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Employment Challenges in the maldives



EMPLOYMENT CHALLENGES IN THE MALDIVES

Ramani Gunatilaka
June 2013

Prepared for the ILO Country Office for Sri Lanka and the Maldives

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First published 2013

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Employment Challenges in the Maldives/ILO, 2013

ISBN 978-92-2-127714-9 (print)
978-92-2-127715-6 (web pdf)

ILO Cataloguing in Publication Data

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Visit our web site: www.ilo.org/publns

Printed in Sri Lanka

Funding for this ILO publication was provided by the United States Department of Labor (SRL/05/50/USA).

This publication does not necessarily reflect the views or policies of the United States Department of Labor, nor does mention of trade names, commercial products, or organizations imply endorsement by the United States Government.

Acknowledgements

This study is a component of the ILO's project to provide technical assistance to on-going efforts by the Government of the Maldives to formulate an employment policy and strategy. The project is led by Maheed Sharif, Permanent Secretary, Ministry of Human Resources, Youth and Sports, for the Government of the Maldives, and by Donglin Li (Director, ILO, Colombo) for ILO. Sher Singh Verick (ILO, New Delhi) fostered the organic growth of the present paper by encouraging its structure and content to emerge from the literature and the quantitative analysis. His technical backstopping helped ensure the rigor of the econometric analysis. Shafinaz Hassendeen (ILO Colombo) coordinated the project for the ILO and, together with Shahida Abdul Rahman (ILO Project Office, Male'), facilitated all other inputs. Maryam Zoona, Ministry of Human Resources, Youth and Sports, coordinated the project for the Government of the Maldives. Aishath Shahuda and Mariyam Niyaf (Department of National Planning, Maldives) provided unit level data from the Maldives Census of 2006 and, along with Fathmath Riyaza (Department of National Planning, Maldives), responded to critical data-related queries. Fathimath Shafeega (Department of National Planning, Maldives) made available several policy-related materials that were relevant to the study. The author also wishes to thank members of the project's Steering Committee, policy-makers, entrepreneurs and young Maldivians, who shared their views during bilateral meetings and focus group discussions. Paul Comyn's (ILO, Delhi) suggestions strengthened the policy section and Phu Huynh's (ILO, Bangkok) insightful comments made for greater clarity of text and presentation. The usual disclaimer applies with respect to errors and omissions and the views expressed.

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Foreword

Although the global economy has begun to recover from the financial crisis of 2008, the employment situation remains dire worldwide. More people than ever before remain unemployed, and among the 200 million who are jobless, nearly 80 million are young, many of them first-time job seekers. An additional 630 million people though employed, remain below the \$1.25 poverty line. Job creation and the employability of the workforce are critical issues facing policy makers around the world.

The Maldives is no exception. Although a small country with a little more than 300,000 citizens, the country faces critical employment challenges. Unemployment rates doubled from 5 per cent in 2006 to 11.7 per cent in 2009/10. The rise in youth unemployment rates has been significant, standing at 35 per cent for those between 15 and 19 years of age, and at 26 per cent for those between 20 and 24 years of age by 2009/10. If the definition of unemployment is expanded to include discouraged workers, the unemployment rate increased from 15.7 per cent in 2006 to 23.7 per cent in 2009/10. Women are particularly disadvantaged: the incidence of unemployment among women is about 30 per cent higher than among men.

The country needs to meet these challenges in its march towards meeting the aspirations of its people and achieving social justice for all Maldivians. While the new constitution promulgated in 2008 set up new democratic institutions, it also assured fundamental rights for Maldivian workers. For example, Maldivian men and women were granted the right to strike. Soon after, the country became a member of the ILO in May 2009 and on 4 January 2013, the Maldives cemented its acceptance of ILO principles on workers' rights by ratifying the eight core Conventions.

The present study is one of several outcomes of the ILO's new and valued partnership with the Government of the Maldives. ILO is currently providing technical assistance to the Government of the Maldives to formulate an employment policy and strategy and this study informs this process by using secondary data to describe the situation of employment, unemployment and discouragement in the country and investigate the characteristics of labour market participants that are associated with these labour market outcomes. It is aimed at informing and motivating the designing of an employment policy and strategy that will link key labour market and employment challenges with specific interventions.

We, in the ILO, believe that women and men need broad-based skills that can be adapted to rapidly changing economic requirements. Sound education and training programmes along with specific labour market policies can potentially offset the negative impacts of globalization, and at the same time, equip people with the knowledge and skills to take advantage of the emerging opportunities in domestic and international labour markets.

I thank all those involved in this study for their untiring efforts in supporting this process. I hope that its findings will help catalyse the formulation of a well-designed employment policy and strategy that will address, incisively, the critical employment challenges that the Maldives currently faces.

Donglin Li
Director,
ILO Country Office for Sri Lanka and the Maldives

Executive Summary

The Maldives has experienced a sharp increase in unemployment and discouragement in recent years, especially among youth and women. The situation calls for the designing of and implementing an employment policy and strategy that will link key labour market and employment challenges with specific interventions. This paper aims to inform this process by using secondary data to describe the situation of employment, unemployment and discouragement in the country and investigate the characteristics of labour market participants that are associated with these labour market outcomes.

The country's narrow resource base and small domestic market make openness to foreign trade and investment the 'natural' policy choice, and this strategy has paid off by expanding the economy and transforming it into a middle income country. Poverty has also declined and social indicators have improved. However, some serious weaknesses in the country's employment situation have persisted and even exacerbated in recent years. The Maldives is currently experiencing high rates of unemployment among locals, even while nearly half the total employed workforce is foreign. At the top end of the occupational distribution of employment, expatriate workers account for 44 per cent and 21 per cent of the professional and technician categories. At the bottom end of the occupational scale, expatriates account for 56 per cent of service workers, 61 per cent of craft-related occupations and 76 per cent of elementary occupations. Thus, while there are insufficient numbers of Maldivians with the necessary skills to secure the top-end jobs, lower skilled or unskilled Maldivians appear to be unwilling or unable to be employed at the lower end of the scale. In fact, economic growth between 2006 and 2010 appears to have generated more jobs for expatriates than for Maldivians and, in some sectors, expatriate employment seems to have grown at the expense of Maldivians.

Several reasons have been advanced to explain this mismatch. Weaknesses in the education system appear to account for the skills shortage at the higher end of the occupational scale. There are problems with access, especially for girls, and the low quality of teaching in many primary and secondary schools in the Atolls means that students do not have the skills required to continue to higher education. Facilities for higher education, particularly university education, and technical and vocational training, have also been limited. On the other hand, it has been suggested that the high take up of low skilled jobs by expatriates rather than Maldivians is because Maldivians have very high job expectations and are reluctant to take up what are perceived as low status jobs. Employers also complain that Maldivians lack work ethic. Nevertheless, it is also the case that in these occupational categories Maldivians do not face a level playing field as they have to compete for jobs against a readily available supply of expatriate workers whose relative wages probably do not reflect actual productivity differentials. Meanwhile, poor labour market outcomes in terms of jobs and earnings for women who do decide to participate, coupled with social norms that place the major burden for childcare and housework squarely on them, probably discourage others from following suit.

The econometric analysis in this paper further underlines the importance of education. It identifies educational attainment as the strongest and statistically most significant predictor of labour market outcomes, much more so for women than for men, and most for single young women. Thus, education appears to be a key determinant of the employability of individuals by increasing the likelihood of employment and decreasing the likelihood of unemployment and discouragement. Gender is the next most important, with females at least a third less likely to be employed than males. Age is also important, with the youngest age cohort being the most likely to be unemployed and discouraged. This could work in many ways. Young people may be lacking in both skills and experience, whereas what older people lack in terms of education, they may be making up for with skills. Younger people are also more likely to have family willing to support them if they are not employed, whereas as people get older the support networks recede, while new responsibilities compel them to earn not only their own keep, but also to support their families. But married

women and women heads of households with small children are both less likely to be employed and discouraged, with household work and child care probably leaving them with little time to engage in market work. The employment of male family members increases the probability of female employment, but the more educated the male head of a household is, the less likely it is that single young women members of the household are employed. Finally, although the probability of employment and unemployment for women is higher in Male', the capital city's diversified economy appears to offer more opportunities for employment. Women in particular, may be better able to afford not to work in Male', as men are less likely to be unemployed in Male' and discouragement levels for both men and women appear to be far lower in Male' than in the Atolls.

At least five priority areas for policies and interventions can be extracted from the findings of this paper: first, economic diversification through the promotion of second-tier growth centres; second, education and skills development; third, interventions targeting youth; fourth, managing the expatriate workforce; and, fifth, establishing a labour market information system and better monitoring and evaluation.

Economic diversification through the promotion of second-tier growth centres

The present analysis showed that Male' continues to offer the best chances of employment in the Maldives, with the concentration of business activities, markets, workers and people there. There are good economic reasons for this, as the New Economic Geography literature has shown (see Fujita *et al.* 1999). In the presence of high transportation costs and conditions favouring opportunities for economies of scale, imperfect competition and input-output linkages between firms, agglomeration forces will concentrate consumers, markets, firms, and workers in certain geographic locations. Industry clusters attract people and population clusters attract more businesses, stimulating further agglomeration and more jobs.

However, the rate of agglomeration will slow down, and with it, opportunities for further growth and the generation of employment, if dispersal forces arising from increased wages and rents set in. This is already occurring in Male' and will, inevitably, have a depressing effect on the rate of job creation in the city. Hence, the relevant policy issue here is to create other growth centres within the country that can attract businesses discouraged by Male's exceedingly high rentals and high wages. These alternative growth centres need to offer critical infrastructural advantages, such as sea and air ports, particularly as export-oriented economic diversification remains the 'natural' policy choice for the Maldives in its ocean-based environment. They must also be of sufficient size and resources to host a sizeable concentration of population, workers and businesses. At the same time, the country's relative isolation and constrained internal market dictates that the economy needs to produce goods and services that cater to a high income market, such as import substituting agricultural products aimed at the resort industry, or those that require little or no transport costs, such as IT-based service industries and education and training services. The latter can be targeted at regional markets in the Indian sub-continent and in West Asia, even while providing facilities for Maldivians. In this way, service providers can benefit from economies of scale while competition compels them to offer high quality services. Such industries can also help diversify the country's sources of foreign exchange earnings, and reduce its heavy dependence on the tourism sector to provide this.

Education and skills development

Efforts at economic diversification and job creation need to be combined with policy measures tailored to increase the employability of Maldivians, especially of young people, women, and those in the Atolls. As Rothboeck (2012) argues, there must be policy coherence and the establishment of linkages between economic growth, creation of quality employment and skills development: training alone never creates jobs.

The Maldives is no longer a low wage economy and can no longer compete in low skilled activities. It will need to accelerate its move into more service-orientated sectors which will need higher levels of skills. This can be

done by, first, upgrading the quality of general education and increasing access and graduation within the system; second, by providing opportunities for technical and vocational education; and third, by facilitating opportunities in training as professionals and technicians in the IT, the hospitality industry, and in accounting and financial management. We can identify three principles that can govern service provision. First, in all three sectors, private investment and collaboration needs to be aggressively sought. Secondly, service provision needs to be outwardly-oriented to be part of the country's economic diversification strategy, achieve economies of scale, ensure well-trained faculty, innovative teaching methods and high quality training inputs. Thirdly, the government needs to provide opportunities for those who cannot afford such training to do so by providing scholarships and encouraging its partners to also provide student bursaries as part of their corporate social responsibility (CSR).

A difficult fiscal situation constrains the government's capacity to directly provide the education and training services that the economy needs. Hence, private investment and partnerships need to be actively sought in all three areas of education and training. Government can provide incentives, such as land, for private education and training institutions to establish campuses in combination with other services. Such measures can also dovetail into interventions targeted at creating second-tier growth centres. Likewise, it has been suggested that local and foreign partnerships in medical education and studies that are linked with the establishment of hospitals on Atolls, can provide health tourism services (World Bank 2011). Alternatively, private providers of hospital and medical services and owners of resorts can be encouraged to set-up training institutes or collaborate in the training of medical personnel and resort staff. Some resorts have already begun the process of backward integration. For example, the resort company *Four Seasons* has been providing apprenticeships and training in housekeeping, cooking, front office, electrical works and marine mechanics for the last twelve years and is now an important partner in the STEP (Skills Training and Employment Programme) Programme initiated by the tourism industry and the Government of the Maldives. Likewise, the HUNARU programme which funded short course training until 2012, if expanded, can attract more private providers into the TVET space. Its emphasis on linkages with industry, strong workplace exposure, career guidance and after training support services are particularly appropriate for the current context (Rothboeck 2012).

Partnerships and joint ventures with international providers of education need to be sought for yet another reason. Private providers have the resources, experience and flexibility to provide high quality training using the most up to date teaching methods, none of which factors characterize government's service provision. Innovative teaching methods can exploit information technology to provide high quality training inputs by teachers and academics, who may even be based in good schools and universities abroad. Technology has transformed the way people learn in the best education institutes all over the world. State-of-the-art teaching methods, such as team-based learning prepare students to become responsible for their own learning, think outside the box, be analytical, innovative and creative, engage constructively with peers and develop their inter-personal skills. Such skills are essential in a service-oriented economy. But in order to ensure access to these learning opportunities to those who cannot afford them, the government needs to fund scholarships and encourage private partners to also provide scholarships as part of their corporate social responsibility.

Interventions targeting youth

Young people face a difficult job situation in the Maldives. In the first place, the education system is too weak to ensure the graduation of the majority through the system into higher education. In the second place, curricula are out-dated, and teaching methods are based on a system where teaching is about imparting information and learning is about memorizing it. Students are not stimulated to analyse, process and synthesise information that is readily available in the print and electronic media. Handicapped by these human capital deficiencies, young people have no information about the kinds of jobs that are available in the market or how to acquire the training needed to get them. They also face a difficult social environment: low skilled jobs are taken up by expatriate workers and neither they nor their families can face the humiliation of having

to resort to such jobs. There are not enough of the kinds of jobs that they would like to have, especially in the Atolls. Even if there were enough jobs, they would not know where they were, how to begin to look for them, whether they have the skills required, or where they can get the experience that employers demand. At the same time, the advent of addictive and distractive electronic devices and the social media have driven a wedge between themselves and the society they actually live in, increasing their sense of disconnection, and, along with parental indulgence, making them lose sight of the reality of having to earn their living. Furthermore, since this is a society-wide phenomenon and young people, more than any other group, are influenced by peers, unemployment or discouragement, rather than employment, have become the social norm. Inspiring role models are hard to find.

While economic diversification is required to generate more jobs and reforms in education and skills development can intellectually stimulate young people and inculcate job-oriented skills, there are many other interventions that need to be implemented to enhance the employability of youth. For instance, education reform needs to go hand in hand with career guidance and counselling in the schools itself, so that young people are guided on to training and career paths, depending on their aptitudes and abilities. Parents' participation and buy-in also needs to be sought. For example, in her assessment of Maldives TVET sector, Rothboeck (2012) recommends the revival and re-definition of the mandate of the Youth and Services Centre in Male' and job centres in Baa, Dhaal, Lhaviyani and Laamu Atolls to provide the necessary services. Career guidance measures need to go hand-in-hand with expanded apprenticeships and internships at workplaces that will push young people towards the world of work, give them some work experience, help them decide what sort of job or sector that they would like to eventually work in, and motivate them to get the training required to get such jobs. Such measures can be part of private companies' CSR, and even now, several tourist resorts have begun to engage with potential employees in this way. Likewise, programmes for volunteer work during school vacations, in health facilities, in environmental protection or social work, can help broaden young people's real-world horizons and encourage their re-engagement with their physical environment.

Managing the expatriate workforce

Expatriate workers have played a critical role in the Maldives' progress towards middle income status and the country will continue to need the skills of expatriate workers in the near future. However, as Castley (2005) cogently argues, there is a serious danger of purchasing the skills and services of others, rather than learning to do things themselves, and as we have seen in the preceding analysis, this tendency appears to have become more pronounced in recent years, increasingly placing the country's own citizens at a disadvantage.

Since the country has few natural resources, its people are its main asset and the Maldives' future will ultimately depend on the quality of its own labour force, not that of foreigners. While the government has thus far adopted a flexible, 'open-door' approach towards expatriate labour, other countries that have adopted such an approach have experienced long-term social problems (Castley 2005). Therefore, both supply-side and demand-side measures should be adopted to manage the expatriate workforce in such a way that the country is benefited, the dignity of work protected, and the Maldives' own workforce and society are not undermined.

On the supply-side, the emphasis should be on localization, particularly by equipping locals with the middle-level skills to work as accountant assistants, nurses, sales personnel, technicians, craft and service workers, jobs which are currently taken by foreigners. In this regard, restrictions on the hiring of expatriates will encourage the training of locals, as is already happening in the tourist industry.

At the same time, there are good reasons to control the ready availability of cheap foreign labour. For example, Castley (2005) suggests that restricting the supply of migrant labour is likely to raise the wages of

unskilled Maldivians working in these occupation categories, whose income has been suppressed by the extensive use of expatriate workers. This would require in the first place, the elimination of opportunities for human trafficking by implementing the measures already recommended by the Maldives' Human Rights Commission (Human Rights Commission of the Maldives 2009), and by processing and regularizing the sizable army of illegal foreign workers which is already at large. A critical policy measure in this regard is to reduce the cost of processing visas for such workers and to increase the incentives to do so, by decentralizing these procedures to the Atolls. Decisions about the deployment or re-patriation of migrant workers can be taken once an accurate register of their numbers and abilities is established. Secondly, institutional reforms that would maintain decent work standards across the board and thereby eliminate cost differentials between Maldivian and expatriate workers that are not related to productivity differentials are urgently needed. While the Employment Act provides for the establishment of minimum wages, maximum hours of work, overtime, annual and sick leave, maternity leave and work place safety, and regulations under the Act cover various aspects of expatriate employment, monitoring and enforcement of the Act is weak. This is mainly due to the lack of capacity for monitoring and enforcement. Therefore, in order to help eliminate current labour market distortions which favour migrant workers to the detriment of Maldivian workers, policy needs to concentrate on monitoring and enforcing the provisions and regulations of the Employment Act.

Labour Market Information System (LMIS) and better monitoring and evaluation

While existing the labour market information system is almost entirely geared towards the recruitment and placement of expatriate workers, it is necessary to establish employment exchange services for employers and employees, and provide job seekers with employment advice, in order to facilitate the employment of Maldivians (Rothboeck 2012). An internet-based job agency for Maldivians established with the support of employers can help match demand with supply, but these efforts need to be matched with services targeted and providing employment advice and help with writing resumes and preparing and facing job interviews.

Better monitoring and evaluation of labour market policies will be greatly assisted by the collection, analysis and dissemination of labour market data. The Maldives currently has two sources of labour market data, the Population Census and the Household Income and Expenditure Survey. Each has its strengths and weaknesses. The Census, naturally, has the best coverage but is not as frequent as the HIES, which also has information about household income and expenditure. However, neither provides information that enables the identification of informal employment according to internationally acceptable definitions. Information about the duration of unemployment and job search is also unavailable. A couple of questions about individuals' subjective well-being and job satisfaction in the HIES would be useful, as would information about how employed persons found their jobs. Most importantly, both the Census and the HIES need to cover expatriate workers to enable comparative analysis about the welfare of expatriate workers and their employability, relative to Maldivians. At the moment, neither collects any information about this critically important population sub-group. A registration system for expatriate workers can provide administrative data that can be used to complement the survey data to enable further labour market analyses of the jobs available in the economy and how the competencies of Maldivian workers need to be enhanced to claim them.

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Introduction

Although a small-island state with less than 350,000 inhabitants, Maldives faces multi-faceted and complex labour market challenges. Many of these problems derive from the propulsion of the country from a quiet fishing economy to a modern economy within the space of a generation (Castley 2005). Key demand and supply-side issues include high youth unemployment and inactivity, skills mismatch, heavy reliance on expatriate labour, and ultimately, a lack of economic diversification and decentralization. The Ministry of Human Resources, Youth and Sports of the Republic of the Maldives with technical assistance from the ILO, has begun to develop an employment policy and strategy for the country that will link key labour market and employment challenges with specific interventions. This situation analysis aims to both inform and motivate the process of formulating the strategy.

The analysis in this paper is based on first, a review of the existing policy and academic literature; second, on a quantitative analysis based on secondary data; and third, on qualitative data obtained from several discussions with stakeholders. Among the latter were two focus group discussions with youth in Male' and Gan (Addu Atoll), a focus group discussion with entrepreneurs in Gan, and bi-lateral discussions with stakeholders in the Government of the Maldives in Male' and with local government officials in Gan. The quantitative analysis looks at the responsiveness of industrial sector-wise employment to sector-wise economic growth, and identifies the characteristics that are associated with individuals of working age being employed, unemployed, or discouraged. The first of these, based on an analysis of growth-employment elasticities, uses published secondary data from the *Statistical YearBook Maldives* (Department of National Planning various years) and the final report of the Household Income and Expenditure Survey of 2009/10 (Department of National Planning 2012a). The econometric analysis of the factors associated with the probability of employment, unemployment and discouragement uses unit-level data from the Population Census of 2006.

The paper is organized as follows. Section 2 introduces the structural features of Maldives' economy that condition outcomes in its labour market. Section 3 provides an overview of the labour market and sets out the results of the analysis of growth-employment elasticities. Section 4 sets out the results of the probability analysis. Section 5 summarizes the findings and concludes by highlighting the issues that need to be addressed in the employment policy and strategy.

Background

The Republic of the Maldives is characterized by isolation, smallness and a narrow resource base. Scope for employment has been largely limited to fisheries, shipping, marine-based tourism and allied activities. The country has a limited land mass of 26 coral Atolls, consisting of 1190 low lying islands, which account for less than one per cent of the country's sovereign territory of 90,000 km². The coral Atolls support subsistence agriculture, mainly in native crops, such as coconuts, yam and fruits. The country also lacks mineral and oil reserves, which is yet another characteristic of its narrow resource base.

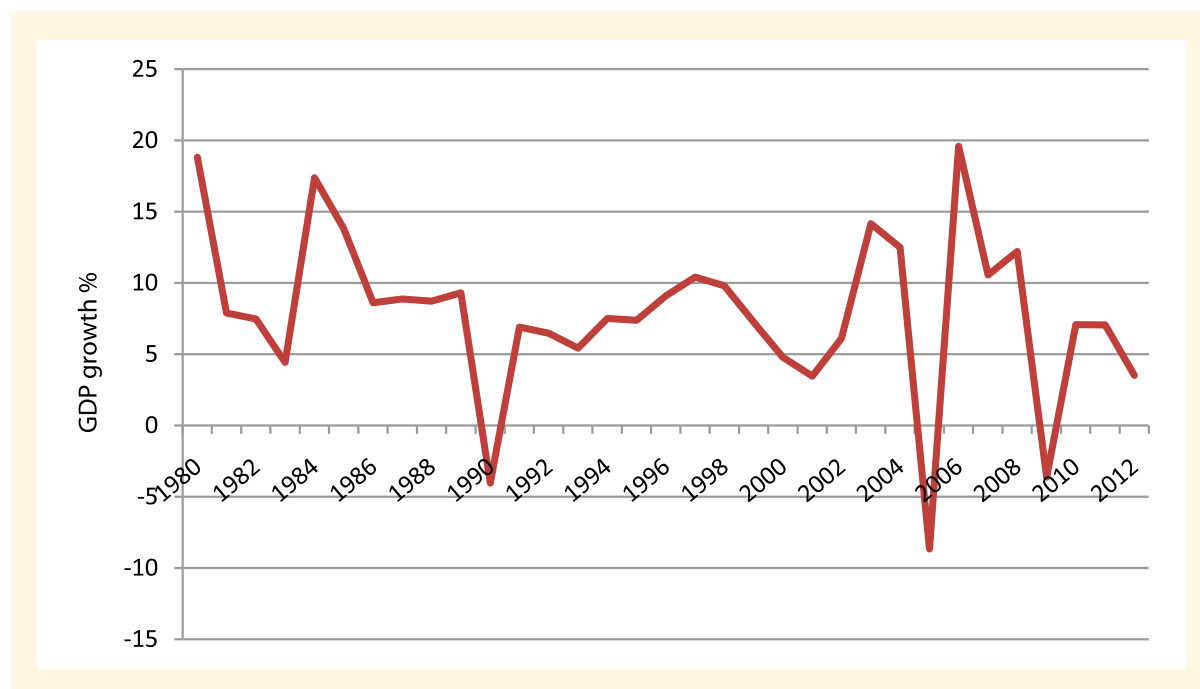
Located at a distance of 482 km from the populous landmass of the Indian subcontinent, the Maldives can access global markets only at considerable transportation costs. At the same time, the country's internal market is also constrained by high transport costs and a total population of roughly 320,000 Maldivians plus 100,000 expatriates scattered over 200 islands. Only 2 per cent of these islands have a population of more than 500. Meanwhile, roughly 100,000 people live in the capital of city of Male', making it one of the most densely populated cities in the world (Rothboeck 2012). On the other hand, it costs nearly as much to transport raw materials from Male' to Gan in southern Addu Atoll, as it does to transport the material from Thailand to Male'.

Notwithstanding these constraints, the economy expanded rapidly from the mid-1980s onwards, averaging 8 per cent per year in the decade preceding the tsunami of December 2004 (see Figure 1). Foreign direct investment (FDI), mostly in tourism, fisheries and the garment industry, played an important role in the Maldives' economic expansion (Athukorala 2004). Growth was accompanied by low inflation, a rapid decline in unemployment and marked improvement in social development indicators, ranking the Maldives as a medium human development country by 2000 and a middle-income country by 2011. Per capita income in the Maldives has been higher than anywhere else in South Asia during the last three decades. According to World Bank data, life expectancy at birth for males in 2011 was 75 years and for females it was 78 years. Infant mortality had declined from 37 per 1000 in 2000 to 14 in 2010. Poverty has also declined over the decade: extreme poverty of 1.25 USD/day reduced from 12 per cent to 8 per cent between 2003 and 2010, while 2 USD/day poverty reduced from 39 per cent to 27 per cent (Department of National Planning 2012a). Nevertheless, the decline in poverty appears to have been driven by improvements in the Atolls, rather than in the capital city of Male'. In Male', poverty appears to have actually increased between 2003 and 2009/10. But these figures need to be treated with caution as the consumption expenditure data on which they have been based have not been adjusted for spatial differences in prices, which are likely to be significant in a territory that is as widely dispersed as the Maldives.

The catastrophic 2004 tsunami disrupted Maldives' favourable economic growth trajectory by displacing thousands and destroying housing and infrastructure. It also had a devastating effect on tourism and fisheries, key sectors of the economy. International tourist arrivals fell off by 36 per cent following the tsunami (Shareef & McAleer 2008) and together with the reduction in fish exports, precipitated a balance of payments

crisis, which was eased with a USD 79.3 million IMF standby agreement (Rothboeck 2012). The tourism industry recovered fairly soon to pre-tsunami capacity utilization rates (Shareef & McAleer 2008). But the global economic downturn that followed in 2008 caused the economy to contract by 6.5 per cent in 2009, rebounding to grow by 10 per cent in 2010 with the recovery in tourism and post-tsunami reconstruction but slipping to 6.2 per cent in 2012 (Department of National Planning various years).

Figure 1: GDP growth rates, Maldives 1980-2012



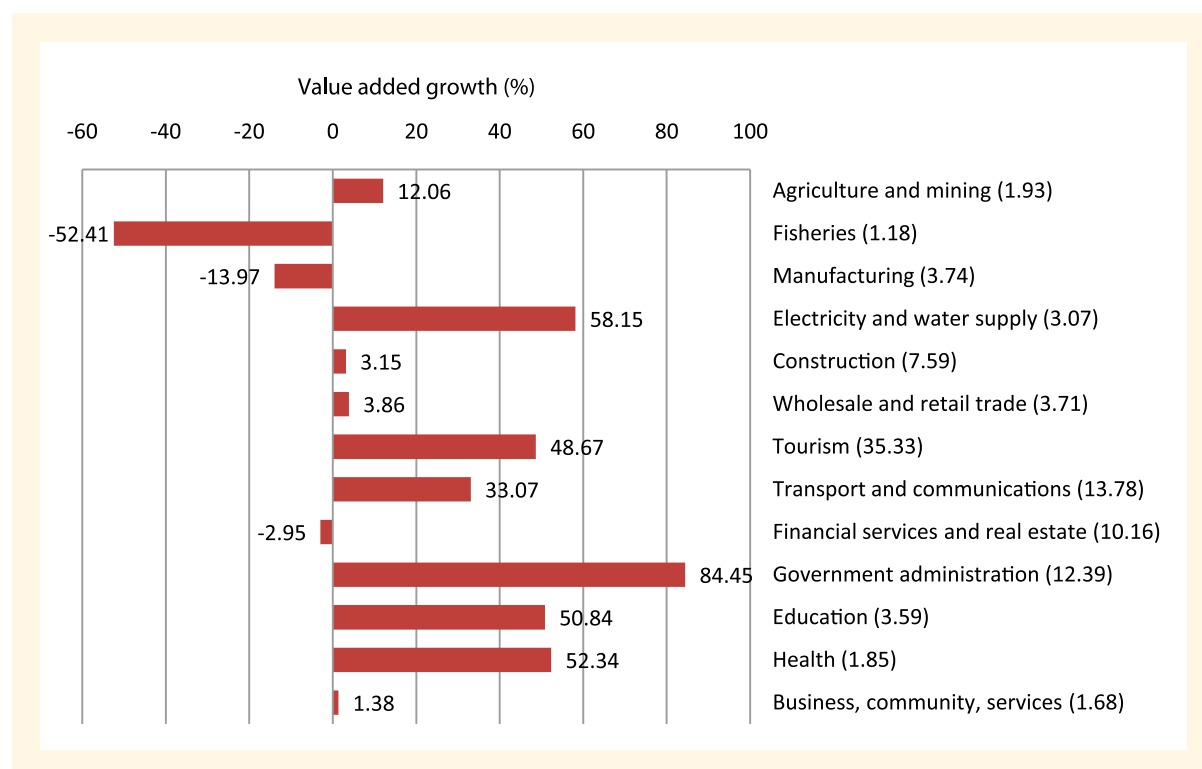
Source: IMF Data and Statistics, <http://www.imf.org/external/data.htm>, accessed 29 April 2013.

Although fishing used to be the traditional mainstay of the Maldivian economy, tourism has emerged over the last two decades to claim this place. From the mid-1980s to 2001/2, fishing's contribution to GDP declined precipitously from 30 per cent of GDP to 6 per cent (Athukorala 2004), and then further to 1.2 per cent in 2010. The change in the sharing system that accompanied mechanization, and the resulting drop in catch available to fishermen as distinct from boat owners, appears to have encouraged younger people to move away from fishing, some to construction and others to tourism (Sathiendrakumar & Tisdell 1986). Tourism's share in GDP has grown from about 13 per cent in 1984 to 35 per cent in 2010 (Sathiendrakumar & Tisdell 1989; Department of National Planning various years). As a result of the contribution of the tourism sector, trade in services as a percentage of GDP stood at 123 per cent in 2011 (World Bank 2009/10). The Maldivian tourist industry is unique, as it is based on the *one-island, one-resort* concept making it one of the most popular holiday destinations in the world for travelers from the high-income end of the spectrum (Shareef & McAleer 2008). The *one-island, one-resort* model has also enabled the country to insulate its traditional Islamic culture from the impact of tourism. Athukorala (2004) notes that the industry also has substantial linkages to other sectors such as construction, transportation, telecommunication and distribution which, together, accounts for over 50 per cent of GDP.

More recently, the contribution to GDP of government administration has grown the most, followed by electricity and water supply, health, education, tourism and transport and communications. In contrast, the fisheries sector contracted by 52 per cent, the manufacturing sector by 14 per cent and financial services and real estate by 3 per cent. This is evident in Figure 2 which plots value added growth by industry between 2006

and 2010. The figures in brackets on the vertical axis indicate the share of each industry in total value added in 2010, while the bars indicate the industry's share of total value added growth in the Maldives over the period. While the growth in manufacturing from about 6 per cent of GDP in 1990 to 9 per cent in 2001/2 came about as a result of foreign investors exploiting 'quota rents' arising from import restrictions under the Multifibre Arrangements (MFA) (Athukorala 2004), the phasing out of the MFA from 2005 onwards saw manufacturing's share in GDP slip to nearly 4 per cent by 2011. Fish preparation accounted for nearly half the total share of manufacturing in GDP.

Figure 2: Value added growth by industry 2006-2010



Source: Department of National Planning (various years) *Statistical YearBook Maldives*.

Note: The figures in brackets on the left hand axis indicate the share of each industry in total value added in 2010.

Like other small economies, the Maldivian economy is heavily dependent on external trade. Marine products including frozen fish, fresh or chilled tuna, dried fish and canned fish comprised 97 per cent of the value of total exports in 2011. Imports of fossil fuels consumed a quarter of the import bill, machinery and equipment accounted for a fifth, while animal and vegetable products and prepared foodstuffs accounted for another fifth (Department of National Planning 2012b). Consequently, trade as a percentage of GDP stood at 198 per cent in 2010 (World Bank 2009/10), making the country highly vulnerable to exogenous shocks and very sensitive to developments in the global trading environment.

The revenue structure of the Government of the Maldives resembles those of other microstates, with taxes on foreign trade (including tourism) being the predominant source of government revenue (Athukorala 2004). Given the narrow domestic tax base, rapid expansion in government development expenditure, subsidies and civil service salaries in recent years has resulted in an unsustainably high fiscal deficit running at 22 per cent of GDP in 2009 but reducing to 10 per cent in 2011. While deficits have been historically financed through recourse to foreign concessionary borrowing, the Maldives could no longer access many of these

sources after it became a middle income country in 2011. Since the exchange rate is referenced to the US dollar, dollar appreciation against major currencies provides some relief from high international prices, thereby moderating inflation (Masha & Park 2012). Besides, maintaining the national currency in virtual fixed parity against the US dollar has enabled the economy to largely avert the impact of an increase in money supply caused by government borrowing, on domestic inflation (Athukorala 2004).

Given the Maldives' narrow resource base and small domestic market, openness to foreign trade and investment remains the 'natural' policy choice (Athukorala 2004). Factoring in high transportation costs both within the country and between the republic and the rest of the world, any efforts at export-oriented economic diversification need to produce goods and services that cater to a high income market or those that require little or no transport costs, such as IT-based service industries. There may also be opportunities to develop service industries allied to the resort industry, such as hotel schools, which can train students from the region. It may also be possible to apply the *one-island, one-resort* concept for the setting up of other educational and training institutions such as girls' colleges and finishing schools that train girls from affluent but conservative families in the country itself, but also from the Middle East and the Indian subcontinent. Import substitution in some sectors can also help diversify the economy and provide opportunities for employment generation. For example, it has been suggested that the Maldives reduces its overwhelming dependence on petroleum imports for power generation by harnessing available renewable sources such as solar and wind (van Alphen *et al.* 2007). The tourist sector is currently entirely dependent on imported goods and products but it has been suggested that enhancing the visitor experience through gastronomic tourism based on authentic Maldivian cuisine could create backward production linkages and lead to the greater engagement of local communities (Hussain *et al.* 2012). Some resorts have already introduced 'Maldivian nights' during which visitors are ferried to neighbouring islands for authentic Maldivian food and music. Reintroducing sustainable and organic agriculture, and poultry and livestock production and fisheries, can build supply chains and market linkages with the hotel industry and local markets (Rothboeck 2012). These measures can also strengthen the competitiveness of resort tourism in a market where increasing numbers of tourists are looking for alternate and novel tourism experiences.

The Maldives' growth process has been highly asymmetrical and policy makers are challenged to bring about more equitable growth and opportunities between the capital city Male' and the Atolls. Given high transportation costs between Male' and the Atolls, agglomeration forces have naturally concentrated economic activities, opportunities, people and markets in the capital city. To bring about more equitable growth, Behzad(2011) argues for the development process to be clearly biased towards atolls and islands in the future. However, more inclusive growth may be more successfully achieved by a two pronged strategy: first, developing second tier growth centres and, second, by removing the constraints including the lack of skills that are currently placing the local population at a disadvantage in the labour market. Opportunities for economic diversification through the development of suburbs such as Huhlumale outside the capital city can offer lower rentals, and being close to Male' can benefit from the agglomeration externalities present there. Addu Atoll, the second-most densely populated atoll in the Maldives with its airport and port may also offer opportunities for business growth, concentration of population and the achievement of economies of scale, in the south of the country's oceanic territory.

Since the Maldives has few natural resources, its people are its main asset. The sustainability of the country's long-term development will depend on a well-trained workforce and the steady absorption of school-leavers into that workforce (Castley 2005).

Overview of the Labour Market

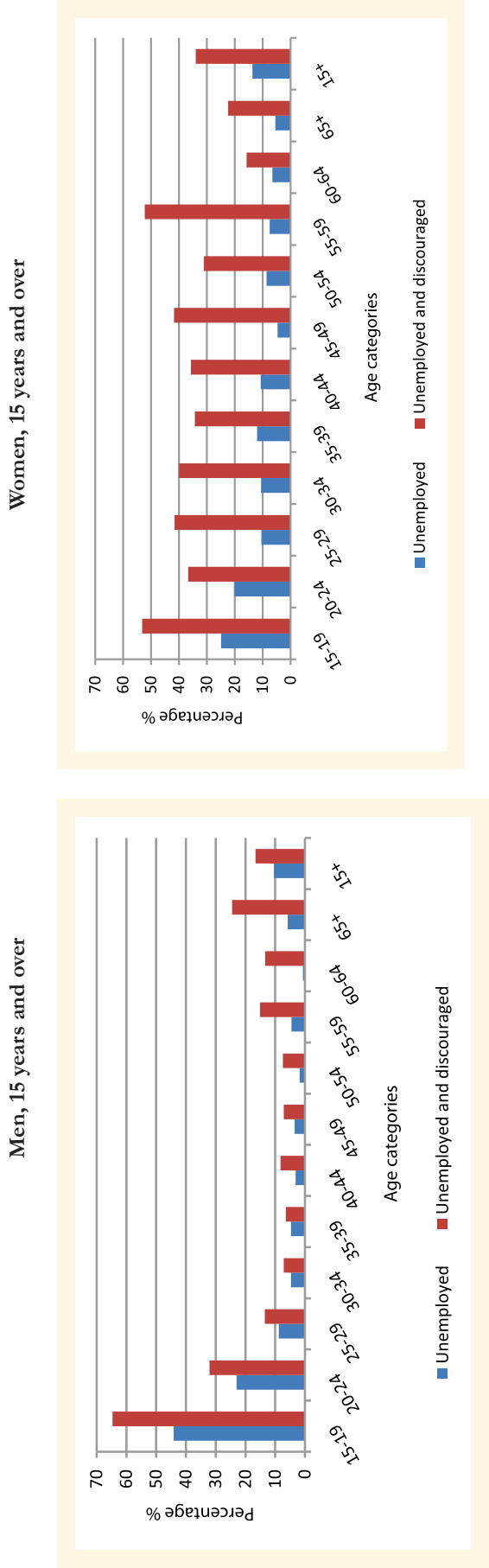
3.1 Unemployment and discouragement

There appears to have been an alarming rise in unemployment in the Maldives in recent years, particularly among young people. Unemployment levels among women is at least a third higher than among men and unemployment rates in the Atolls has increased relative to unemployment in Male. Discouragement appears widespread among women and young people (see Figure 3).

In 2009/10, out of a population of 213,872 Maldivians who were at least 15 years of age 68 per cent of men and 38 per cent of women above 15 years of age participated in the labour market. But unemployment rates doubled from 5 per cent in 2006 to 11.7 per cent amounting to 13,033 Maldivians in 2009/10, more so in the Atolls than in Male'. For example, while the unemployment rate in the Atolls was 4.7 per cent in 2006 as opposed to 5.4 per cent in Male', by 2009/10, unemployment rates were higher in the Atolls (13.3 per cent) than in the capital city (9.2 per cent) (Department of National Planning 2012a). Most disturbing is the rise in youth unemployment rates within a matter of four years: in 2006, 13 per cent of young labour force participants between 15 and 19 years of age, and 7.2 per cent of participants between 20 and 24 years of age were unemployed. By 2009/10, these figures had jumped to 35 per cent and 26 per cent. But high unemployment at home has not given rise to overseas migration in search of jobs. The incidence of unemployment among women is about 30 per cent higher than among men (13.7 per cent compared with 10.4 per cent in 2009/10) and this difference has persisted since at least 2006.

If the definition of unemployment is expanded to include discouraged workers, then it appears that the unemployment rate increased from 15.7 per cent in 2006 to 23.7 per cent or 38,493 individuals in 2009/10. These are individuals of working age who are not in education, retired or doing household or care activities, but who have not sought employment during the last two weeks because they have been unable to find suitable work, or because opportunities are lacking. As Figure 3 shows, discouragement appears more widespread among women than among men: in 2009/10, 34 per cent of women and 16.6 per cent of men were unemployed according to this broader definition. Discouragement appears particularly acute among the 15-24 age cohort (Department of National Planning 2012a). This is most notable for men, while women of all ages up to 59 have a high rate of discouragement.

Figure 3: Unemployment and discouragement among Maldivians, 2009/10

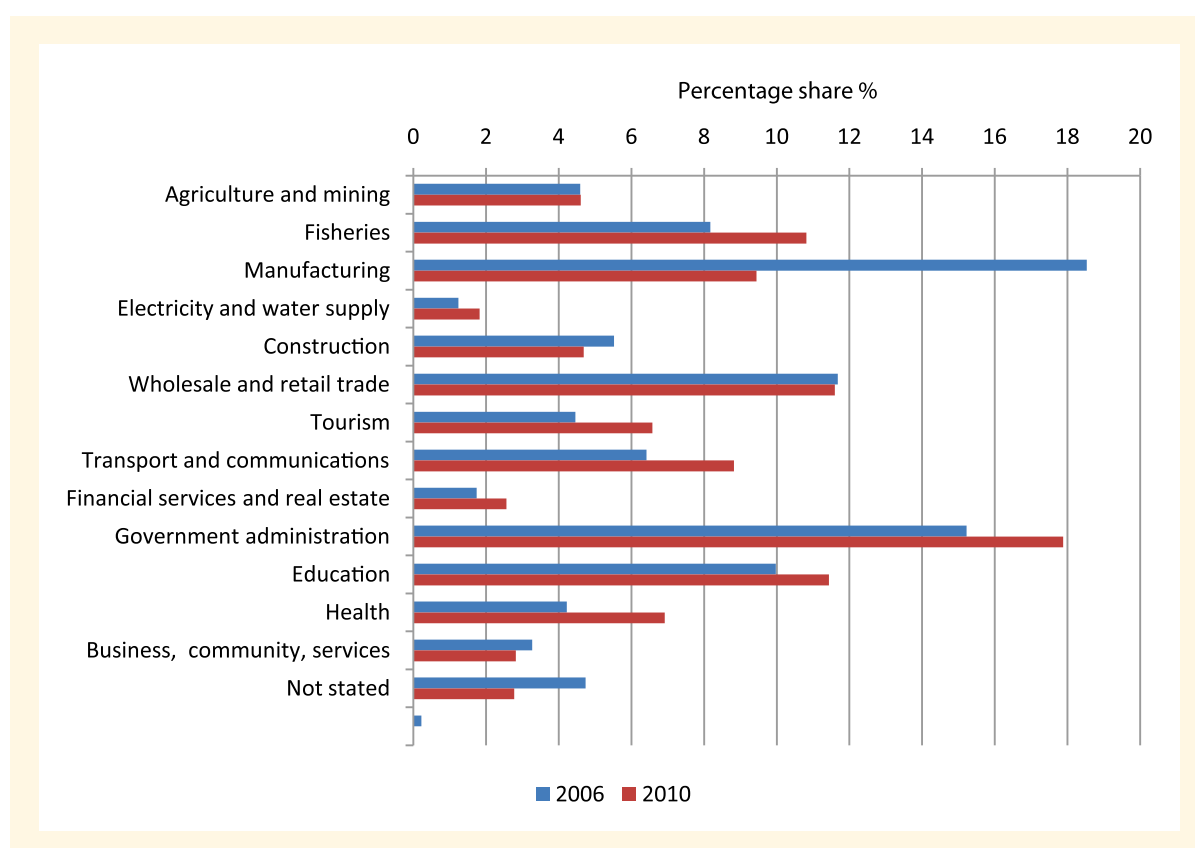


Source: Department of National Planning (2012a) *Household Income and Expenditure Survey Findings*. The statistics for both years are likely to be biased downwards as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

3.2 Employment structure

In 2009/10, a total of 93,445 Maldivians were employed. Women made up 39 per cent of this workforce. Most employed Maldivians worked in government, wholesale and retail trade, fisheries, manufacturing and education. But as Figure 4 shows, there is some evidence of a sectoral shift in employment between 2006 and 2009/10. Manufacturing's share in employment has halved from a high of 18 per cent in 2006 as the sector itself contracted, but employment in government has risen from 15 per cent to 18 per cent, making it the largest sector employer in 2009/10. In fact, other than in trade, the employment shares in most service sector industries have grown.

Figure 4: Industrial sector-wise distribution of employed Maldivians, 2006 and 2009/10



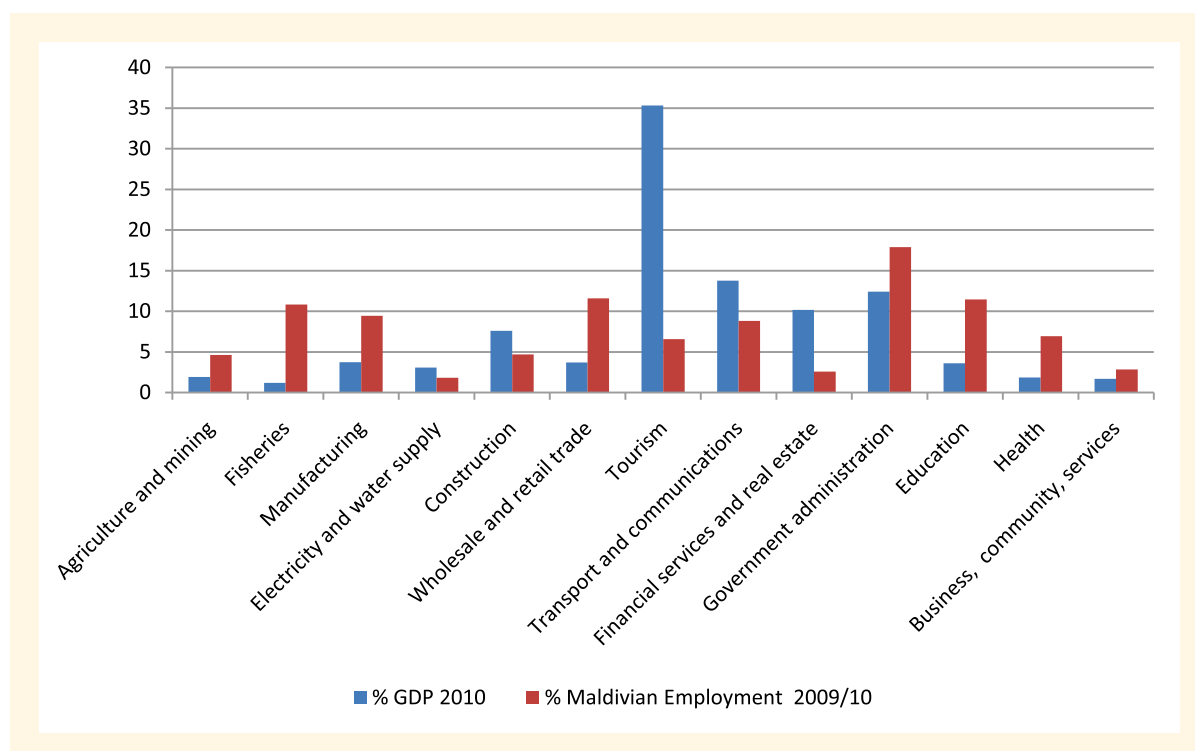
Source: Department of National Planning (2012a) *Household Income and Expenditure Survey Findings*. The statistics for both years are likely to be biased downwards as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

Although the tourism sector contributes the most to GDP and its employment share has grown during the period, tourism itself employs only a little more than 6 per cent of the employed Maldivian workforce (Figure 5). By and large, the sectors that contribute smaller shares to GDP account for the larger shares of employment.

More informative is a comparison of the sectoral employment shares of Maldivians and expatriate workers as in Figure 6 which shows that expatriates dominate in a few key sectors. Although neither the Population Census nor the HIES covers non-Maldivian nationals, the *Statistical YearBooks* published by the Department of National Planning publishes administrative data on expatriate workers from the Ministry of Human

Resources, Youth and Sports. Accordingly, in 2006 there were 53,901 expatriate workers in the Republic, compared with 98,941 employed Maldivians. By 2009/10, this figure had risen to 73,840, while the number of employed Maldivians had dipped to 95,085. But there is general agreement that these figures under-report the actual numbers of expatriate workers. Chaotic immigration and registration systems coupled with weak law enforcement and monitoring has meant that even the authorities are unclear about how many foreign workers are in the Maldives and how many of them are illegal migrants (Human Rights Commission of the Maldives 2009; Ministry of Foreign Affairs 2010). On the basis of a police investigation into labour trafficking in the Maldives, Robinson (2011) estimated that one third of the expatriate workers in the Maldives are illegal immigrants.

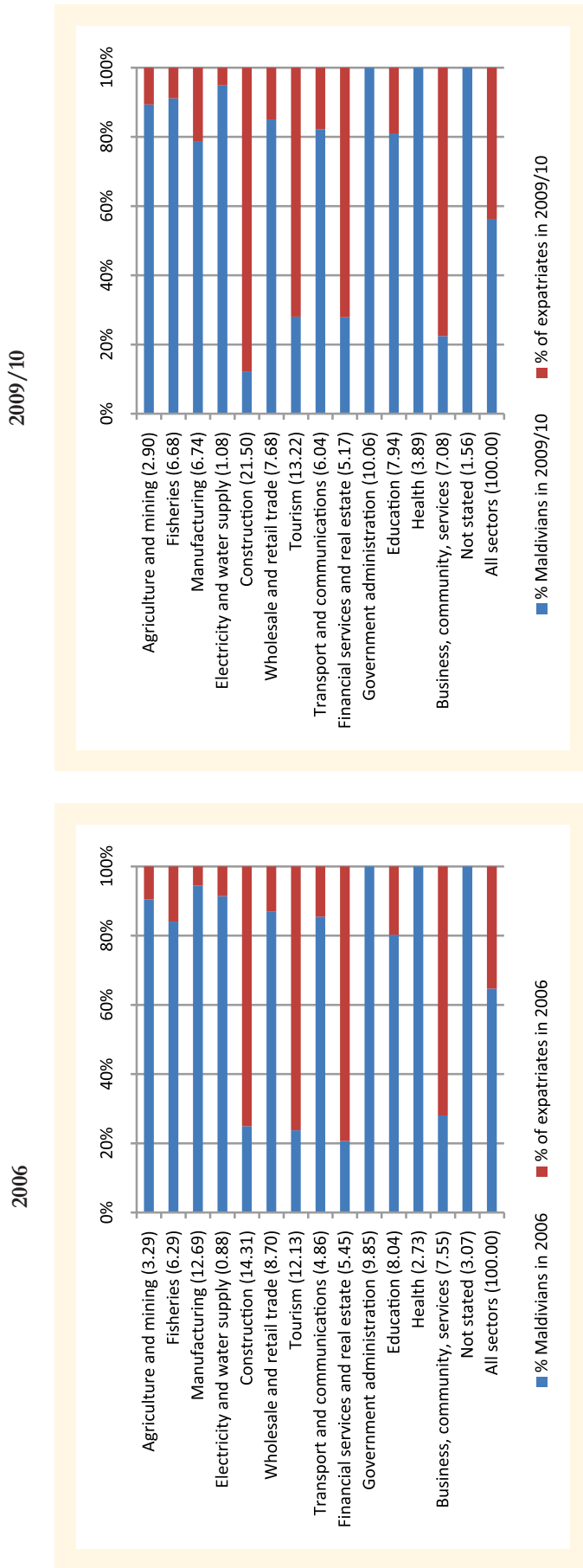
Figure 5: Industrial sector-wise contribution to GDP and employment of Maldivians in 2010



Source: Data for the employment of Maldivians have been sourced from the Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. The statistics for both years are likely to be biased downwards, as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

Figure 6 plots the relative employment shares of Maldivian and expatriate workers in each industry between 2006 and 2010. The figures in brackets on the vertical axis indicate the share of each industry in total employment in 2010. It is evident that that expatriates comprise the overwhelming majority (more than 60 per cent of all employed in the sector) in three sectors: construction, tourism, financial and business services and real estate and account for a half of employment in community and social services. Further, in some key sectors, expatriate workers appear to be displacing Maldivians. For example, while total employment in manufacturing has contracted, Maldivians made up 79 per cent of the manufacturing labour force in 2009/10, a significant fall from 95 per cent in 2006.

Figure 6: Sector-wise employment shares of Maldivians and expatriate workers 2006 and 2009/10



Source: Data for expatriate employment have been taken from Department of National Planning's (various years) *Statistical YearBook Maldives*. Data for the employment of Maldivians have been sourced from the Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. The statistics for expatriate employment for 2006 and 2010 are likely to be biased downwards, due to the presence of illegal immigrants. Statistics for the employment of Maldivians in both years are likely to be also biased downwards, as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

On the other hand, jobs in some growing sectors are being taken up by expatriates rather than by Maldivians. For example, while jobs in construction grew by 66 per cent over the period, the share of Maldivians halved from 25 per cent to 12 per cent, the total number of Maldivians employed in the sector dropping by roughly 1000 to 4459. In contrast, the share of Maldivians in the tourism sector increased from 24 per cent to 28 per cent between the two years and in the financial, business and real estate sectors from 21 per cent to 28 per cent. Maldivians also appear to have held on to the greater shares of employment in agriculture, wholesale and retail trade, education, and of course, in government administration.

The performance of the fishing industry is interesting; while the sector's share in to GDP has shrunk over the years, it accounted for 11 per cent of total employment in 2006, up from 8 per cent in 2006. And about 2000 more Maldivians worked in the sector in 2009/10 than in 2006 while the number of expatriates in the sector declined. Discussions with stakeholders suggest that high returns in the sector are encouraging some young people to engage in it.

We investigate this issue in greater detail in the next subsection by looking at the way the employment of Maldivians and expatriates has changed in response to changes in industry-wise growth rates between 2006 and 2009/10.

3.3 Growth employment elasticities

Between 2006 and 2010, the Maldivian economy grew by nearly a third, generating a 10 per cent increase in total employment. In this section we look at the employment elasticity of growth, that is, the percentage change in employment in each industrial sector, resulting from a percentage change of economic output in the sector. This is the most basic definition of employment elasticity and is referred to as the *arc* elasticity of employment. Although it has been demonstrated that year-over-year employment elasticities calculated using this method may not be appropriate for comparative purposes as they tend to exhibit a great degree of instability (Islam & Nazara 2000; Islam 2004; Kapsos 2005), the method is adequate for our purpose here as we have data on employment only for two years, and therefore, no basis for further comparison.

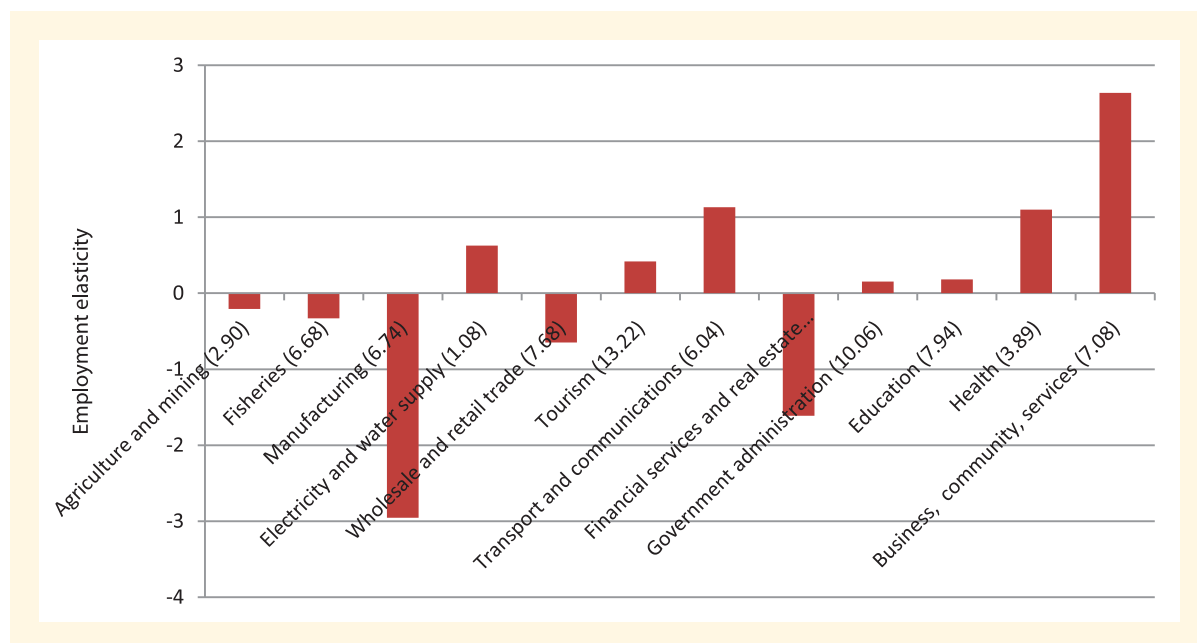
We calculate growth employment elasticities to evaluate each sector's capacity to generate employment through growth with a view to informing sectoral policies to enhance employment generation. We also look at the employment elasticity of growth of each sector in relation to Maldivians and expatriates in order to assess each sector's capacity to generate jobs that can provide employment for the growing number of unemployed and discouraged Maldivians.

Figure 7 plots growth employment elasticities for all industrial sectors other than construction. Total employment figures used to calculate the employment elasticities include both Maldivians and expatriate workers. Employment elasticity for the construction sector does not appear on the graph: since this amounts to 21, including it in the graph scales down the elasticities of the other sectors, making their differences hard to see.

Apart from the construction sector, which accounts for a fifth of total employment in the economy, the sectors that posted relatively high returns in terms of employment generation for the growth generated were community and social services, transport and telecommunications and tourism. Even though the financial, business services and real estate sector contracted, employment grew, hence although technically the resulting elasticity is negative, we show it as a positive number here. The manufacturing sector contracted in terms of both GDP and employment. So although technically it posted a positive elasticity of employment, in the graph we depict it as negative because of the negative implications for job creation. Among all these industries, tourism, community and social services and transport and telecommunications, appear to hold the

most potential for absolute job creation by the private sector as they account for larger proportions of total employed, and also post relatively higher elasticity rates.

Figure 7: Growth employment elasticities by industrial sector 2006 and 2009/10

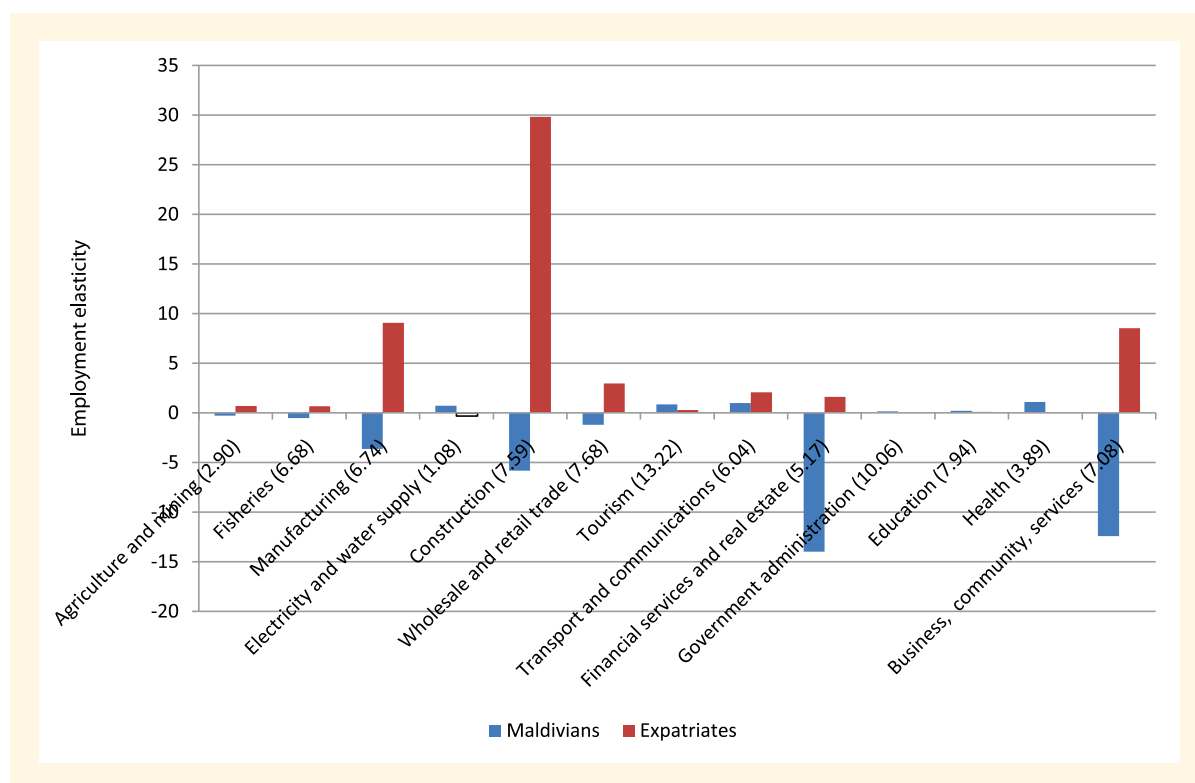


Source: Data for sectoral GDP at constant prices and expatriate employment have been taken from Department of National Planning's (various years) *Statistical YearBook Maldives*. Data for the employment of Maldivians have been sourced from the Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. The statistics for expatriate employment for 2006 and 2010 are likely to be biased downwards due to the presence of illegal immigrants. Statistics for the employment of Maldivians in both years is likely to be also biased downwards, as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

Note: Figures in brackets on the horizontal axis denote each sector's share in total employment.

Calculating growth employment elasticities by industrial sector separately for Maldivians and expatriates yields more interesting insights. Figure 8 plots the elasticities based on the statistics presented in Table 1. Figures in brackets on the horizontal axis denote each sector's share in total employment. We exclude the financial and business services and real estate sector because while accounting for 5 per cent of total employment in 2010, it posted an elasticity of 75 per cent for Maldivians. So if we were to include this figure in the graph, it would scale down the elasticities of the other sectors, making their differences hard to see.

Figure 8: Growth employment elasticities for Maldivians and expatriate workers by industrial sector, 2006 and 2009/10



Source and notes: As for Figure 7.

The figure shows that Maldivians and expatriate workers experienced economic growth in completely different ways. Despite 28 per cent growth over the period, the Maldivian employed workforce shrank by 4 per cent but the expatriate workforce increased by 37 per cent. In construction, community and social services, manufacturing and wholesale and retail trade, expatriate employment grew while Maldivian employment shrank. Even though the manufacturing sector contracted, expatriate employment grew at the expense of the employment of Maldivians. Only in the financial and business services and real estate sector (not shown), tourism, electricity, gas and water, and community and social services sectors did Maldivians benefit from the growth process in terms of employment generation. Jobs in tourism for Maldivians likely derive from quotas that the government has imposed on the recruitment of expatriates to the industry.

Table 1: Growth in output, employment and the employment elasticity of output growth in the Maldives, 2006-2010

	Output			Employment				Elasticity	
	GDP 2006 (Million Rf. 2003=100)	GDP 2010 (Million Rf. 2003=100)	GDP growth (%) 2006-2010	Maldivians 2006	Expatriates 2006	Maldivians 2009/10	Expatriates 2009/10	Maldivians	Expatriates
Agriculture and mining (2.90)	339.2	380.1	12.06	4547	481	4382	520	-0.30	0.67
Fisheries (6.68)	489.4	232.9	-52.41	8084	1534	10284	1002	-0.52	0.66
Manufacturing (6.74)	855.1	735.6	-13.97	18332	1065	8976	2413	-3.65	9.06
Electricity and water supply (1.08)	382.8	605.4	58.15	1226	115	1737	94	0.72	-0.31
Construction (7.59)	1448.8	1494.5	3.15	5463	16415	4459	31866	-5.83	29.84
Wholesale and retail trade (7.68)	702.7	729.8	3.86	11558	1744	11026	1943	-1.19	2.96
Tourism (13.22)	4679.6	6957.2	48.67	4412	14131	6257	16068	0.86	0.28
Transport and communications (6.04)	2038.8	2713	33.07	6350	1077	8392	1814	0.97	2.07
Financial and business services and real estate (5.17)	2247.3	2235	-0.55	1723	6613	2433	6299	75.29	-8.68
Government administration (10.06)	1323.3	2440.8	84.45	15059	0	17001	0	0.15	0.00
Education (7.94)	468.9	707.3	50.84	9870	2424	10875	2545	0.20	0.10
Community and social services (7.08)	379.5	460.9	21.45	7415	8302	9263	9276	1.16	0.55
All sectors (100.00)	15355.4	19692.5	28.24	98941	53901	95085	73840	-0.14	1.31

Source: Data for sectoral GDP at 2003 constant prices and expatriate employment have been taken from Department of National Planning's (various years) *Statistical YearBook Maldives*. Data for the employment of Maldivians have been sourced from the Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. The statistics for expatriate employment for 2006 and 2010 are likely to be biased downwards due to the presence of illegal immigrants. Statistics for the employment of Maldivians in both years is likely to be also biased downwards as the HIES 2009/10 survey covered only the administrative islands and therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

Note: Figures in brackets on the horizontal axis denote each sector's share in total employment. Even though the financial, business services and real estate sector contracted, employment grew, hence although technically the resulting elasticity is negative, we show it as a positive number here. The manufacturing sector contracted in terms of both GDP and employment. So although technically it posted a positive elasticity of employment, in the graph we depict it as negative because of the negative implications for job creation.

3.4 Reasons for high rates of unemployment and discouragement

Many reasons have been advanced to explain the high rates of unemployment among locals when nearly half the total employed workforce is foreign. Among the demand and supply-side reasons that have been discussed are: lack of skills required by the present configuration of economic activities; lack of access to information; social and cultural barriers; lack of motivation and incentives including a non-lucrative wage structure; and, the absence of work ethic among Maldivians (Behzad 2011).

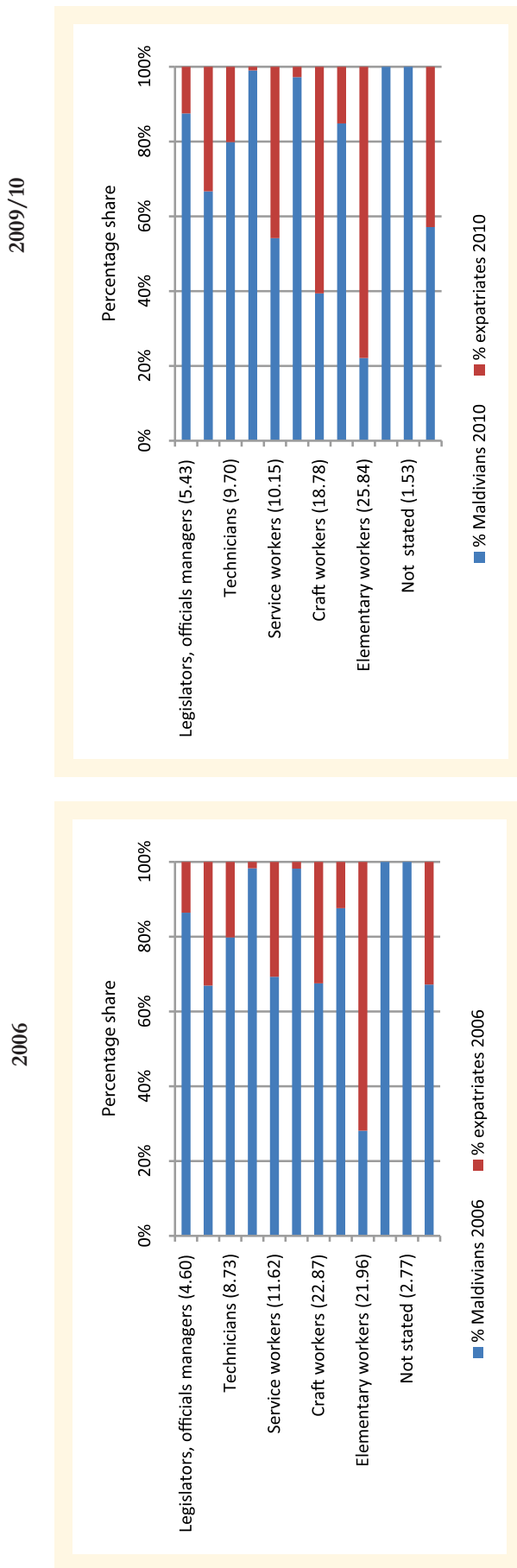
Skills mismatches and education attainment

We throw further light on the first of these reasons by looking at the relative configuration of skills between Maldivians and expatriate workers in the employment structure. In the absence of more appropriate data on skills, we use employment by occupation as an (imperfect) proxy for skills and see how Maldivian and expatriate workers are placed in the occupational distribution of employment.

Accordingly, Figure 9 plots the relative employment shares of Maldivian and expatriate workers in each occupation between 2006 and 2010. It is apparent that while Maldivians have held their shares in the top four skill categories during the period, they have lost out to expatriates in the categories of service workers, craft workers and elementary workers. And even though Maldivians have held their shares in the professional and technician categories, that expatriate workers account for 44 per cent and 21 percent of employment in these grades suggest the presence of a substantial mismatch in the skills required in the job market, and the unavailability of these skills among locals. It is also possible that more jobs in expanding government administration enabled higher skilled Maldivians to maintain their shares in these grades. Thus, the lack of skills, relevant experience, and other social and institutional constraints at the higher end of the skills spectrum has caused Maldivians to lose at least 11,000 jobs to foreigners.

On the other hand, Maldivians' share of service jobs has dropped from 69 per cent to 54 per cent, their share of craft-related jobs has nearly halved from 67 per cent to 39 per cent, and their hold over 28 per cent of elementary jobs has slipped to 24 per cent. Hence at this end of the occupation scale, the market seems to decidedly favour expatriate workers. About 64,000 jobs have been lost to Maldivians due to their unwillingness to take them up or because of institutional and other factors which favour foreign workers over Maldivians.

Figure 9: Occupation-wise employment shares of Maldivians and expatriate workers 2006 and 2009/10



Source: Data for the employment of Maldivians have been sourced from the Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. The statistics for expatriate employment for 2006 and 2010 are likely to be biased downwards, due to the presence of illegal immigrants. Statistics for the employment of Maldivians in both years is likely to be also biased downwards, as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

Note: Figures in brackets on the left-hand axes indicate the share of each occupation in total employment in 2006 and 2009/10.

The fact that Maldivians have not been able to increase their share of higher skilled jobs over the years appears to be mainly due to the lack of skills, in turn due to weaknesses in the education system. For, although the Maldives has achieved some key MDG goals in education, few students progress to higher secondary or tertiary education because of poor access to and completion of higher secondary education in the country coupled with very limited access to higher education opportunities in the Maldives (World Bank 2011). Of about 7000 to 8000 students completing Grade 10, only 17 per cent proceed to year 11 and 12 or follow Ordinary Level and Advanced Level courses, with the remaining majority getting petty jobs, or remaining unemployed rather than undertaking any further training (Rothboeck 2012).

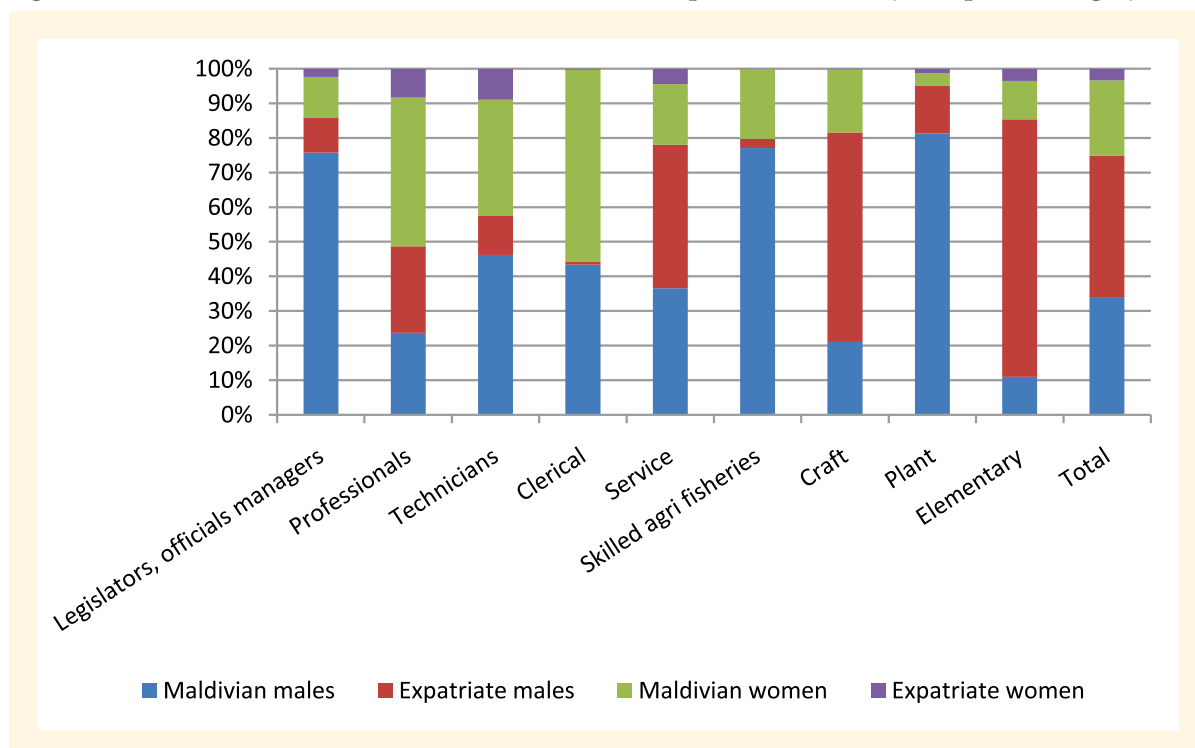
Universal enrolment into primary school has been achieved for both boys and girls and by 2010, enrollment rates of boys and girls to lower secondary school were 81 per cent and 86 per cent (Rothboeck 2012). But enrolment rates for students in higher secondary education for boys and girls are 18 per cent and 16 per cent respectively and remain very low compared to South Asian standards. Higher education enrolment in the Maldives is also low for a middle income country. If only university degree level or equivalent enrollment is considered, the gross higher education enrollment rate (GER) is about 6 percent. This is equivalent to rates in Bangladesh, Nepal and Pakistan which are much poorer than the Maldives and have less developed basic education systems. Maldives' GER for higher education is also considerably lower than those of other small middle income countries like Cape Verde (12 per cent), St. Lucia (15 per cent), and Mauritius (26 per cent) (World Bank 2011).

Rothboeck(2012) points to several reasons underlying the lack of necessary skills. First, limited infrastructure precludes access, particularly in the atolls, which affects girls more. Second, the low quality of teaching in many primary and secondary schools in the atolls means that students do not have the skills required to continue to higher education. While one out of four teachers has not been formally trained and training materials are inadequate, the rate of students passing the Ordinary Level and Advanced Level examinations have actually declined from 25 per cent to 21 per cent and from 44 per cent to 39 per cent between 1999 and 2005. It has also been suggested that the school curricula does not prepare students for the world of work, focusing instead on academics. At the same time, vocational education and training has not provided an attractive or socially acceptable alternative for parents and students.

On the other hand, until recently the options for higher education in the Maldives were very limited, with most students pursuing higher studies abroad and applying for scholarships and subsidized loans from the Ministry of Education. The Maldives College of Higher Education was the main public higher education institution until February 2011 when it was transformed into the Maldives National University. However, here, too, there are issues of the relevancy of existing programmes, the need to modernize curricula and generate research capacity. The Maldives Polytechnic is also a higher education institute belonging to the public sector. As of 2011 there were seven major private providers of higher education courses and programmes(World Bank 2011). But by and large, higher education opportunities are severely limited for Maldivians and there is a shortage of well-educated Maldivians for professional and managerial positions in the economy (Castley 2005; World Bank 2011).

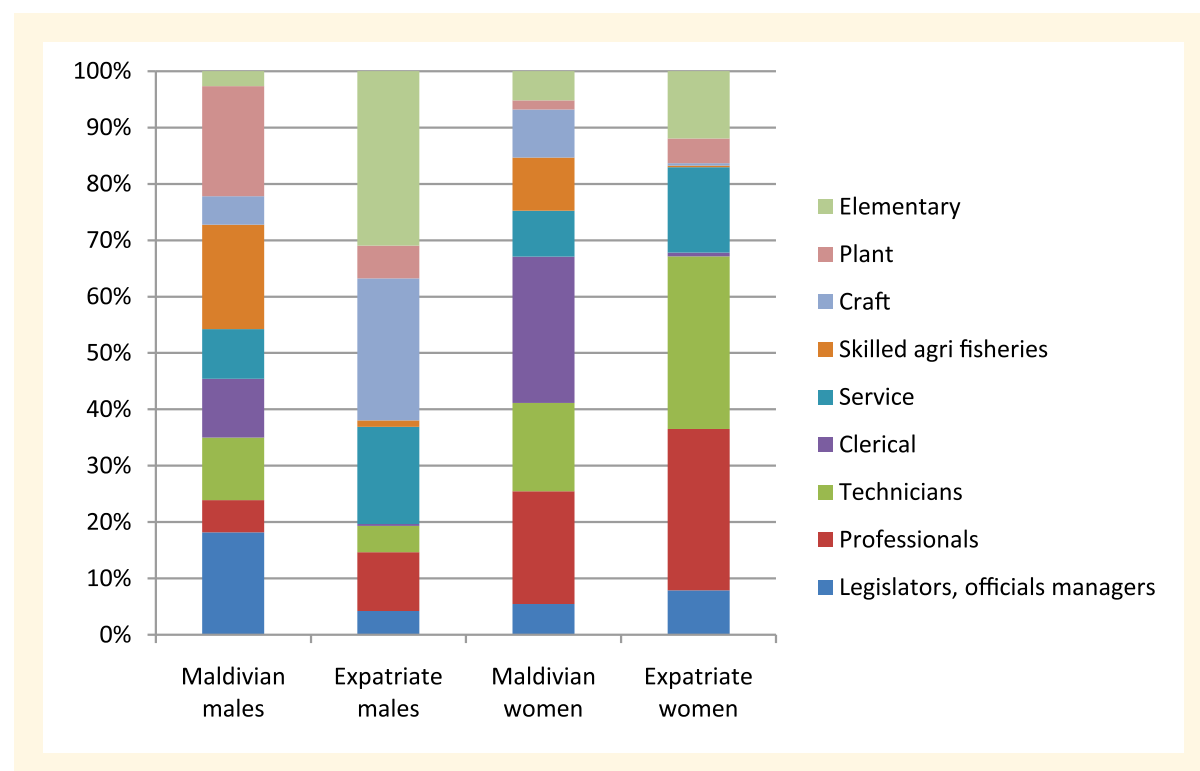
Figure 10 shows the gender dimensions of the skills mismatch. Maldivian working women numbering 36,440, account for 22 per cent of total employment. In contrast, Maldivian men account for 34 per cent, expatriate men for 41 per cent and expatriate women for 2 per cent. Nevertheless, Maldivian women they have significant shares in the higher skilled categories. For example, they form the majority (43 per cent) in the category of professionals and also account for 56 per cent of employment in the clerical grades.

Figure 10: Distribution of male and female Maldivian and expatriate workers by occupation category, 2010



Source: Data for expatriate employment have been taken from Department of National Planning's (various years) *Statistical YearBook Maldives*. Data for the employment of Maldivians have been sourced from the Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. The statistics for expatriate employment for 2006 and 2010 are likely to be biased downwards, due to the presence of illegal immigrants. Statistics for the employment of Maldivians in both years is likely to be also biased downwards, as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

In Figure 11, the same data is used to generate separately, the occupational distribution of male and female Maldivian and expatriate workers. Roughly 60 per cent of Maldivian and expatriate women were working in the higher occupational grades. Most expatriate males work in the service, craft and elementary grades. Almost all the jobs in the skilled agricultural and fisheries sectors are taken up by local men and women, accounting for 77 percent and 20 per cent of jobs in this occupational category.

Figure 11: Occupational distribution of Maldivian and expatriate workers, 2010

Source: As for Figure 9.

What are the industries that employ the largest shares of expatriate workers in any skill category? Jobs taken up by expatriates represent the stocks of available jobs in each occupational category in each industry but which Maldivians either cannot or do not want to access, either because they lack the necessary skills, or because of other social and institutional constraints. Table 2 sets out shares of the total number of expatriates of each occupational group working in each industry in 2011, the most recent year for which data is available. Percentages must be read along rows rather than down columns and the number in each cell denotes the share of all workers in that occupation category, in each industry. This table should be read in conjunction with Table 3 which looks at the shares of each occupational group in the total number of expatriate workers employed in that particular industry in 2011. Hence the percentages in Table 3 must be read down columns rather than down rows.

Table 2: Share of expatriate workers in each occupation by industry in the Maldives (row %), 2011

	Agriculture and Forestry	Fishing	Manufacturing	Electricity gas water	Construction	Education	Hotels and restaurants	Wholesale and retail trade	Tourism	Transport, storage and communication	Financing, insurance, business and real estate	Other community, social, personal services	Total row (number)	Total row (%)
Legislators, senior officials and managers	0.00	0.26	1.10	0.26	6.46	0.78	0.87	0.52	6.52	1.80	6.08	0.35	1548	1.94
Professionals	0.08	0.86	0.22	0.06	6.05	39.97	1.09	0.44	4.88	5.24	9.29	12.14	5026	6.30
Technicians and associated professionals	0.05	0.28	1.62	0.00	1.99	1.06	1.60	0.30	10.59	26.80	5.38	13.08	3878	4.86
Clerks	0.00	0.00	1.50	0.00	4.51	0.00	0.27	0.00	0.75	0.15	0.22	0.00	133	0.17
Service workers and shop and market sales workers	0.11	0.28	0.34	0.00	1.53	0.00	4.10	77.19	31.56	3.19	7.92	3.40	9043	11.34
Skilled agricultural and fishery workers	16.79	0.24	0.00	0.00	2.92	0.00	0.00	0.07	2.31	0.00	0.10	0.08	411	0.52
Craft and related trades workers	0.03	0.12	5.32	0.01	82.61	0.00	1.87	0.39	6.76	3.44	19.77	0.52	20563	25.78
Plant and machine operators and assemblers	0.08	0.32	12.38	0.72	12.22	0.08	3.37	0.54	0.24	10.18	5.15	2.35	1244	1.56
Elementary occupations	1.19	2.61	3.14	0.23	43.46	0.13	86.83	20.54	36.39	49.20	46.11	68.08	37931	47.55
Total (numbers)	543	1103	2563	104	34260	2114	2194	4595	13488	2004	6860	9949	79777	100.00

Source: Department of National Planning(2012b) *Statistical YearBook Maldives 2012*.

Table 3: Share of expatriate workers in each industry by occupation in the Maldives (column %), 2011

	Agriculture and Forestry	Fishing	Manufacturing	Electricity gas water	Construction	Education	Hotels and restaurants	Wholesale and retail trade	Tourism	Transport, storage and communication	Financing, insurance, business and real estate	Other community, social, personal services	Total column (number)	Total column (%)
Legislators, senior officials and managers	0.00	0.36	0.66	3.85	0.29	0.57	0.87	0.52	6.52	1.80	6.08	0.35	1548	1.94
Professionals	0.74	3.90	0.43	2.88	0.89	95.03	1.09	0.44	4.88	5.24	9.29	12.14	5026	6.30
Technicians and associated professionals	0.37	1.00	2.46	0.00	0.22	1.94	1.60	0.30	10.59	26.80	5.38	13.08	3878	4.86
Clerks	0.00	0.00	0.08	0.00	0.02	0.00	0.27	0.00	0.75	0.15	0.22	0.00	133	0.17
Service workers and shop and market sales workers	1.84	2.27	1.21	0.00	0.40	0.00	4.10	77.19	31.56	3.19	7.92	3.40	9043	11.34
Skilled agricultural and fishery workers	12.71	0.09	0.00	0.00	0.04	0.00	0.00	0.07	2.31	0.00	0.10	0.08	411	0.52
Craft and related trades workers	1.29	2.18	42.68	1.92	49.59	0.00	1.87	0.39	6.76	3.44	19.77	0.52	20563	25.78
Plant and machine operators and assemblers	0.18	0.36	6.01	8.65	0.44	0.05	3.37	0.54	0.24	10.18	5.15	2.35	1244	1.56
Elementary occupations	82.87	89.85	46.47	82.69	48.11	2.41	86.83	20.54	36.39	49.20	46.11	68.08	37931	47.55
Total (numbers)	543	1103	2563	104	34260	2114	2194	4595	13488	2004	6860	9949	79777	100.00

Source: Department of National Planning(2012b) *Statistical YearBook Maldives 2012*.

Capital, Youth and Sports provides evidence of either weak motivation, or their lack of confidence in this mechanism of getting jobs. For example, in 2011, only 349 Maldivians between 16 and 34 years of age registered as job seekers. This figure dropped to 109 in 2012.

The two focus group discussions with youth in Male' and Gan conducted for the present study confirmed many of these observations. Young people wanted to avoid stress and appeared to be willing to work only if their jobs were 'stress-free'. They recalled that many friends who had found jobs had left them because they found that they were stressful. In fact, employed youth would be always searching for a job that was less stressful than the one that they currently held. Their ideal job was one in an air-conditioned office with a desk and a computer. They were unwilling to settle for anything less. Najeeb's (2011b) analysis using qualitative data also suggests that Maldivians are reluctant to take up certain types of jobs, such as working as waiters and cleaners in the restaurant trade, and even as chefs, as cooking is considered a low status job. But during the focus group discussions conducted for the present study, we observed that while neither young men nor their parents were willing for them to take up what were considered low status jobs in their own communities, they were more willing to consider moving to resorts, out of sight of peers, relatives and neighbours, to take up jobs as waiters. But while such work is well-paid (Rf 15,000 per month with service charge), young people look on such jobs as dead-ends where they get stuck, like their fathers, ending up doing nothing else for the rest of their lives.

In contrast, there are serious parental and social restrictions on young women working in resorts as such work is considered damaging to their reputations. Young men in the group also made the point that if their sisters were to work in resorts, their attitudes and demeanor would change and they would no longer be able to fit in with the culture of their home communities. The *Strategic Human Resource Development Plan for the Tourism Industry* also acknowledges that there is a general perception among locals that the tourism sector is associated with several immoral and unethical practices (Ministry of Tourism Arts and Culture 2011). As a result, perhaps, only 3.7 per cent of all employed women in 2006 held jobs in the tourism sector (Department of National Planning 2008). Nonetheless, the young women we spoke to were clearly chafing at these restrictions. Resort jobs had glamour, and the resorts were obviously elegant surroundings to be working in. While Male' offered more employment opportunities and young Maldivians there were unwilling to take them up unless they were stress-free jobs that would enable them to go home at 3.30 p.m., it was clear in Gan that young people were not exposed to a culture where work was predominant. In the experience of young people in Gan, the council offices and government agencies constitute the only institutions that are visible, with the kind of jobs that they aspired to. Hence it is not surprising that a study on youth and the employment situation in the islands conducted in 2003 found that two-thirds of the sample of school leavers and school students expected to be provided with government jobs, which have a high status (Ministry of Youth Development and Sports 2003). The young people who participated in the focus group discussions conducted for the present study were also unhappy that the office jobs they aspired to usually required experience, and they were resentful of the fact that they could not get a job in the first place, in order to get the experience required.

However, local government officials in Gan suggested that young people in Addu Atoll would be happy to work in the airport and port if these were developed to cater to more international flights and shipping, even though they were not inclined to take up other types of work available. During our focus group discussions with youth conducted for this study, we also observed that young people in Gan were aware of, and resentful of the fact that Male' offered more opportunities for office jobs than Gan, but were discouraged from moving to Male' to look for jobs because of two reasons. First, the high cost of transportation to Male', and secondly, the high cost of accommodation in Male', both while looking for a job, and if a suitable job were to be found, to stay on in Male' thereafter.

It is possible that youth unemployment is taking a toll on Maldivian society in other, dangerous ways. Young people have become used to going to bed late and waking up only around mid-day. They have become

addicted to electronic devices and social interaction is mainly through the social media. They are generally uninterested in outdoor activities and sport. Idleness and the lack of mental stimulation could encourage young people to turn to drugs. According to a recent survey, the estimated number of drug users in Male' was 4,342 and in the Atolls it was 3,154, resulting in prevalence rates of 6.64 per cent and 2.02 per cent for Male' and Atolls respectively (United Nations Office on Drugs and Crime 2013). However, many Maldivians we spoke to during the discussions seem to think that a total of 7,500 drug users is an under-estimate of the true rate of prevalence. Their perceptions could reflect their grave concerns about this problem. Significantly, the survey found that the majority of the respondents who had ever used drugs belonged to the age group of 15-19 years. It also found that almost half of the drug users in both Male' and Atolls were employed (United Nations Office on Drugs and Crime 2013).

Institutional factors

Najeeb's (2011b) empirical work also appears to suggest that employers prefer expatriate workers because they can be more easily controlled and managed than Maldivian employees. He quotes one employer who preferred employing expatriates because 'our friends here from India and Bangladesh will go home only if we let them go' and another who did not want to employ Maldivians because of the risk of introducing 'union-mongering types' into his workforce' (Najeeb 2011b, p.41). The conditions of poverty which drive unskilled workers from countries such as Bangladesh, India and Sri Lanka to seek employment in the more affluent Maldives and the conditions of their recruitment by job agents who have a monopoly to provide employment services related to the obtaining work permits, transform them into a captive, and therefore cheap labour force (Human Rights Commission of the Maldives 2009). In fact, Castley (2005) argues that Maldivian employers have easy access to the largest and cheapest labour market in the world. The human trafficking industry, that police investigations suggest is the second largest contributor of foreign exchange to the economy next to tourism (Robinson 2011), is obviously an integral part of this.

Najeeb (2011b) cites the experience of one such worker who was promised a salary of USD 400 and accommodation, food and healthcare and who sold whatever assets he had in order to pay the agent's commission, but who was told that his real salary was only a fourth of that after he arrived. Having sold his assets back home and not having the wherewithal to get back either, the worker had little choice but to work and earn as much as he could. Workers such as these are vulnerable to underpayment and non-payment of wages, poor living conditions, unsafe work environments, denial of leave and various forms of exploitation and abuse. These practices that appear to be particularly prevalent in the construction, catering, fisheries and agriculture sectors (Najeeb 2011b), have also been highlighted by the Human Rights Commission of the Maldives in several reports (for example, see Human Rights Commission of the Maldives 2009, 2011).

Najeeb (2011b) also suggests that contrary to popular perceptions, working conditions of expatriate workers in resorts appear to be better than in the rest of the hospitality industry and both skilled and unskilled foreign workers receive preferential treatment in many aspects of their employment. Najeeb (2011a) explains this difference in treatment as being probably due to the positive attitudes of foreign resort owners and managers and their adoption of sophisticated human resource management practices. Thus, while even professional expatriate workers in most sectors appear to be subject to varying degrees of discrimination, cultural clashes, sexual harassment and unsafe work environments, their conditions of work in resorts appear to be much better.

While there is considerable evidence that young Maldivians are unwilling to move down in the labour market and have unrealistic job expectations, it is not surprising that Maldivians are unable and unwilling to work for the same terms and conditions as a readily available supply of migrant workers who are forced to work in poor conditions. Besides, since unskilled jobs are taken up by expatriates, these jobs will carry with them the image

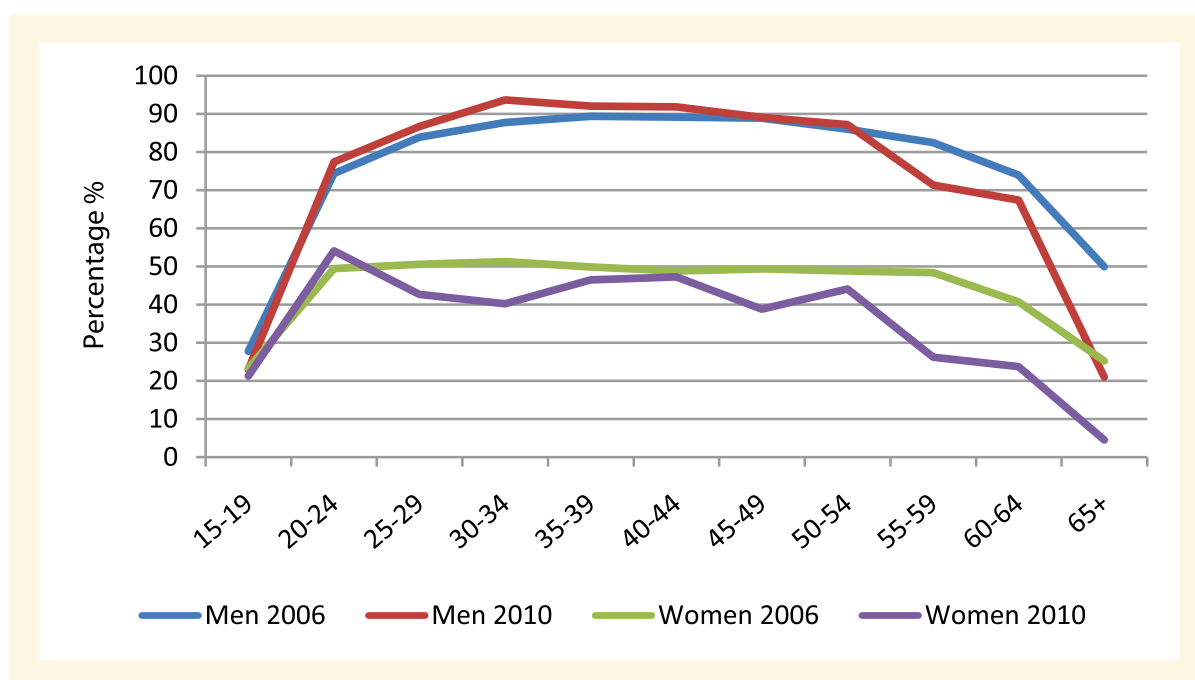
of the exploited foreign worker which few Maldivians will want to be associated with. Consequently, it is not surprising that Maldivians have become increasingly hostile to expatriate workers and that the presence of such large numbers of them may, with time, lead to violent social unrest if corrective measures are not taken.

A first step in this process would be implementing institutional reforms that will eliminate differences in cost structures between Maldivian and expatriate workers that appear to owe little to differences in their productive characteristics. Ensuring labour standards across the board by rigorously monitoring and enforcing the provisions of the National Employment Act of 2008 and eliminating opportunities for human trafficking as recommended by the Human Rights Commission of the Maldives (2009), are measures likely to help correct a fundamental distortion in the labour market that is keeping many Maldivians unemployed and discouraged. Clearly, the process of monitoring and enforcement has begun with data from the Labour Relations Authority, Ministry of Human Capital, Youth and Sports, showing that 351 sites were inspected in 2012, of which 16 per cent was in Male', 76 per cent in the Atolls, and 10 per cent in resorts. These efforts need to be continued and redoubled. In fact, once this distortion is corrected, the real reasons for high levels of youth unemployment will become clearer, providing the space for better targeted and more effective policy interventions.

Women disadvantaged in the labour market

Although Maldivian women have been described as being among the most emancipated in South Asia and the Islamic world (Asian Development Bank 2007), in the Maldives, too, women are disadvantaged in the labour market. Figure 3 showed that there are proportionately more women than men who are unemployed and discouraged, and that this number has increased in recent years. And poor labour market outcomes for those who do decide to participate probably discourage others from following suit. For example, women's labour force participation is much lower than men's and this rate has also declined between 2006 and 2010 from 42.1 to 38.2 using ILO's narrow definition of unemployment (Department of National Planning 2012a). Figure 12 plots participation rates by gender and age group for the two years. While male participation rates for the youngest age cohort were slightly lower in 2010 than in 2006, participation rates have risen for every other age group between 20 and 40. But participation rates for the 50 plus category were higher in 2006 than in 2010. In contrast female participation rates have declined for every age cohort beginning with the 20-24 year cohort.

Figure 12: Labour force participation rates of men and women in the Maldives, 2006 – 2010

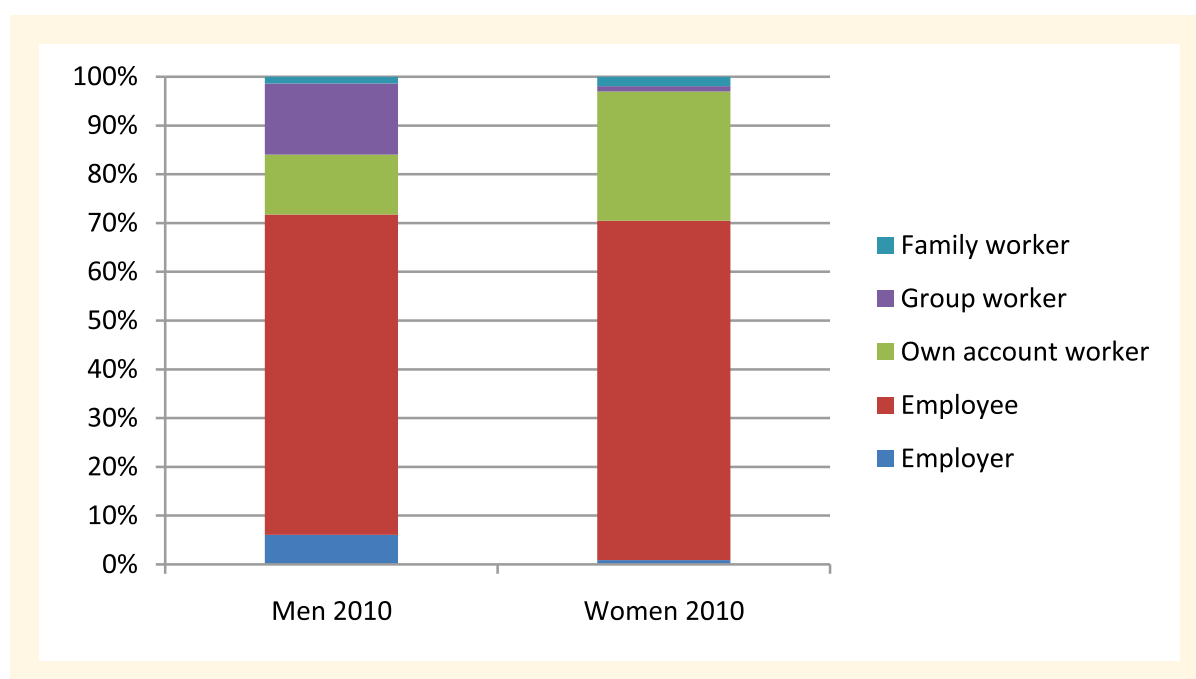


Source: Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. Employed numbers are likely to be biased downwards, as the HIES 2009/10 survey covered only the administrative islands and, therefore, data for 2006 from the Population Census 2006 has also been adjusted to make it comparable with the 2009/10 data.

The decline in participation is cause for concern. A large body of empirical research in many countries has shown that women's access to employment and resources in women's hands increase human capital and capabilities within households and promote economic growth (Kabeer 2012). But it has been noted that in the Maldives, declining participation rates have coincided with increasing exhortations by religious scholars for women to stay at home, especially at a time when the country has been experiencing economic growth challenges (Department of National Planning 2008). Growing religious conservatism has also been found to underlie declining female labour force participation in other Islamic countries such as Turkey (Goksel 2012).

A vast body of theoretical and empirical literature shows that women's participation rates in any country context result from a complex set of conditions based on individual characteristics, socio-economic class, familial responsibilities and labour market conditions. The Maldives is no different. For example, the Department of National Planning's (2008) analysis of women's labour force participation based on data from Census 2006 shows that while 68 per cent of working age women were not economically active, the main reasons given for not working were household work and caring for children (38 per cent), studying or attending training (33 per cent) and poor health conditions (21 per cent). Information from focus group discussions conducted for that study suggested that in addition to childcare responsibilities, women chose not to participate in the labour force due to inability to find suitable part-time working arrangements. Women also chose not to return to the labour force due to lack of suitable jobs in their island. On the other hand, while jobs in the atolls are more plentiful in the tourist resorts, cultural factors and transportation constraints prevent women from accessing them. Mothers also appear to have to spend a significant number of hours providing tuition and home-based education to children. The multi-shift school system also impacts on the number of uninterrupted hours of work that parents of school going children can undertake. Parents have the responsibility to take children to school and bring them back home and multi shift schools means parents often have to make several visits to school on working days (Department of National Planning 2008).

Figure 13: Status of men and women in employment, 2009/10



Source: Department of National Planning's (2012a) *Household Income and Expenditure Survey Findings*. Employed numbers are likely to be biased downwards, as the HIES 2009/10 survey covered only the administrative islands.

Note: Group workers are informal workers who form a team for the purpose of carrying out some task for payment.

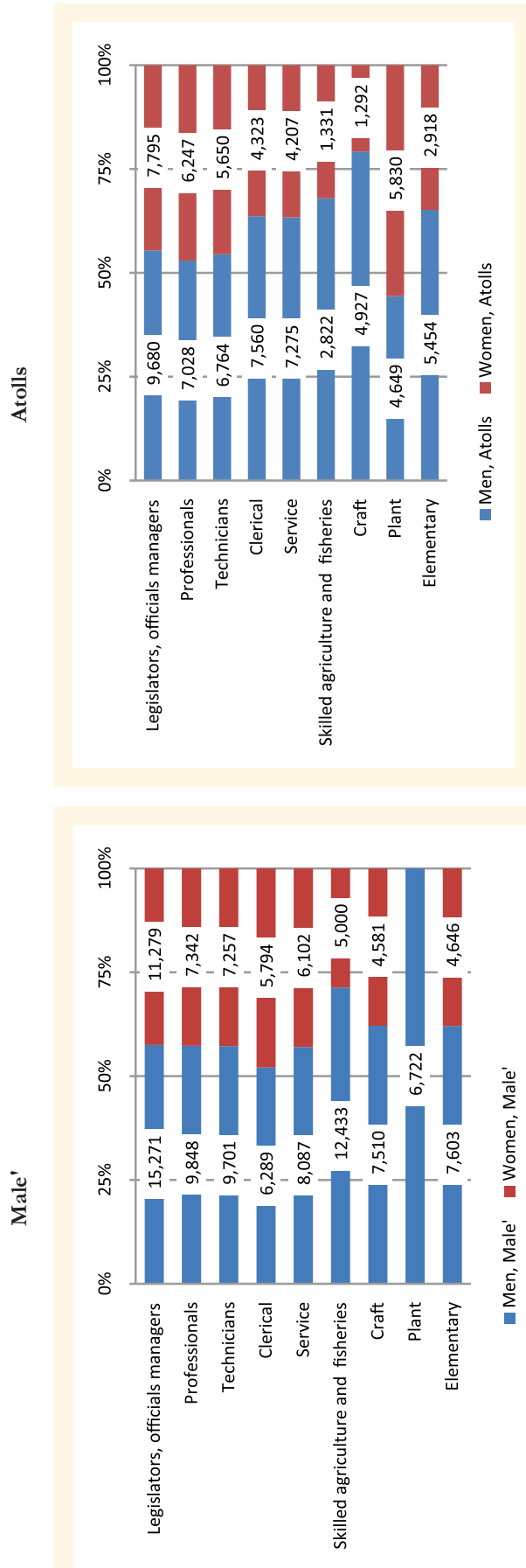
Women's disadvantaged position in the labour market is also evident in their shares in different categories of jobs (Figure 13). Admittedly, slightly more than two thirds of women work as employees and this share is marginally higher than the proportion of males working as employees. But proportionately more women than men are self-employed. In fact, self-employment accounts for a fourth of women's employment and is more widely prevalent in the islands than in Male'. This may be partly due to choice, the flexibility of self-employment enabling women to simultaneously attend to care responsibilities. But it may also be partly due to undiversified local economies, transportation difficulties and the consequent lack of employment opportunities in the islands. Proportionately more males (15 per cent) than females (2 per cent) are also group workers, probably reflecting again, the constrained mobility and opportunities that women, particularly in the atolls, face.

Nevertheless, employed Maldivian women are well represented in the professional, technical and clerical grades as Figure 10 showed. This may be correlated with several favourable conditions. In the first place, given weaknesses in the education system, opportunities for graduation to tertiary education are probably limited to men and women from more affluent backgrounds. And given the resultant limited supply of tertiary-educated males in the economy, tertiary-educated females have a better chance of securing higher skilled jobs alongside males. In addition, while household work has traditionally been a major constraint on women's allocation of time to market work, the time women of this socio-economic group spend on household work has probably been greatly reduced because of the advent of household appliances and the help provided by foreign maids (Department of National Planning 2008). However, it is possible that better-educated women's command over higher-skilled jobs may weaken as tertiary education facilities expand and more men have access. Meanwhile, rising religious conservatism may limit women's access to opportunities in the public sphere if overt gender inequalities become internalized, not only by men but also by women (UNOPS 2011).

Differences in job opportunities translate into differences in earnings, likely exacerbated by gender discriminatory practices. Figure 14 shows women's earnings relative to men's in the same, admittedly broad, occupational categories, in Male' and the atolls. Here again, women in atolls appear more disadvantaged, particularly in the lower skilled categories. On average, men's earnings are a third more than women's in the highest occupational categories in Male', and a fifth more in the atolls. But in skilled agricultural and fisheries work men earn more than twice as much as women, and in craft work in the atolls, men earn nearly four times as much as women. Only in plant and assembly work do women have an earnings advantage and that, too in the atolls (there are no female plant and assembly workers in Male', all the jobs being taken up by men, most probably). In the atolls, the general scarcity of workers with such skills has probably resulted in women earning much more than men, but this too is probably work in a higher skilled category within the category of plant and assembly work. Generally, wages for both men and women are higher in Male' but we are unable to say anything about spatial differences in earnings because the earnings data has not been adjusted for spatial differences in prices.

In the next section we look at the situation of Maldivian women in the labour market in a more rigorous way as we estimate the factors associated with the probability of employment, unemployment and discouragement in the Maldives.

Figure 14: Women's monthly earnings in Rufiya, relative to men's in each occupational category, Male' and the Atolls, 2009/10



Source: Department of National Planning's (2012a) Household Income and Expenditure Survey Findings.

Factors Associated with the Probability of Employment, Unemployment and Discouragement

In this section we take a closer look at some of the underlying characteristics of individuals and the households they live in, that may be associated with the labour market outcomes of Maldivian men and women discussed in previous sections. In particular, we look at the association of four categories of explanatory variables including the individual's demographic characteristics, educational attainment, household characteristics, and spatial characteristics, with the likelihood of an individual being employed, unemployed or discouraged.

4.1 Data, methodology and variables

We use the Census data rather than the more recent HIES survey data for the analysis because of its larger size and obvious representativeness. The Census 2006 covered all Maldivians and foreigners married to Maldivians, but excluded all other foreigners. In contrast, the HIES survey only covered the administrative islands and did not cover the industrial islands. Hence the employment figures from the HIES survey are biased downwards (Department of National Planning 2012a). Therefore, the Census data appeared to be the most comprehensive and reliable for the purpose of this analysis and was therefore used for it. However, unlike the HIES data, the Census data does not have any information about individuals' and households' income and expenditure. Hence the analysis was not able to look at the association of these variables with labour market outcomes.

A labour market outcome model was estimated using a maximum-likelihood multinomial logistic model based on the following linear functional form:

$$s_{ij} = \beta X_i + \varepsilon_{ij} . \quad (1)$$

The dependent variable s_{ij} denotes the labour market outcome j of individual i . Subscript j takes different values with no natural ordering for four different outcomes. Three of these outcomes are to do with the decision to engage in market work - that is employed, unemployed and discouraged. The employed are those who were engaged in any income generating economic activity for more than one hour during the past week. This is the standard ILO definition of employment. The unemployed are those looking for work and ready to take up employment within the next two weeks. The discouraged are defined simply as those who have not worked during the past week because they have been unable to find suitable employment or because they think that there is a lack of employment opportunities. The Maldives' Department of National Planning also uses this definition to extend the ILO's narrow definition and to define unemployment more broadly (Department of National Planning 2012a). The fourth category, which is the base, is non-participation. The vector X_i consists of four categories of explanatory variables including the individual's demographic characteristics, educational attainment, household characteristics, and spatial characteristics that may be associated with these outcomes. The term ε_{ij} is the error term.

The model is estimated over seven population sub-groups of working age, of which six comprise three gender-wise pairs and the seventh an additional sub-sample of women heading their households. The first gender-wise pair is estimated over male and female sub-samples of all Maldivians of working age in Male' and in the Atolls and includes non-related persons living in households. The marginal effects are estimated using Stata's margins command and the Delta method, and are presented in Table 4. The second pair of equations is estimated over the female and male sub-samples of married people living with their families (Table 6). This particular sample excludes women who are heads of their households because we wish to see the role that social norms and status plays in the labour market outcomes of women. Hence in this model, information about male heads of households is included to proxy for the impact of social status and norms. Non-related household members are excluded from the two sub-samples of married men and women as we do not have household and family-related information about them. The last pair of equations is estimated over the sub-samples of young single women and men living with their families (Table 8). Here, too, women who are not heads of their households are excluded for the same reasons explained above. Non-related household members are also excluded.

Finally, we estimate the seventh model over the sample of women who head their households as they account for a sizeable share of the population of women. The Maldives has one of the highest rates of female-headed households in the world: 47 per cent of households are headed by women according to the Population Census of 2006 and one in three female-headed households is in poverty (UNOPS 2011). Divorce rates are high in the Maldives with marriage breakup impacting heavily on women and their children. Women often take up all childcare responsibilities by themselves, frequently bringing up children from several husbands and marriages without the support of either family or neighbours (UNOPS 2011). Therefore, it is important to look at the factors associated with labour market outcomes for this group of women.

The lower bound for working age is 15 years and the upper bound is 64 years in all the models except in those that are estimated over the sub-groups of young single women and men. For these two groups we have set the lower bound as 18 years and the upper bound as 34 years. We were compelled to raise the lower bound to 18 from 15 years for these sub-samples because the models were not well-specified in terms of the explanatory variables included for individuals younger than 18 years.

Explanatory variables in the models have been selected according to the availability of data and the factors that the international theoretical and empirical literature has identified as being associated with labour market outcomes. We do not review the literature here because of space constraints. While all the models do not include all these variables, we define all of them together in what follows.

First, the demographic characteristics of the individual are captured in terms of four age cohorts or *age square*, *female* gender, and three dummy variables for marital status, *married*, *divorced* and *widowed*, with *single* being the reference category. Second, six dummy variables denoting the highest educational attainment of the individual were defined as *Middle School*, *High School*, *Ordinary Levels*, *Advanced Levels*, *Diploma*, and *Graduate or postgraduate*. The reference category for the group of education variables was *Primary* which included all persons with less than six years of education.

Household characteristics such as its economic situation and demographic composition have been found to be important correlates of labour market outcomes in the empirical literature. The care burden associated with being a *mother of children less than 5 years of age* and being *mother to children between 5 and 15 years of age* may prevent married women and women heads of households from market work. In contrast, fatherhood may impel men to work. Having to care for *elderly parents* (more than 70 years of age) may prevent women from working, hence we attempt to control for this by including the share of household members who are elderly parents of the household head or his or her spouse in our model. The presence of *other adult females* in the household who can undertake household and care work may free up women to go out to work. The presence

of *employed males in white-collar jobs* in better-off households can be an important source of social capital that may be leveraged to find suitable jobs and may encourage participation, but the number of *employed males* in the household may reduce the need and therefore likelihood of female participation. Class and background have been found to be important correlates of labour market outcomes in the region (see Malhotra & De Graff 1997; Klasen & Pieters 2012; Gunatilaka 2013) so we use dummies for the *educational attainment of the household head* where the head is male, as proxies for the social status of the household.

Finally, *Male'* is included in the models as a spatial variable with *Atolls* as the reference category.

4.2 Results

We first look at the characteristics associated with the probability of employment, unemployment and discouragement in the total sample of roughly 180,000 Maldivians in the working age cohort of 15 to 64 in Table 4. Table 5 sets out the sample means or proportions.

As people become older, the likelihood of their being unemployed or discouraged decreases in both Male' and the Atolls, although the effect is larger for unemployment in Male' but larger for discouragement in the Atolls. Thus the data confirms that when individuals are similar to each other in all the characteristics looked at in the model other than in age, the youngest age cohort is the most likely to be unemployed and discouraged.

Women are far more disadvantaged in the labour market than men are and discouragement is more pronounced in the Atolls. In Male', women are 31 per cent less likely to be employed than men, and this effect is about the same in the Atolls. But while women are more likely to be discouraged than men in Male', they are four times more likely than men to be discouraged in the Atolls.

Individuals who are married, divorced and widowed are more likely to be employed and less likely to be discouraged, suggesting that household responsibilities force them to take whatever jobs that are available in order to sustain themselves and their families.

The results also confirm that education is strongly associated with labour market outcomes, with low educational attainment underlying the probability of both unemployment and discouragement. As has been observed in other countries in the region (see Klasen & Pieters 2012; Gunatilaka 2013), there is a u-shaped relationship between education and employment. It can be seen in columns 1 and 4 of Table 4 that while middle school or high school education is associated with less likelihood of being employed in both Male' and the Atolls, further educational attainment monotonically increases the likelihood of employment and similarly decreases the likelihood of being unemployed or discouraged.

Many of these relationships are also apparent in Table 6 which sets out the marginal effects of these and other factors associated with the labour market outcomes of married Maldivian men and women of working age (15 to 64). Among the additional variables included in the model are those related to household composition, most of which are relevant to the labour market outcomes of married women. Sample means and proportions are set out in Table 7.

Table 4: Factors associated with the probability of employment, unemployment and discouragement, Male' and Atolls2006: Marginal effects of multinomial logistic estimation

	Male'			Atolls		
	Employed (1)	Unemployed (2)	Discouraged (3)	Employed (4)	Unemployed (5)	Discouraged (6)
<i>Demographic characteristics</i>						
Age between 25 and 34 years (d)	0.1758***	-0.0157***	-0.0132***	0.1736***	-0.0012	-0.0274***
Age between 35 and 44 years (d)	0.2080***	-0.0202***	-0.0212***	0.1936***	-0.0022	-0.0404***
Age between 45 and 54 years (d)	0.1696***	-0.0178***	-0.0231***	0.1941***	-0.002	-0.0397***
Age between 55 and 64 years (d)	0.0954***	-0.0390***	-0.0277***	0.1558***	-0.0136***	-0.0680***
Female	-0.3127***	-0.0027*	0.0212***	-0.3050***	-0.0055***	0.0982***
Married	0.1187***	-0.0142***	-0.0042	0.1303***	0.0034*	0.0128***
Divorced	0.1629***	0.0104**	0.0036	0.1462***	0.0110***	0.0310***
Widowed	0.0549***	-0.0137	-0.0004	0.1204***	0.0031	0.0011
<i>Educational attainment</i>						
Middle school (d)	-0.0597***	-0.0098***	-0.0094***	-0.0692***	-0.0049***	-0.0062*
High school (d)	-0.1169***	-0.0698***	-0.0786***	-0.2596***	-0.0391	-0.0833*
Ordinary Level (d)	0.1879***	0.0095***	-0.0065**	0.2438***	0.0152***	0.0308***
Advanced Level (d)	0.1987***	-0.0169***	-0.0551***	0.2172***	-0.0072	-0.0873***
Diploma (d)	0.2110***	-0.0203***	-0.0580***	0.4572***	-0.0351**	-0.2893***
Graduate or post-graduate (d)	0.2075***	-0.0186**	-0.0716***	0.2058***	-0.0167	-0.1700**
Pseudo R-Squared	0.1491	0.1491	0.1491	0.1396	0.1396	0.1396
Number of observations	67845	67845	67845	111747	111747	111747

Notes:

1. Sample includes all Maldivians, including non-related members of households.
2. Employed: those who were engaged in any income generating economic activity for more than one hour during the past week; Unemployed: those looking for work and ready to take up employment within the next two weeks; Discouraged: those who have not worked during the past week because they have been unable to find suitable employment or because they think that there is a lack of employment opportunities.
3. Base category is non-labour force participant, i.e. neither employed, unemployed nor discouraged.
4. (d) denotes dummy variables. The reference categories are: age between 15 and 24 years; male; single; primary education or less.
5. ***, **, and * denote statistical significance at the one per cent, five per cent and ten per cent levels respectively.
6. Estimated using data from the Population Census 2006.

Table 5: Population means and proportions: employed, unemployed, discouraged and non-participants, Male' and Atolls2006

	Male'				Atolls		
	Employed	Unemployed	Discouraged	Non-participant	Employed	Unemployed	Discouraged
<i>Demographic characteristics</i>							
Age between 25 and 34 years (d)	0.315	0.178	0.207	0.179	0.265	0.238	0.232
Age between 35 and 44 years (d)	0.207	0.095	0.128	0.121	0.225	0.190	0.167
Age between 45 and 54 years (d)	0.111	0.063	0.077	0.080	0.153	0.129	0.108
Age between 55 and 64 years (d)	0.042	0.015	0.032	0.048	0.072	0.045	0.039
Female	0.357	0.494	0.667	0.705	0.377	0.476	0.777
Married	0.587	0.302	0.415	0.394	0.673	0.590	0.594
Divorced	0.057	0.061	0.058	0.040	0.046	0.052	0.055
Widowed	0.008	0.006	0.013	0.018	0.016	0.014	0.016
<i>Educational attainment</i>							
Middle school (d)	0.241	0.261	0.331	0.442	0.262	0.280	0.318
High school (d)	0.004	0.001	0.002	0.022	0.001	0.000	0.000
Ordinary Level (d)	0.317	0.467	0.357	0.208	0.185	0.250	0.249
Advanced Level (d)	0.053	0.036	0.017	0.041	0.008	0.005	0.002
Diploma (d)	0.062	0.022	0.012	0.030	0.013	0.002	0.000
Graduate or post-graduate (d)	0.044	0.012	0.004	0.015	0.004	0.001	0.000
Number of observations	36923	2276	2602	26044	64067	3430	10364
							33886

There are some critical gender differences in the association of characteristics of married women and men in labour market outcomes. The marginal effects of age on employment and discouragement are much larger for women than for men, and the impact of education on employment and discouragement are also larger for women, although the marginal effects of educational attainment variables on unemployment are insignificant. For example, if a married woman is a graduate or a post-graduate she is 40 per cent more likely to be employed and 32 per cent less likely to be discouraged than a woman who has been only to primary school. The marginal effects of graduate education on men's probability of employment and discouragement relative to a married man who has only been to primary school, amount to just 3 per cent. Thus, better education is a far more powerful driver of positive labour market outcomes for married women than for married men.

A greater care burden keeps married women out of the labour force and propels married men into it. Having children less than five years of age keeps women from employment and makes it unlikely that they are discouraged, but compels men to become employed. Having children between five and 15 years of age also increases the likelihood that both married men are employed and decreases the likelihood that they will be discouraged. The marginal effect on the probability of a woman being employed is positive though not significant. Contrary to expectations, the presence of other adult women in the household reduces the likelihood of a married woman being employed. But as the number of employed males and the number of employed males in white collar jobs increases, the likelihood of married women being employed increases and the likelihood of their being discouraged decreases. This is probably because employed male family members may increase access to information about available jobs and be able to leverage more powerful social networks to obtain them for their female kin.

Male's diversified economy appears to offer far more opportunities for married men and women than the economies in the Atolls. Even though married women are less likely to be employed in Male' than in the Atolls, they are also likely to be less discouraged. As for married men, they are more likely to be employed, less likely to be unemployed and less likely to be discouraged in Male' than in the Atolls.

Table 6: Factors associated with the probability of employment, unemployment and discouragement, married Maldivian women and men 2006:
Marginal effects of multinomial logistic estimation

	Married women			Married men		
	Employed (1)	Unemployed (2)	Discouraged (3)	Employed (4)	Unemployed (5)	Discouraged (6)
<i>Demographic characteristics</i>						
Age between 25 and 34 years (d)	0.1095***	-0.0067**	-0.0588***	0.0520***	-0.0111***	-0.0133***
Age between 35 and 44 years (d)	0.1291***	-0.0065*	-0.0600***	0.0717***	-0.0189***	-0.0150***
Age between 45 and 54 years (d)	0.1227***	-0.0091*	-0.0617***	0.0455***	-0.0154***	-0.0137***
Age between 55 and 64 years (d)	0.1273***	-0.0179***	-0.1166***	0.0065	-0.0232***	-0.0066*
<i>Educational attainment</i>						
Middle school (d)	-0.0719***	0.0014	0.0200***	0.0089	0.0040	0.0003
High school (d)	1.0210	-0.3127	-1.3451	-0.0909	0.0075	0.0112
Ordinary Level (d)	0.1324***	0.0031	-0.0124*	0.0318***	-0.0113**	-0.0088**
Advanced Level (d)	0.2475***	-0.0098	-0.1234***	-0.0120	-0.0217	-0.0257*
Diploma (d)	0.4078***	-0.0143	-0.3257***	0.0521***	-0.0319**	-0.0328**
Graduate or post-graduate (d)	0.4148***	-0.0050	-0.3209**	0.0330	-0.0378**	-0.0271*
<i>Household characteristics</i>						
Mother/Father of children < 5 years (d)	-0.0602***	-0.0030	-0.0195***	0.0201***	0.0008	-0.0044*
Mother/Father of children between 5 and 15 years (d)	0.0101	0.0039	-0.0080	0.0272***	-0.0015	-0.0049**
Proportion of household members who are elderly parents	-0.0415	0.0121	0.0513	-0.0470	0.0091	0.0109
Number of other adult women in household	-0.0086***	0.0004	0.0021			
Number of employed males in household	0.0204***	-0.0011	-0.0070***			
Number of employed males doing white collar jobs in household	0.0130***	-0.0058***	-0.0139***			
Male household head educated up to middle school (d)	0.0087	0.0016	-0.0168**			
Male household head educated up to high school (d)	0.9832	-0.3086	-1.2322			
Male household head educated up to O' Level (d)	0.0169	-0.0098	-0.0299*			
Male household head educated up to A' Level (d)	-0.0235	-0.0082	-0.0642			
Male household head educated up to Diploma (d)	0.0216	0.0101	-0.0544*			
Male household head a graduate or a post-graduate (d)	-0.0388	-0.0068	-0.0383			

	Married women			Married men		
	Employed (1)	Unemployed (2)	Discouraged (3)	Employed (4)	Unemployed (5)	Discouraged (6)
<i>Spatial variables</i>						
Male'	-0.0909***	0.0040	-0.0910***	0.0436***	-0.0210***	-0.0168***
Pseudo R-Squared	0.0425	0.0425	0.0425	0.0244	0.0244	0.0244
Number of observations	36779	36779	36779	38268	38268	38268

Notes:

1. Sample includes all married Maldivians living with their families. The sample of married women are of those who are not heads of their households. Non-related members of households are excluded.
2. Employed defined as those who were engaged in any income generating economic activity for more than one hour during the past week. Unemployed defined as those looking for work and ready to take up employment within the next two weeks. Discouraged defined as those who have not worked during the past week because they have been unable to find suitable employment or because they think that there is a lack of employment opportunities.
3. Base category is non-labour force participant, i.e. neither employed, unemployed nor discouraged.
4. (d) denotes dummy variables. The reference categories are: age between 15 and 24 years; male; single; primary education or less; male household head educated up to primary; Atolls.
5. ***, **, and * denote statistical significance at the one per cent, five per cent and ten per cent levels respectively.
6. Estimated using data from the Population Census 2006.

Table 7: Population means and proportions: employment, unemployment and discouragement, married Maldivian women and men 2006

	Married women				Married men			
	Employed	Unemployed	Discouraged	Non participant	Employed	Unemployed	Discouraged	Non participant
<i>Demographic characteristics</i>								
Age between 25 and 34 years (d)	0.375	0.342	0.318	0.364	0.298	0.314	0.262	0.273
Age between 35 and 44 years (d)	0.239	0.233	0.202	0.230	0.320	0.267	0.254	0.228
Age between 45 and 54 years (d)	0.135	0.120	0.119	0.129	0.222	0.226	0.211	0.221
Age between 55 and 64 years (d)	0.059	0.035	0.034	0.062	0.097	0.082	0.149	0.184
<i>Educational attainment</i>								
Middle school (d)	0.215	0.299	0.350	0.322	0.242	0.296	0.262	0.201
High school (d)	0.001	0.000	0.000	0.001	0.001	0.001	0.001	0.002
Ordinary Level (d)	0.211	0.210	0.181	0.156	0.106	0.070	0.070	0.092
Advanced Level (d)	0.018	0.008	0.003	0.013	0.013	0.005	0.004	0.029
Diploma (d)	0.041	0.009	0.001	0.021	0.029	0.007	0.005	0.031
Graduate or post-graduate (d)	0.019	0.005	0.000	0.009	0.026	0.005	0.005	0.035
<i>Household characteristics</i>								
Mother/Father of children < 5 years (d)	0.150	0.168	0.142	0.199	0.222	0.221	0.165	0.149
Mother /Father of children between 5 and 15 years (d)	0.321	0.343	0.292	0.332	0.433	0.417	0.370	0.341
Proportion of household members who are elderly parents	0.007	0.008	0.008	0.007	0.008	0.009	0.009	0.008
Number of other adult women in household	1.934	1.853	1.698	1.989				
Number of employed males in household	1.856	1.495	1.420	1.699				
Number of employed males doing white collar jobs in household	0.686	0.422	0.342	0.646				
Male household head educated up to middle school (d)	0.142	0.162	0.115	0.169				
Male household head educated up to high school (d)	0.000	0.000	0.000	0.000				
Male household head educated up to O' Level (d)	0.042	0.027	0.019	0.049				
Male household head educated up to A' Level (d)	0.005	0.003	0.001	0.007				
Male household head educated up to Diploma (d)	0.016	0.016	0.004	0.017				
Male household head a graduate or a post-graduate (d)	0.013	0.007	0.003	0.016				

	Married women				Married men			
	Employed	Unemployed	Discouraged	Non participant	Employed	Unemployed	Discouraged	Non participant
<i>Spatial variables</i>								
Male'	0.312	0.293	0.131	0.403	0.375	0.196	0.186	0.355
Number of observations	16679	999	4520	15109	33271	1111	837	3049

We turn next to the factors associated with the probability of labour market outcomes for single young men and women still living with their families who are between 18 and 34 years of age. The marginal effects of the estimations are set out in Table 8. The sample means and proportions are in Table 9.

The relationship between education and labour market outcomes appears strongest among this sub-sample of single young women and men. The chances of employment for single women who have been to middle school are 5 per cent more than for a single young woman who has only been to primary school, but this figure rises to nearly 50 per cent for graduates and postgraduates. Conversely, a single female graduate is 31 per cent less likely to be discouraged than a primary educated young woman. In this age cohort, too, the impact of education is far stronger for women than for men. Having a degree increases a young man's likelihood of employment only 13 per cent more than that of a young man with only primary education, and reduces the probability of being discouraged by 9 per cent.

Even though having more employed male family members increases the likelihood of a young woman's employment, possibly through information about job opportunities and networks to leverage them, the more educated (and as a result, more probably wealthy) the male head of her household, the less likely that she is employed. Besides, the more educated a male head of household is, the more willing and able he may be to provide for an unemployed young female member of his family. The relationship is monotonic other than for the marginal effect of a male household head with secondary education, which is (abnormally) greater than one. However, the result is insignificant, and could be because of an issue of standard errors and approximation (through the Delta method). Thus, by and large, employment for young women of wealthier households appears to be a matter of choice rather than necessity and this, too, has been observed in other countries in the region (Malhotra & DeGraff 2000).

Male' appears to offer far more labour market choices for single young women than do the Atolls. Even though young women in Male' are 7 per cent less likely to be employed than young women in the Atolls, and they are 2 per cent more likely to be unemployed; young women in Male' are 12 per cent less likely to be discouraged than young women in the Atolls. Single young men are also less likely to be discouraged in Male' rather than in the Atolls, suggesting that Male' offers more opportunities for young people willing to take them up.

Finally, we look at the factors associated with the labour market outcomes of women heading their households. The marginal effects of the multinomial logistic regressions and population means and proportions are set out in Table 10. There appears to be an inverted u-shaped relationship between age and probability of employment, with the likelihood of employment peaking at the 35-44 range, declining marginally over the next ten years and falling off thereafter. Hence, middle age is typically the time when family responsibilities are heaviest and the need for income most acute, particularly for women heading households. Women of this age group are also probably likely to experience marriage breakdown and the need to provide for children of the marriage. The effects of better education on employment are large and positive from high school onwards. Greater educational attainment is also associated with less likelihood of being discouraged. Nevertheless, not all the marginal effects associated with employment and discouragement is statistically significant. Besides being insignificant, the marginal effects of advanced level and graduate and post-graduate education on the probability of employment and discouragement are abnormally large. This may be because of there being too few observations in these categories and issues of standard errors and approximation in deriving marginal effects using the Delta method.

Table 8: Factors associated with the probability of employment, unemployment and discouragement, single young Maldivian women and men living with their families, 2006: Marginal effects of multinomial logistic estimation

	Single young women			Single young men		
	Employed (1)	Unemployed (2)	Discouraged (3)	Employed (4)	Unemployed (5)	Discouraged (6)
<i>Demographic characteristics</i>						
Age	0.0866***	-0.0098	-0.0246*	0.1333***	-0.0331***	-0.0555***
Age squared	-0.0014***	0.0001	0.0004	-0.0024***	0.0006***	0.0010***
<i>Educational attainment</i>						
Middle school (d)	0.0472*	0.0064	0.0589***	0.0726***	0.0126	-0.0063
High school (d)	0.1592	-0.0275	-0.1316	0.4766	-0.9396	0.0980
Ordinary Level (d)	0.2279***	0.0201*	-0.0003	0.1017***	0.0171*	-0.0323***
Advanced Level (d)	0.3171***	-0.0243	-0.1629***	0.1122***	-0.0389**	-0.1330***
Diploma (d)	0.3762***	-0.0656**	-0.1596***	0.1271***	-0.0297	-0.1148***
Graduate or post-graduate (d)	0.4802***	-0.0001	-0.3071**	0.1095**	-0.0205	-0.0875**
<i>Household characteristics</i>						
Number of other adult women in household	0.0016	0.0003	-0.0072**			
Number of employed males in household	0.0187***	-0.0017	0.0019			
Number of employed males doing white collar jobs in household	-0.0056	-0.0047	-0.0130*			
Male household head educated up to middle school (d)	-0.019	-0.0024	-0.0094			
Male household head educated up to high school (d)	3.0735	0.4864	-1.3503			
Male household head educated up to O' Level (d)	-0.0873***	0.0056	-0.0258			
Male household head educated up to A' Level (d)	-0.0281	0.0026	-0.0505			
Male household head educated up to Diploma (d)	-0.1400***	-0.0022	0.0105			
Male household head is a graduate or a post-graduate (d)	-0.1521**	-0.0199	0.0427			
<i>Spatial characteristics</i>						
Male ¹	-0.0707***	0.0242***	-0.1202***	0.0052	0.0001	-0.0553***
Pseudo R-Squared	0.0832	0.0832	0.0832	0.0393	0.0393	0.0393
Number of observations	11303	11303	11303	14400	14400	14400

Notes:

- Sample includes all single Maldivians between 18 and 34 years of age living with their families. Non-related members of households are excluded.
- Employed defined as those who were engaged in any income generating economic activity for more than one hour during the past week. Unemployed defined as those looking for work and ready to take up employment within the next two weeks. Discouraged defined as those who have not worked during the past week because they have been unable to find suitable employment or because they think that there is a lack of employment opportunities.
- Base category is non-labour force participant, i.e. neither employed, unemployed nor discouraged.
- (d) denotes dummy variables. The reference categories are: age between 18 and 24 years; primary education or less; male household head educated up to primary; Atolls.
- ***, **, and * denote statistical significance at the one per cent, five per cent and ten per cent levels respectively.
- Estimated using data from the Population Census 2006.

Table 9: Population means and proportions: employment, unemployment and discouragement, single young Maldivian women and men, 2006

	Married women				Married men			
	Employed	Unemployed	Discouraged	Non participant	Employed	Unemployed	Discouraged	Non participant
Demographic characteristics								
Age	21.724	20.563	20.855	21.452	22.422	21.184	21.333	22.171
Age squared	482.565	429.642	444.008	471.328	514.556	458.468	466.894	504.486
Educational attainment								
Middle school (d)	0.132	0.140	0.278	0.202	0.298	0.309	0.368	0.241
High school (d)	0.003	0.001	0.001	0.008	0.001	0.001	0.002	0.011
Ordinary Level (d)	0.638	0.748	0.613	0.479	0.469	0.526	0.431	0.382
Advanced Level (d)	0.082	0.043	0.012	0.107	0.057	0.032	0.015	0.130
Diploma (d)	0.052	0.008	0.006	0.045	0.035	0.019	0.008	0.053
Graduate or post-graduate (d)	0.022	0.007	0.001	0.017	0.015	0.010	0.004	0.022
Household characteristics								
Number of other adult women in household	3.478	3.393	2.796	3.986				
Number of employed males in household	1.876	1.451	1.302	1.716				
Number of employed males doing white collar jobs in household	0.701	0.586	0.377	0.891				
Male household head educated up to middle school	0.174	0.190	0.140	0.213				
Male household head educated up to high school	0.000	0.003	0.000	0.000				
Male household head educated up to O' Level	0.063	0.089	0.038	0.116				
Male household head educated up to A' Level	0.008	0.009	0.002	0.013				
Male household head educated up to Diploma	0.015	0.019	0.008	0.042				
Male household head is a graduate or a post-graduate	0.010	0.016	0.006	0.034				
Spatial variables								
Male'	0.492	0.595	0.252	0.740	0.418	0.509	0.332	0.592
Number of observations	7386	751	1864	3530	16428	1247	1428	3123

As the marginal effects in Table 10 show, mothers of children less than 15 years are less likely to be both employed and discouraged, and the effect is larger if children are less than 5 years. Such women are probably constrained from participating in the labour market because they have to bear the entire burden of childcare in and outside the home by themselves. The addition of elderly parents to the care burden is associated with a greater likelihood of discouragement. In contrast, the presence of employed male family members in the household is associated with a greater likelihood of labour force participation (employment and unemployment). The presence of employed male family members in white collar jobs appears to reduce discouragement. Invariably, living in Male' is associated with more labour market activity. Women heading their households in Male' are 12 per cent less likely to be employed, but 7 per cent less likely to be discouraged.

4.3 Summary conclusions

The econometric analysis identified several characteristics of individuals that are strongly correlated with the probability of their being employed, unemployed or discouraged: they are education, gender, age, marital status and household composition; and, location.

Of all the explanatory variables looked at here, educational attainment appears to have the strongest and most significant effect, much more so for women rather than for men, and most for single young women. Thus, education appears to be a key determinant of the employability of individuals, increasing the likelihood of employment and decreasing the likelihood of unemployment and discouragement. Gender is the next most important, with females at least a third less likely to be employed than males. Age is also important with the youngest age cohort being the most likely to be unemployed and discouraged. This could work in many ways. Young people may be lacking in both skills and experience, whereas what older people lack in terms of education, they may be making up for with skills. Younger people are also more likely to have family willing to support them if they are not employed, whereas as people get older the support networks fade away while new responsibilities compel them to earn not only their own keep, but support families too. But married women and women heads of households with small children are both less likely to be employed and discouraged, with household work and child care probably leaving them with little time to engage in market work. Women heading their households are additionally constrained by the presence of children between 5 and 15 years, and elderly parents. The employment of male family members increase the probability of female employment, but the more educated is the male head of a household the less likely it is that single young women members of the household are employed. Finally, although the probability of employment and unemployment for women is higher in Male', the capital city's diversified economy appears to offer more opportunities for employment. Women in particular, may be better able to afford not to work in Male', as men are less likely to be unemployed in Male' and discouragement levels for both men and women appear to be far lower in Male' than in the Atolls. Although women heading households in Male' are less likely to be employed, they are also less likely to be discouraged.

Table 10: Factors associated with the probability of employment, unemployment and discouragement of women heading their households, 2006:
Marginal effects of multinomial logistic estimation and population means and proportions

	Marginal effects			Population means and proportions			
	Employed (1)	Unemployed (2)	Discouraged (3)	Employed	Unemployed	Discouraged	Non participant
<i>Demographic characteristics</i>							
Age between 25 and 34 years (d)	0.1452***	-0.0061	-0.0232*	0.234	0.275	0.257	0.266
Age between 35 and 44 years (d)	0.1660***	-0.0090	-0.0253*	0.362	0.368	0.363	0.342
Age between 45 and 54 years (d)	0.1551***	-0.0087	-0.0221	0.252	0.243	0.244	0.211
Age between 55 and 64 years (d)	0.1205***	-0.0360***	-0.0604***	0.105	0.043	0.073	0.111
Single	0.0814**	0.0121	-0.0035	0.024	0.027	0.016	0.016
Divorced	0.1316***	0.0106*	-0.0054	0.140	0.130	0.100	0.085
Widowed	0.0410**	0.0033	-0.0166	0.085	0.064	0.067	0.077
<i>Educational attainment</i>							
Middle school (d)	-0.0432***	-0.0007	0.0167**	0.174	0.217	0.236	0.256
High school (d)	0.9647	-0.4267	-1.3828	0.000	0.000	0.000	0.000
Ordinary Level (d)	0.1887***	0.0011	-0.0515***	0.063	0.055	0.026	0.049
Advanced Level (d)	1.0677	0.0301	-1.4274	0.005	0.002	0.000	0.003
Diploma (d)	0.4403***	-0.0102	-0.2413*	0.018	0.005	0.001	0.008
Graduate or post-graduate (d)	1.4004	-0.4231	-1.3547	0.009	0.000	0.000	0.002
<i>Household characteristics</i>							
Mother of children < 5 years (d)	-0.0778***	-0.0009	-0.0106	0.232	0.291	0.276	0.317
Mother of children between 5 and 15 years (d)	-0.0222*	0.0050	-0.0021	0.601	0.682	0.654	0.628
Proportion of household members who are elderly parents	0.0896	-0.0023	0.0766*	0.013	0.012	0.015	0.009
Number of other adult women in household	0.0046	-0.0021	-0.0001	1.156	0.980	0.957	1.246

	Marginal effects			Population means and proportions			
	Employed (1)	Unemployed (2)	Discouraged (3)	Employed	Unemployed	Discouraged	Non participant
Number of employed males in household	0.0095*	0.0047**	-0.0052	0.818	0.810	0.658	0.913
Number of employed males doing white collar jobs in household	-0.0024	-0.0059	-0.0144*	0.264	0.204	0.154	0.341
<i>Spatial characteristics</i>							
Male ¹	-0.1274***	-0.0081*	-0.0782***	0.261	0.227	0.138	0.396
Pseudo R-Squared	0.040	0.040	0.040				
Number of observations	17585	17585	17585	8350	563	1874	6798

Notes:

1. Sample includes all women who are heads of their households who are between 15 and 64 years of age. Non-related members of households are excluded.
2. Employed defined as those who were engaged in any income generating economic activity for more than one hour during the past week. Unemployed defined as those looking for work and ready to take up employment within the next two weeks. Discouraged defined as those who have not worked during the past week because they have been unable to find suitable employment or because they think that there is a lack of employment opportunities.
3. Base category is non-labour force participant, i.e. neither employed, unemployed nor discouraged.
4. (d) denotes dummy variables. The reference categories are: age between 15 and 24 years; primary education or less; Atolls.
5. ***, **, and * denote statistical significance at the one per cent, five per cent and ten per cent levels respectively.
6. Estimated using data from the Population Census 2006.

Conclusions and Policy Directions

The Maldives has experienced a sharp increase in unemployment and discouragement in recent years, especially among youth and women. The situation calls for the designing of and implementing an employment policy and strategy that will link key labour market and employment challenges with specific interventions. This paper aims to inform this process by using secondary data to describe the situation of employment, unemployment and discouragement in the country and investigate the characteristics of labour market participants that are associated with these labour market outcomes.

The country's narrow resource base and small domestic market make openness to foreign trade and investment the 'natural' policy choice, and this strategy has paid off by expanding the economy and transforming it into a middle income country. Poverty has also declined and social indicators have improved. However, some serious weaknesses in the country's employment situation have persisted and even exacerbated in recent years. The Maldives is currently experiencing high rates of unemployment among locals, even while nearly half the total employed workforce is foreign. At the top end of the occupational distribution of employment, expatriate workers account for 44 per cent and 21 per cent of the professional and technician categories. At the bottom end of the occupational scale, expatriates account for 56 per cent of service workers, 61 per cent of craft-related occupations and 76 per cent of elementary occupations. Thus, while there are insufficient numbers of Maldivians with the necessary skills to secure the top-end jobs, lower skilled or unskilled Maldivians appear to be unwilling or unable to be employed at the lower end of the scale. In fact, economic growth between 2006 and 2010 appears to have generated more jobs for expatriates than for Maldivians and, in some sectors, expatriate employment seems to have grown at the expense of Maldivians.

Several reasons have been advanced to explain this mismatch. Weaknesses in the education system appear to account for the skills shortage at the higher end of the occupational scale. There are problems with access, especially for girls, and the low quality of teaching in many primary and secondary schools in the Atolls means that students do not have the skills required to continue to higher education. Facilities for higher education, particularly university education, and technical and vocational training, have also been limited. On the other hand, it has been suggested that the high take up of low skilled jobs by expatriates rather than Maldivians is because Maldivians have very high job expectations and are reluctant to take up what are perceived as low status jobs. Employers also complain that Maldivians lack work ethic. Nevertheless, it is also the case that in these occupational categories Maldivians do not face a level playing field as they have to compete for jobs against a readily available supply of expatriate workers whose relative wages probably do not reflect actual productivity differentials. Meanwhile, poor labour market outcomes in terms of jobs and earnings for women who do decide to participate, coupled with social norms that place the major burden for childcare and housework squarely on them, probably discourage others from following suit.

The econometric analysis in this paper further underlines the importance of education. It identifies educational attainment as the strongest and statistically most significant predictor of labour market outcomes, much more so for women than for men, and most for single young women. Thus, education appears to be a key determinant of the employability of individuals by increasing the likelihood of employment and decreasing the likelihood of unemployment and discouragement. Gender is the next most important, with females at least a third less likely to be employed than males. Age is also important, with the youngest age cohort being the most likely to be unemployed and discouraged. This could work in many ways. Young people may be lacking in both skills and experience, whereas what older people lack in terms of education, they may be making up for with skills. Younger people are also more likely to have family willing to support them if they are not employed, whereas as people get older the support networks recede, while new responsibilities compel them to earn not only their own keep, but also to support their families. But married women and women heads of households with small children are both less likely to be employed and discouraged, with household work and child care probably leaving them with little time to engage in market work. The employment of male family members increases the probability of female employment, but the more educated the male head of a household is, the less likely it is that single young women members of the household are employed. Finally, although the probability of employment and unemployment for women is higher in Male', the capital city's diversified economy appears to offer more opportunities for employment. Women in particular, may be better able to afford not to work in Male', as men are less likely to be unemployed in Male' and discouragement levels for both men and women appear to be far lower in Male' than in the Atolls. At least five priority areas for policies and interventions can be extracted from the findings of this paper: first, economic diversification through the promotion of second-tier growth centres; second, education and skills development; third, interventions targeting youth; fourth, managing the expatriate workforce; and, fifth, establishing a labour market information system and better monitoring and evaluation.

Economic diversification through the promotion of second-tier growth centres

The present analysis showed that Male' continues to offer the best chances of employment in the Maldives, with the concentration of business activities, markets, workers and people there. There are good economic reasons for this, as the New Economic Geography literature has shown (see Fujita *et al.* 1999). In the presence of high transportation costs and conditions favouring opportunities for economies of scale, imperfect competition and input-output linkages between firms, agglomeration forces will concentrate consumers, markets, firms, and workers in certain geographic locations. Industry clusters attract people and population clusters attract more businesses, stimulating further agglomeration and more jobs.

However, the rate of agglomeration will slow down, and with it, opportunities for further growth and the generation of employment, if dispersal forces arising from increased wages and rents set in. This is already occurring in Male' and will, inevitably, have a depressing effect on the rate of job creation in the city. Hence, the relevant policy issue here is to create other growth centres within the country that can attract businesses discouraged by Male's exceedingly high rentals and high wages. These alternative growth centres need to offer critical infrastructural advantages, such as sea and air ports, particularly as export-oriented economic diversification remains the 'natural' policy choice for the Maldives in its ocean-based environment. They must also be of sufficient size and resources to host a sizeable concentration of population, workers and businesses. At the same time, the country's relative isolation and constrained internal market dictates that the economy needs to produce goods and services that cater to a high income market, such as import substituting agricultural products aimed at the resort industry, or those that require little or no transport costs, such as IT-based service industries and education and training services. The latter can be targeted at regional markets in the Indian sub-continent and in West Asia, even while providing facilities for Maldivians. In this way, service providers can benefit from economies of scale while competition compels them to offer high quality services. Such industries can also help diversify the country's sources of foreign exchange earnings, and reduce its heavy dependence on the tourism sector to provide this.

Education and skills development

Efforts at economic diversification and job creation need to be combined with policy measures tailored to increase the employability of Maldivians, especially of young people, women, and those in the Atolls. As Rothboeck (2012) argues, there must be policy coherence and the establishment of linkages between economic growth, creation of quality employment and skills development: training alone never creates jobs.

The Maldives is no longer a low wage economy and can no longer compete in low skilled activities. It will need to accelerate its move into more service-orientated sectors which will need higher levels of skills. This can be done by, first, upgrading the quality of general education and increasing access and graduation within the system; second, by providing opportunities for technical and vocational education; and third, by facilitating opportunities in training as professionals and technicians in the IT, the hospitality industry, and in accounting and financial management. We can identify three principles that can govern service provision. First, in all three sectors, private investment and collaboration needs to be aggressively sought. Secondly, service provision needs to be outwardly-oriented to be part of the country's economic diversification strategy, achieve economies of scale, ensure well-trained faculty, innovative teaching methods and high quality training inputs. Thirdly, the government needs to provide opportunities for those who cannot afford such training to do so by providing scholarships and encouraging its partners to also provide student bursaries as part of their corporate social responsibility (CSR).

A difficult fiscal situation constrains the government's capacity to directly provide the education and training services that the economy needs. Hence, private investment and partnerships need to be actively sought in all three areas of education and training. Government can provide incentives, such as land, for private education and training institutions to establish campuses in combination with other services. Such measures can also dovetail into interventions targeted at creating second-tier growth centres. Likewise, it has been suggested that local and foreign partnerships in medical education and studies that are linked with the establishment of hospitals on Atolls, can provide health tourism services (World Bank 2011). Alternatively, private providers of hospital and medical services and owners of resorts can be encouraged to set-up training institutes or collaborate in the training of medical personnel and resort staff. Some resorts have already begun the process of backward integration. For example, the resort company *Four Seasons* has been providing apprenticeships and training in housekeeping, cooking, front office, electrical works and marine mechanics for the last twelve years and is now an important partner in the STEP (Skills Training and Employment Programme) Programme initiated by the tourism industry and the Government of the Maldives. Likewise, the HUNARU programme which funded short course training until 2012, if expanded, can attract more private providers into the TVET space. Its emphasis on linkages with industry, strong workplace exposure, career guidance and after training support services are particularly appropriate for the current context (Rothboeck 2012).

Partnerships and joint ventures with international providers of education need to be sought for yet another reason. Private providers have the resources, experience and flexibility to provide high quality training using the most up to date teaching methods, none of which factors characterize government's service provision. Innovative teaching methods can exploit information technology to provide high quality training inputs by teachers and academics, who may even be based in good schools and universities abroad. Technology has transformed the way people learn in the best education institutes all over the world. State-of-the-art teaching methods, such as team-based learning prepare students to become responsible for their own learning, think outside the box, be analytical, innovative and creative, engage constructively with peers and develop their inter-personal skills. Such skills are essential in a service-oriented economy. But in order to ensure access to these learning opportunities to those who cannot afford them, the government needs to fund scholarships and encourage private partners to also provide scholarships as part of their corporate social responsibility.

Interventions targeting youth

Young people face a difficult job situation in the Maldives. In the first place, the education system is too weak to ensure the graduation of the majority through the system into higher education. In the second place, curricula are out-dated, and teaching methods are based on a system where teaching is about imparting information and learning is about memorizing it. Students are not stimulated to analyse, process and synthesise information that is readily available in the print and electronic media. Handicapped by these human capital deficiencies, young people have no information about the kinds of jobs that are available in the market or how to acquire the training needed to get them. They also face a difficult social environment: low skilled jobs are taken up by expatriate workers and neither they nor their families can face the humiliation of having to resort to such jobs. There are not enough of the kinds of jobs that they would like to have, especially in the Atolls. Even if there were enough jobs, they would not know where they were, how to begin to look for them, whether they have the skills required, or where they can get the experience that employers demand. At the same time, the advent of addictive and distractive electronic devices and the social media have driven a wedge between themselves and the society they actually live in, increasing their sense of disconnection, and, along with parental indulgence, making them lose sight of the reality of having to earn their living. Furthermore, since this is a society-wide phenomenon and young people, more than any other group, are influenced by peers, unemployment or discouragement, rather than employment, have become the social norm. Inspiring role models are hard to find.

While economic diversification is required to generate more jobs and reforms in education and skills development can intellectually stimulate young people and inculcate job-oriented skills, there are many other interventions that need to be implemented to enhance the employability of youth. For instance, education reform needs to go hand in hand with career guidance and counselling in the schools itself, so that young people are guided on to training and career paths, depending on their aptitudes and abilities. Parents' participation and buy-in also needs to be sought. For example, in her assessment of Maldives TVET sector, Rothboeck (2012) recommends the revival and re-definition of the mandate of the Youth and Services Centre in Male' and job centres in Baa, Dhaal, Lhaviyani and Laamu Atolls to provide the necessary services. Career guidance measures need to go hand-in-hand with expanded apprenticeships and internships at workplaces that will push young people towards the world of work, give them some work experience, help them decide what sort of job or sector that they would like to eventually work in, and motivate them to get the training required to get such jobs. Such measures can be part of private companies' CSR, and even now, several tourist resorts have begun to engage with potential employees in this way. Likewise, programmes for volunteer work during school vacations, in health facilities, in environmental protection or social work, can help broaden young people's real-world horizons and encourage their re-engagement with their physical environment.

Managing the expatriate workforce

Expatriate workers have played a critical role in the Maldives' progress towards middle income status and the country will continue to need the skills of expatriate workers in the near future. However, as Castley (2005) cogently argues, there is a serious danger of purchasing the skills and services of others, rather than learning to do things themselves, and as we have seen in the preceding analysis, this tendency appears to have become more pronounced in recent years, increasingly placing the country's own citizens at a disadvantage.

Since the country has few natural resources, its people are its main asset and the Maldives' future will ultimately depend on the quality of its own labour force, not that of foreigners. While the government has thus far adopted a flexible, 'open-door' approach towards expatriate labour, other countries that have adopted such an approach have experienced long-term social problems (Castley 2005). Therefore, both supply-side and demand-side measures should be adopted to manage the expatriate workforce in such a way that the

country is benefited, the dignity of work protected, and the Maldives' own workforce and society are not undermined.

On the supply-side, the emphasis should be on localization, particularly by equipping locals with the middle-level skills to work as accountant assistants, nurses, sales personnel, technicians, craft and service workers, jobs which are currently taken by foreigners. In this regard, restrictions on the hiring of expatriates will encourage the training of locals, as is already happening in the tourist industry.

At the same time, there are good reasons to control the ready availability of cheap foreign labour. For example, Castley (2005) suggests that restricting the supply of migrant labour is likely to raise the wages of unskilled Maldivians working in these occupation categories, whose income has been suppressed by the extensive use of expatriate workers. This would require in the first place, the elimination of opportunities for human trafficking by implementing the measures already recommended by the Maldives' Human Rights Commission (Human Rights Commission of the Maldives 2009), and by processing and regularizing the sizable army of illegal foreign workers which is already at large. A critical policy measure in this regard is to reduce the cost of processing visas for such workers and to increase the incentives to do so, by decentralizing these procedures to the Atolls. Decisions about the deployment or re-patriation of migrant workers can be taken once an accurate register of their numbers and abilities is established. Secondly, institutional reforms that would maintain decent work standards across the board and thereby eliminate cost differentials between Maldivian and expatriate workers that are not related to productivity differentials are urgently needed. While the Employment Act provides for the establishment of minimum wages, maximum hours of work, overtime, annual and sick leave, maternity leave and work place safety, and regulations under the Act cover various aspects of expatriate employment, monitoring and enforcement of the Act is weak. This is mainly due to the lack of capacity for monitoring and enforcement. Therefore, in order to help eliminate current labour market distortions which favour migrant workers to the detriment of Maldivian workers, policy needs to concentrate on monitoring and enforcing the provisions and regulations of the Employment Act.

Labour Market Information System (LMIS) and better monitoring and evaluation

While existing the labour market information system is almost entirely geared towards the recruitment and placement of expatriate workers, it is necessary to establish employment exchange services for employers and employees, and provide job seekers with employment advice, in order to facilitate the employment of Maldivians (Rothboeck 2012). An internet-based job agency for Maldivians established with the support of employers can help match demand with supply, but these efforts need to be matched with services targeted and providing employment advice and help with writing resumes and preparing and facing job interviews. Better monitoring and evaluation of labour market policies will be greatly assisted by the collection, analysis and dissemination of labour market data. The Maldives currently has two sources of labour market data, the Population Census and the Household Income and Expenditure Survey. Each has its strengths and weaknesses. The Census, naturally, has the best coverage but is not as frequent as the HIES, which also has information about household income and expenditure. However, neither provides information that enables the identification of informal employment according to internationally acceptable definitions. Information about the duration of unemployment and job search is also unavailable. A couple of questions about individuals' subjective well-being and job satisfaction in the HIES would be useful, as would information about how employed persons found their jobs. Most importantly, both the Census and the HIES need to cover expatriate workers to enable comparative analysis about the welfare of expatriate workers and their employability, relative to Maldivians. At the moment, neither collects any information about this critically important population sub-group. A registration system for expatriate workers can provide administrative data that can be used to complement the survey data to enable further labour market analyses of the jobs available in the economy and how the competencies of Maldivian workers need to be enhanced to claim them.

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ISBN 978-92-2-127714-9