for the largest share of employment in the private sector, and transport sector. While the magnitude of the effect was diverse across different sectors, the average basic wage growth plummeted and posted a negative annual growth of 2% from mid-2020 till the last quarter of 2020.

In line with the strong economic recovery, the average basic wage growth³ showed a remarkable rebound and peaked in the last quarter of 2021, with an annual growth of 7% in November 2021, before it started to fall in December 2021 (Figure 5). This largely indicated that the private sector wages have been fully reinstated at the end of 2021. In comparison, the average annual growth rate of wages stood at around 2 - 4% before the pandemic.

The average basic wage stood at MVR 7,565.62 as of the end of December 2021, however the annual average wage reported for the year 2021 stood at MVR 7,184.38. Whereby, a large portion of the employees receiving a basic wage of MVR3,000-5,500. It is noteworthy that a deeper

³ As the pensionable wage is calculated from the basic wage in the employment contract, employers are only obliged to report basic wage to the MPAO. The monthly basic salary analysed follows the following assumptions: 1) If an individual had multiple contracts for the same employer within a particular year it's counted as one job, and the wage for this job is the average basic salary of all the contracts that person holds with the same employer. 2) If an individual had multiple jobs for different employers it's considered as different jobs hence the average is taken for that job only.

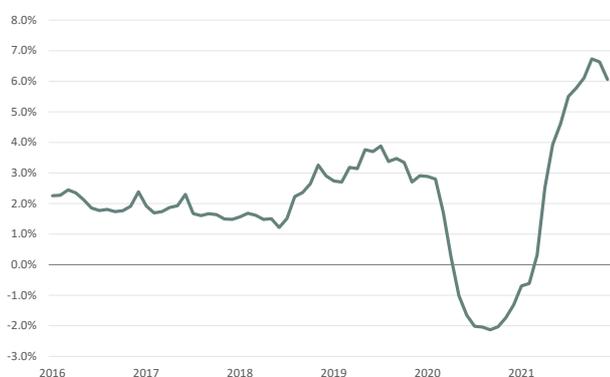
analysis is being undertaken by the Ministry in collaboration with UNDP to understand the significant wage differences observed across gender, sector, and age group. Additionally, the labour movement within and between sectors is crucial to understand the occupational mobility and geographical mobility of labour to guide policy decisions in the labour market.

Looking at the wage growth by sector, wage growth in the accommodation sector decelerated significantly

from a growth of 6% in 2019 to 3% in 2020 (Figure 6). Additionally, the wage growth rate remained constant at 3% for 2021, implying that the average wage growth in the accommodation sector has yet to reach the pre-pandemic level, though the average wage has been gradually increasing. Furthermore, the significant boost in average wage growth for 2021 in the labour market was largely driven by the transportation and storage sector.

Figure 5: Average Wage Growth

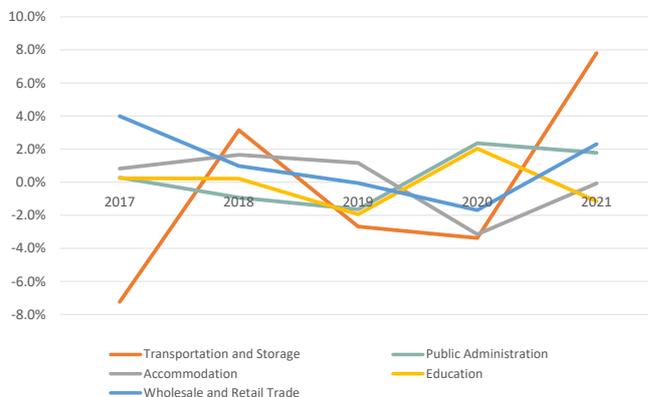
(In annual percentage changes)



Source: Pension database, Ministry of Economic Development

Figure 6: Wage Growth by Sector

(In annual percentage changes)



Source: Pension database, Ministry of Economic Development



MVR 7,566
AVERAGE BASIC SALARY
 (End of 2021)



7%
GROWTH IN AVERAGE BASIC SALARY IN NOV 2021
 (Compared with Nov 2020)



3%
ACCOMMODATION SECTOR SALARY GROWTH 2021
 (Compared with 2020)

UPSKILLING EFFORTS IN THE MALDIVES

The COVID-19 pandemic and the containment measures taken by the Government to limit the spread of the disease had significant, dire impacts on the economy. In particular, the pandemic severely affected the labor market with large scale layoffs in the country during 2020. This brings about an urgent need for the Government to target reskilling and upskilling of workers to bridge skill gaps across sectors, and to help recovery of the economy by building more resilience to crisis such as the COVID-19 pandemic in the future. One of the main benefits is that a diversified employment structure will diffuse the impact of external shocks to different sectors and reduce the intensity of the impact to the overall economy. Further, a diverse economy also has the capacity to recover faster and adapt to new challenges arising from crises.

With the COVID-19 pandemic, global tourism was brought to a standstill. This led to devastating impacts on the tourism-dependent Maldivian economy. The closure of borders on 27 March 2020 led to an abrupt halt in tourism, the foremost driver of employment, revenue, and growth in the Maldives. The impacts on the tourism industry were felt across the country, accentuating the risks accompanying the dependence on a single economic activity. Therefore, shifting the economy towards various economic activity and distributing the risk of external shocks is currently at the forefront of policy making. However, the Maldives lacks the skilled labors necessary to achieve this and hence, it is imperative that the government invest in human capital, prioritizing retraining, and upskilling of workers.

One of the major initiatives taken as a response to the COVID-19 crisis by the government, in collaboration with World Bank was the COVID-19 Emergency Income Support

Project. The first phase of the project was primarily focused on financing the COVID-19 Income Support Allowance (ISA) program, implemented by Ministry of Economic Development (MoED). The main objective of the program was to mitigate the negative impact of the crisis on workers and their families, and to reduce the risk of negative coping strategies that the households may adopt to survive (for instance, selling valuable assets and taking children out of school). The ISA program was concluded in December 2020, with a total of 22, 940 individuals receiving benefits during the tenure of the program.

A diversified employment structure will diffuse the impact of external shocks to different sectors and reduce the intensity of the impact to the overall economy

As part of the second phase of the project, a training and upskilling program was initiated during the first quarter of 2022. Under this program, three key activities are currently ongoing. First, an Apprenticeship program implemented with the support of state-owned enterprises (SOEs) was initiated on 26th April 2022. Selected apprentices are employed in the firms for a period of six months and will receive a certificate level training to ensure that they have presentable skills at the end of the tenure.

Second, the project also aims to ensure that the workers whose income and employment were negatively affected due to COVID-19 can re-enter the job market and seek employment. As such, the project introduced certificate-level training courses in partnership with accredited Maldivian training institutes. While a total of 19 targeted courses on Information and Communication Technology, Accounting, and Diving have been facilitated as of now, the program focuses on enhancing individuals with relevant technical skills, knowledge, and training. Additionally, the project finances an entrepreneurship program for self-employed workers which includes business skills training and capital improvement grants. As of 3rd August 2022, approximately 450 applicants have successfully joined the training and apprenticeship programs. MoED utilizes the Job Center platform to link beneficiaries to the opportunities provided under the program.

The national Job Center, initiated by the MoED in November 2019 acts as an intermediary between employers and job seekers, linking registered users to training and employment opportunities. This incentivizes employers while warranting workers essential skills and more rewarding prospects. The registration of job seekers through the Job Center has made it easier to offer financial support as well as reskilling and upskilling opportunities.

Post COVID-19, the Government policy priorities remain steadfast towards recovery and building resilience to future economic shocks. Upskilling initiatives such as those offered under the Training and Upskilling Program are expected to drive productivity levels while contributing to

diversify the economy. Developing skills for target sectors reinforces capabilities leading to greater productivity, competitiveness, and innovation. This diversifies the labor market, ensuring that the economy shifts away from a single economic activity. Upskilling and reskilling efforts towards digital literacy also minimizes skill gaps and ensures workers are not left behind in an increasingly technology dominant world.

The Apprenticeship, Training and Upskilling Program under the Maldives COVID-19 Emergency Income Support Project was introduced on 26 April 2022



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