



International
Labour
Organization

Measures to Increase Employment of Nationals in Expatriate Dominated Occupations and promote decent work among all workers

31 August 2016

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List of the acronyms

ALMP - Active Labour Market Programme
CP – Colombo Process Member Countries
CoC – Chamber of Commerce
GCC - Gulf Cooperation Council countries
GDP – Gross Domestic Product
HIES - Household Income & Expenditure
ILO – International Labour Organisation
IED - Immigration and Emigration Department
LMIS – Labour Migration Information System
Labour Force Participation Rates (LFPRs)
LRA Labour Regulatory Authority
MACI - Maldives Association of Construction Industry
MATI - Maldives Association of Tourism Industry authorities
MED - Ministry of Economic Development
MoU – Memorandum of Understanding
NGO – Non-governmental organisation
NBS – National Bureau of Statistics
OECD - Organisation for Economic Co-operation and Development
PREAS - Private Employment Agencies
SOP standard operating procedures
TVET - Technical and Vocational Education and Training Authority
WAP - Working Age Population

Introduction: the nexus between the Jobs Strategy and the revision of the quota system

The high dependence on foreign labour makes employment and migration two interdependent issues requiring a coordinated strategy. On the one hand, nearly half of the employed are foreigners¹, and not only they play a predominant role in low skilled occupations, but are numerous also among professionals and technicians. On the other hand, despite the buoyant economic growth² that allowed the Maldives to reach the status of a middle-income country in 2011³, the labour market has been increasingly characterised by unemployment and discouragement (see Gunatilaka, 2013).

Many of the jobs created in the past ten years were not attractive to nationals, being predominantly low skilled, poorly paid and protected. The creation of jobs that are filled in by foreigners will continue for the foreseeable future. The case of Maldives appears therefore similar, from an economic point of view, to that of the Gulf Cooperation Council (GCC) countries. The review of the quota system will have to be done hand in hand with the Jobs Strategy, focusing on medium- and high-skilled jobs that are attractive to nationals.

The low presence of Maldivians in higher-end occupations can be explained by several factors. First, as well documented in the existing literature, the weaknesses of the education and labour market training system play a critical role. The creation of jobs in high standard tourism activities since the 1990s required certain skills that were not available among nationals. TVET system did not effectively adapt and employers found it more convenient to recruit labour from outside the country.

However, there are other demand-driven factors that should be considered. First, employers argue that Maldivians, especially young workers who can afford to live on parental income, have very high job expectations and are reluctant to take up what are perceived as low status jobs. Second, Maldivians do not face a level playing field, as they have to compete against a supply of expatriate workers willing to accept the same jobs at discount prices (wages well below labour productivity) and characterized by working conditions that nationals are not willing to accept.

This is a critical point, as in a free open labour market with unlimited supply of skilled labour from South Asia, employers would probably resort to foreign labour even if Maldivians were offering the same skills and competences. In other words, education and training is a *conditio sine qua non* for full employment in the Maldives, but it is only one ingredient of an effective policy mix, with other ingredients being an appropriate

¹ In 2010 foreigners represented 41 per cent of WAP and more than 43 per cent of employment.

² GDP grew at an average yearly rate of 8 per cent in the decade preceding the tsunami of December 2004. "Growth was accompanied by low inflation, a rapid decline in unemployment and marked improvement in social development indicators". p. 2

³ 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. (ibidem)

system of regulations shouldered by an enforcement system; and finally, pro-employment measures.

The literature developed for GCC labour markets suggests that even when labour costs are equivalent and private businesses have to choose between a national and a foreigner with the same skills pattern, foreign labour remain more attractive because it is less protected and not unionized. Third, some of the attractive jobs are located in remote resorts or in other atolls, and commuting in the Maldives is often not an option, while living on-site is not considered as a viable solution.⁴

Supply-side constraints complete the picture. Cultural constraints make some of these jobs unsuitable for Maldivians, especially for Maldivian women. Specifically, counterparts reported that Maldivians are reluctant to serve alcohol, or to deal with western clients who are inappropriately dressed in the context of a high-end resort. Finally, it is possible that women – that are expected to bear the major burden for childcare and housework - are discouraged by the difficulties of finding jobs and by the very low earning levels.

Gunatilaka (2013) has demonstrated with econometric analysis that education is the key determinant of employability, followed by gender (females being one third less likely to be employed than males) and by age, with the members of the youngest cohorts more likely to be unemployed and discouraged⁵.

On the basis of these findings, the Government has set five priority areas for policies and interventions:

1. diversification through the promotion of second-tier growth centres (to re-orient job creation in tourism and construction);
2. education and skills development;
3. interventions targeting youth;
4. better governance of the expatriate workforce;
5. establishment of labour market information systems and better monitoring and evaluation of policies, programmes and measures under 1 to 4.

The success of this strategy relies upon the extent to which employability issues addressed by 2. and 3. are jointly designed with measures that make sure that a demand of labour for certain skills and competencies is created (1.), and with regulations that facilitate the absorptions of Maldivians (4.) in a context where employers find it more convenient, for the different reasons explained above, to resort to international recruitment.

⁴ We recall that daily commuting is not an option because the Maldivian territory is dispersed. Therefore, these jobs are taken by foreigners who live and work in the same island.

⁵ Numerous economic explanations have been advanced, but consideration should be given, in a situation of insufficient demand, also to institutional aspects such as the social necessity to give employment to the breadwinners and to the occupational gender specialization.

We should also recall that the supporting analysis, rests on data that are already five years old⁶. Therefore, it will be important to see whether the 2014 census will confirm the trends that emerge from previous censuses and surveys and more specifically from the IESR of 2010. An LMIS (Labour Migration Information System) tailor made to policy design and to labour market adjustment should be established to evaluate relevance, effectiveness and efficiency of public policy (5.). For policy design purposes, employment targets in terms of quantity are already in line with first provisional data of the Census 2014 on total population. Specific targets dealing with unemployment and discouragement, as well as measures and regulations reserving some occupational classes for nationals, will have to be confirmed by the results emerging from the evolution of the different components of the labour force in the past 5 years.

Objectives and methodology of the study

The objective of this study is to provide options to review the quota system. The analysis develops in two directions: i) a review of how the migration challenge is currently handled by the regulatory framework; ii) a labour market analysis providing quantitative insights on labour needs and on ways to absorb nationals in to employment; iii) a proposal of measures to reach full employment of nationals with better migration governance.

The report is based on a desk review and analysis of available statistical data, institutional documents and existing reports. A desk review identified knowledge gaps and keys issues to be addressed through interviews and focus groups with stakeholders in the Maldives, that were conducted in Male during the first week of October. Officials from the Maldivian Government, representatives of employers' organisations and of the University and the education sector have been interviewed⁷. A presentation of preliminary findings and debriefing was undertaken with Senior Officials of the MED in Malé.

The report is structured in **three chapters**. **Chapter 1** provides a comprehensive picture of key facts of labour migration in the Maldives, factors explaining the dependence on foreign labour, as well as problems highlighted in the review of the regulatory framework, from the recruitment and placement process to the functioning of the labour market of foreigners. The problems of the current system are presented as an articulated process structured across various phases, where different institutional and

⁶ HIES 2009-2010

⁷ Permanent Secretary, State Minister, MED technical team, Labour Relations Authority of the Ministry of Economic Development; NBS Officials of the Ministry of Finance and Treasury, Controller of Immigration and Technical Officers of Department of Immigration and Emigration; MACI - Maldives Association of Construction Industry and MATI - Maldives Association of Tourism Industry authorities; Maldives National Chamber of Commerce; Business Council Members; Ministry of Education - TVET programs; University representatives and Private Education providers).

private actors play their role. Each phase of the overall process is analysed in its functioning, highlighting the related critical features. **Chapter 2** is a review of the socio-economic situation conducted by consolidating findings from all statistics available (from Censuses, sample surveys and administrative data), existing studies and reports. The labour market analysis is conducted in order to understand potentials for the employment of nationals, bottlenecks of participation and employment, so as to outline scenarios on how many and what types of migrants will have to be recruited *vis a vis* economic development needs. Future employment needs are proposed to support the implementation of the Jobs Strategy with the system of governance of foreign workers⁸. **Chapter 3** distils conclusions and recommendations from the first two parts, adjusting them in a modular way, so as to be plugged/included in the five priority areas of the Jobs Strategy. **The Annex** includes a set of case studies of successful national practices which could serve as a model for the reform in the Maldives. The first case study presents the Mauritius Circular Migration Database, an online job interactive platform aiming to facilitate the matching of Mauritian jobseekers with both local and international employers. The second case study proposes a fast-track procedure for trusted employers to be able to reach the needed labour in time, as employed in the Philippines, Thailand and some CP Member Countries.

⁸ Migration flows have their roots in long-term demographic trends, recent economic evolution and structure as well as in prevailing social values.

Chapter 1: The labour migration in the Maldives and its current governance

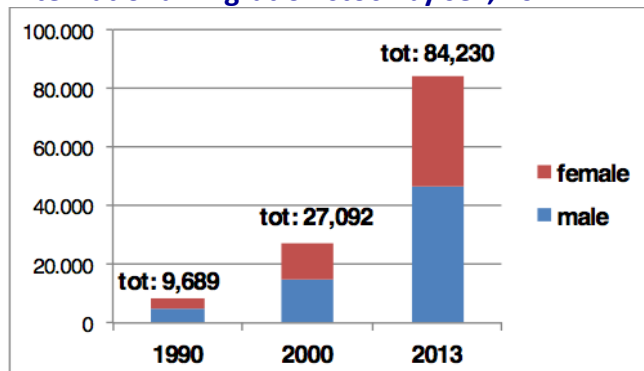
1.1. Labour migration in the Maldives

Immigration of foreign labour force becomes relevant from the 1990s, tripling its amount by 2000

The Maldives labour market has registered for a long time the presence of foreign workers and has experienced three significant periods of migration during the past 50 years. The first period, prior to the 1970s, entailed the small-scale movement of workers seeking employment in traditional production and service industries. In the second period, between the 1970s and 1990s, the Government of Maldives opened its economy to the private sector, introduced commercial banks, established and promoted the tourism industry and welcomed foreign labour to the country. The third period began in the 1990s and is characterized by a substantial influx of foreign labour migrants (Rasheed, 2003), mainly employed in the tourism industry to serve in both professional and unskilled categories Rasheed, A. (2003). "Labour migration is it an issue for small island economies?", paper presented at Knowledge, Capital, Critique SAANZ Conference, Auckland, 10 December.

Registered migrants in the Maldives were less than 10,000 in 1990, more than tripled by 2000, when they passed the 27,000 mark and by 2013 reaching over 84,000 units.

International migration stock by sex, 2012



Source: United Nations, Department of Economic and Social Affairs, Population Division (2013)
World Population Prospects: The 2012 Revision

Migrants come from three main nationalities/countries, which together accounts for 90% of the total: Bangladesh, India, Sri Lanka

The following table shows the top five nationalities of migrants in the Maldives in 2013, which together account for over 90 per cent of the foreigners in the Maldives. Over half of the registered migrants in the country are from Bangladesh (56.9 per cent), followed by India (23.5 per cent), Sri Lanka (10 per cent) and the Philippines (1.5 per cent).

Top 5 countries of origin of registered migrants in the Maldives (2013)

	a.v.	% on total migrants
Bangladesh	47,951	56,9
India	19,801	23,5
Sri Lanka	8,451	10,0
Philippines	1,280	1,5
Italy	332	0,4
Total top 5 countries	77,815	92,4
Total all countries	84,230	100

Source: United Nations, Department of Economic and Social Affairs, Population Division (2013) World Population Prospects: The 2012 Revision + own elaborations

With employment of national groups concentrated in specific sectors

Finally, data show that employment per sector varies between the nationalities of migrant workers. The majority (54 per cent) of migrant workers from Bangladesh were employed in the construction industry while migrant workers from India were more equally distributed among sectors, with 29 per cent employed in construction, 20 per cent in community and social services and 12 per cent in tourism. Sri Lankan workers are mainly employed in tourism (32 per cent) and construction (17 per cent, Maldives Department of National Planning, 2010)

The Maldives Immigration Controller **estimated** there were **44,000 irregular foreign workers**, mostly from Bangladesh and other South Asian countries. These workers were predominantly employed in the construction and tourism sectors, where some experienced **fraudulent recruitment practices, forced labor, debt bondage**, while only a minority, predominantly from Sri Lanka, Thailand, India, and China, were trafficked to the country for sexual exploitation. In 2010, the United States Department of State Trafficking in

Persons Report placed the Maldives on its Tier 2 Watch List due to the Government's inability to investigate or prosecute offences related to the trafficking of persons (United States Department of State 2010). According to the Report, an estimated 30,000 foreign workers in the construction and service sectors are without legal status and are subject to exploitation (United States Department of State 2010). However, lack of available data hampers efforts to assess the full impact of human trafficking in the country. Most victims of forced labor reportedly were coerced to work through one or more of the following practices: holding of passports by employers, fraudulent offers of employment, not being paid the promised salary, and not being paid at all.

The main agents de facto administering irregular migration are – both national and foreign - employment agents involved in the recruitment process of migrants workers (see diagram 1). In order to operate, agencies need to register with the Ministry of Human Resources, Youth, and Sports to receive quotas and work permits to bring in workers.

Labor exploitation, however, occurs not just with employment agents but also with employers, who subject the migrants to conditions of forced labour such as inhumane living and working conditions, confiscation of identity and travel documents, withholding or non-payment of wages, and debt bondage upon arrival (Gunasinghe, 2013). The trafficking offences include fraudulent offers of employment, withholding of passports, withholding salaries, or not paying promised wages. Interviews with relevant agencies and individuals revealed that many of the irregular foreign workers have been sponsored by an employer and processed by an employment agency and then abandoned, or have come under tourist visas with the assistance of a compatriot and have not been able to find work yet.

1. 2. Factors contributing to increasing reliance on foreign workforce

Skill shortages at the level of the national labour market ...

Since the beginning of the 1980s, with the remarkable growth of tourism and related industries, including the construction industry, the Maldives economy has created multiple economic opportunities and thousands of jobs. An important segment of these jobs have been taken by foreigners.

The analysis in Part 1 showed that, to date, there are

insufficient numbers of Maldivians with the necessary skills to take up both top-end jobs and jobs at the lower end of the scale.

..due to the national educational system's quality, availability, and accessibility

At the top end of the occupational distribution of employment, foreign workers respectively 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 the service workers, 61 per cent of craft-related occupations and 76 per cent of elementary occupations** (Rothboeck, 2012).

The presence of foreign labour in the Maldives is explained by a large number of factors (See Nexus between Jobs Strategy and Migration Governance in Part 1).

...due to an educational supply mainly concentrated on non-vocational subjects

The first consideration is related to the skills shortage, that is the lack of the required skills at the higher end of the occupational scale among the national labor force supply.

Poor post-secondary educational facilities, low quality of teachers, limited options for higher education available in the Maldives, and limited skills training programmes in the Maldives contribute to the problem of relative under representation of qualified Maldivians in the service sectors of the economy (Human Rights Commission of the Maldives, 2009; Gunatilaka, 2013; Government of the Republic of Maldives, 2015). 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. Only a very small fraction of students opt for higher education, while the majority seems to drop out of school at a very early age (Rothboeck, 2012). Furthermore there is a wide gap between the availability of higher education facilities and the demand for places. Though increasing, the enrolment rates for students into higher secondary education or even tertiary education remain very low compared to South Asian standards, which raises some concerns. Previous works also revealed that the strong focus on academics and lack of relevance to the workplace further contribute to the phenomenon (Rothboeck, 2012). Educational and vocational institutions have not inculcated entrepreneurship or self-employment as a career option or provided appropriate business orientation and support skills for students to opt for business start-ups. According to the ICA survey undertaken in 2006, most schools offer non-vocational subjects such as commerce, administration, tourism and IT related subjects, where the average pass rate is as low as 25%.

...while the low status of vocational training and education is unattractive to students and their families

Furthermore, the currently low status of vocational training and education is not attractive and socially acceptable for parents and prospective students, which limits their popularity at a higher secondary school level. Such lack of interest of parents and job seekers in vocational training and blue collar employment is reflected also on the later strategies of entry into the labour market of the qualified job seekers. According to the HIES survey, the dominant reason for the status of being unemployed amongst the youth (men and women) is their inability to 'find suitable employment' alongside a 'lack of employment opportunities'. More prominently for young men, the employment opportunities available do not match either job-seekers' expectations, or they feel that they do not have the right skills for the jobs available.

...mirrored by later strategies of entry into the labour market and subsequent voluntary unemployment phenomenon

A recent rapid assessment and discussion with MHRSY and TVETA officials, ESCs and other employers confirms the findings that overall the Maldivian jobseekers have often unrealistic preferences for well paying, white collar professional jobs, and would therefore, rather be unemployed than employed in less attractive occupations. Their expectations however do not necessarily correspond with their skills and competency levels acquired in school or the potential employer's expectations of a young person who has just graduated and does not have any working experience (Rothboeck, 2012).

Previous studies showed that affluent families prefer their children to either work in white collar jobs or stay at home. There seems to be a mismatch between expected employment and available competencies and work experience, which results in lower interest from job seekers to take on employment. Lack of exposure to career counselling or to the world of work during their schooling might be one reason why preferences and de facto/actual employment opportunities seem to be far apart (Gunasinghe, 2013).

...with employers stating a weak culture of work and inadequate discipline among Maldivian employees, compared to migrant workers

Employers in the Maldives associate the cause of non-employment of Maldivians and consequent demand for migrant labour also with a weak culture of work and inadequate discipline among Maldivian employees who at times quit work after being trained at the expense of the employer/company. Furthermore, they report a reluctance, due to social and cultural factors, of Maldivian men and women to accept menial and inferior jobs or to accept positions with low wages in comparison to the increasing living costs; with substandard and inadequate living and

working conditions on resort islands and construction sites. In comparison, migrant workers are reported by employers to have lower expectations for wages and working conditions.

In a context where labour mobility is constrained by remoteness of islands and a limited transport system

Last, while the country is characterised by the remoteness of its islands, where transportation facilities are not highly developed, and air transport between distant islands is relatively expensive. Adverse weather conditions, the relatively high cost of travelling by motorized boats and the abundance of coral reefs are factors which impede labour mobility and have seriously affected the development of a unified national labour market (Ghosh and Siddique, 2000: 2). Such a lack of accessible and affordable transportation facilities for workers to tourist resorts, construction sites or other islands with job opportunities has contributed to the development of a fragmented labour market (Gunasinghe, 2013), with the demand for labour in one island that cannot be easily met by supply from another island (*ibid.*).

And with socio-cultural and skill specificities affecting the employability in the tourist sector

Finally, there are specificities linked to the tourism industry, in particular. In this sector, the high-class tourist activities require services, professional competences and linguistic skills that Maldivians are not able to provide. Furthermore socio-cultural and religious differences in this sector that are at odds with local customs can be a further discouraging element: resorts offering alcohol, or the dress code used by tourist make jobs in the hotel and restaurants activities not appropriate for local Muslim workers, especially Muslim women.

In this context migrants are no more only needed, but also preferred to Maldivian workers by employers

However, as previous research has highlighted (Matthews, Ruhs 2007; Castagnone, 2012), migrants are increasingly preferred and substitute the domestic supply not only because of skills shortages, but also because they are considered more willing to work for lower wages, are perceived to be hard workers and a motivated, adaptable, flexible and reliable workforce.

1.3 Review of the recruitment and admission system (also referred in official documents as quota system⁹)

This section reviews the process of international recruitment and placement of foreign workers, looking at the system of policies and institutions (including legislation) in place to regulate it. The focus is given to the quota system, so as to identify options for its reform.

The admission of foreign workers in the Maldives for employment purposes is currently based on a quota system, demand-driven on paper, with foreign workers admitted based on a specific request by resident employers. According to this system, the number of foreigners allowed to enter the Maldives for employment is calculated based on the economic size of the Project, which is the specific economic activity and workplace to which the foreigner is allocated. Sectorial differences apply to calculate how many workers are allowed to be recruited, and for certain sectors (i.e. tourism), a ratio forces employers to recruit a certain number of national workers for any foreign visa requested.

Laws, regulations and institutions dealing with migration governance

The Maldives Immigration Act lays down the general rules on migration governance

The Government of the Maldives through the **Maldives Immigration Act**¹⁰ (referred to as Law 1/2007) lays down the general rules for the admission, entry, recruitment, duration and conditions of stay of foreigners in the country.¹¹ The Employment Act of 2008 has the same scope of a labour code, therefore defining the main aspects of the employment relation and ruling working conditions of both nationals and foreigners. The Labour Regulatory Authority (LRA) is the institutions shouldering the roles and mandates of the labour inspectorate.

IED is the Government Agency under MED in charge of administering the system.

The **Immigration and Emigration Department (IED)** operates under the Ministry of Economic Development (MED). Law 1/2007 rules its roles and responsibilities and frames its operations, and the IED is the **principal government body responsible for the control of migrant workers in the Maldives, responsible for:** issuing employment quotas, work and residence permits

⁹ When national authorities use the notion of “quota system”, they de facto identify all the set of laws, regulations and labour market mechanisms that define the recruitment and admission system.

¹⁰ http://www.immigration.gov.mv/images/stories/laws/The_Maldives_Immigration_Act.pdf

¹¹ Law 1/2007 repeals Act Number 2/92 (The Act on Fees Chargeable for Foreign Nationals with a Resident Permit in the Maldives).

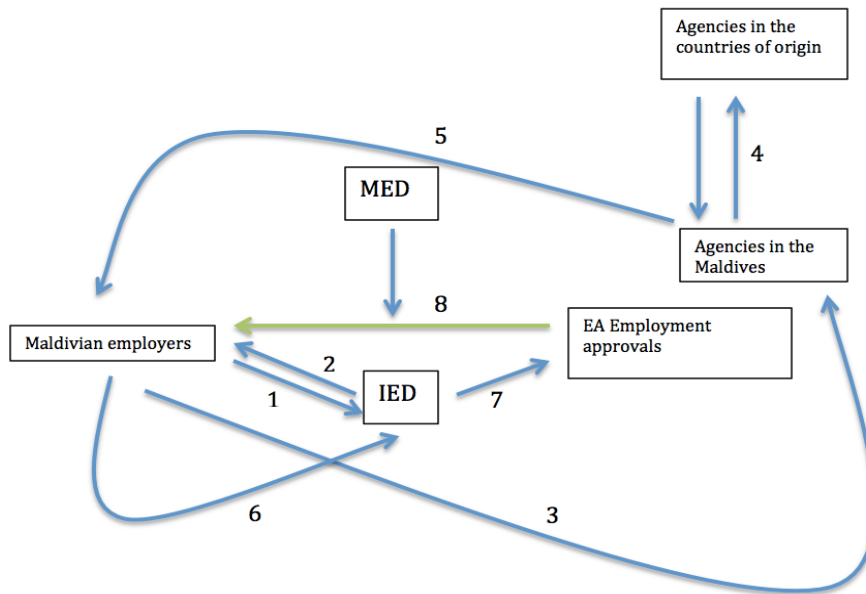
(commonly known as employment approvals)¹². Law 1/2007 is implemented through the Regulation 2011. The IED is also the implementation agency in charge of Anti-human trafficking and border control.

Authorities report that irregular migrants cannot enter the Maldives through fast boats due to the remoteness of the archipelago, therefore ruling out the need to control sea borders. However, the Maldivian authorities face other challenges: effective management of sectors (tourism and constructions) characterized by stringent labour needs, enforcement of laws and regulations over a dispersed archipelago of islands. The IED and the LRA are the two Government bodies in charge. The IED has an organization chart of 224 officials, who either work at visa-issuing offices or at the two international airports and the four seaports. The LRA counts only 12 inspectors and investigators.

Diagram 1 below illustrates the main actors involved in the recruitment, admission and placement system of expatriate labour in the Maldives, as well as the main steps of the process, from the submission of the foreign labour need by employers to the moment in which the foreign workers starts their employment contract on site.

¹² The work permit is a written statement giving permission to work in the Maldives, while the resident permit is an endorsement giving permission to stay in Maldives.

Diagram 1 – The main phases and actors of the admission and recruitment system of migrant workers in the Maldives



Projects are submitted with description of economic activity to which labour will be assigned.

1. Quota request – Employers request a quota from the IED based on “projects”. The projects are submitted with a description of the economic activity to which labour will be assigned. For instance, a quota could possibly request 300 workers to build a tourist facility of 200 rooms, needed for 1 year.

The quota request or the project does not specify the skills profile of the workers needed, although beginning from 2016 a list of occupations will have to be specified by the MED. The projects can comprise from 20-30 to 100-500 migrant workers, with an ample degree of flexibility, according to the size and needs of the individual firm. Most projects relate to activities in the tourism and construction sectors. The number of workers needed is calculated by the IED based on a formula that matches characteristics of the project, mainly size and employment intensity, with the number of foreign workers permitted.

Statistics from administrative records of projects are not

The number of domestic workers that a household can request is based on households' declared needs and matched with household's characteristics.

currently collected in such a way that they can be used to plan labour migration.

The number of domestic workers that a household can request is instead based on the households' declared needs and matched with the households' characteristics. For instance, a household could possibly request 1 housekeeper, 1 driver, 1 worker for the care of elderly family member or disabled family member, based on the household size, the age of household's members and the certificate of car ownership. Abuse of the visa system for domestic workers is reported, with foreigners entering the country as domestic workers and then ending up in the private sector's activities, such as agriculture, fishing or brickmaking.

Requests are submitted to final individual employers

These requests of foreign labour – quotas – are submitted directly by individual employers, with no active role played neither by the Chamber of Commerce, nor by the main employers' organisations (MATI – Maldives Association of Tourism Industry and MACI - Maldives Association of Construction Industry). CoC, MATI and MACI function as lobbying agencies to represent the interest of their members in the formulation of policies and laws.

A general consensus emerged from all counterparts that quota system is difficult to implement and that it provides little gains vis a vis high implementation costs

During the fact-finding mission, there was a general consensus that the current quota system is cumbersome and difficult to implement. Inefficiencies and red tape are not only of little or no use in governing the foreign labour force, but they create unnecessary administrative burdens on the IED and on the public service overall. Employers are also facing a burdensome process that is poorly linked to their *de facto* operations, and many actors expressed the view that the constraints currently imposed on recruitment of foreigners are easy to circumvent. International recruitment itself takes time from the assessment of labour needs at the enterprise level to the day in which the migrant starts work. If the process is inefficient, it is easy to observe a situation in which foreigners allocated to old projects are allocated to new ones. When labour is not available in the enterprise, employers are forced to resort to the irregular market, providing incentives to the phenomena of visa trading.

2. The IED collects the submission of labour needs sent by Maldivian employers and approves the foreign labour

quotas.

the IED set out the criteria to be met before a quota is issued to an employer.

The standard operating procedures (SOP) established by the IED set out the criteria to be met before a quota is issued to an employer. In this phase, the IED staff checks whether the documents submitted by the employer are relevant and reliable in three stages: preliminary check stage; verification stage and approval stage. In addition, during the site inspection, the IED staff are required to verify that the information submitted is factually correct.

Employer gets to local agency (PREA)...

3. Employer gets to local agency (Private Employment Agencies, PrEAs)

With the quota approved by the IED, the employers start the process of international recruitment that relies on the intermediation of employment agencies. At this point of the process, employers define the labour needs in terms of skills needed and occupational profiles of the required workers.

... which put in operation the process of recruitment.

4. Maldivian PREAs send the approved quotas with the related sectors and the needed labour profiles to the agencies in the countries of countries.

The matching between the demand and the supply, i.e. between the quantitative (numbers) and qualitative (employment profile) needs of foreign labour is operationalised by employment agencies in the Maldives which enter into contact with employment agencies in the source countries of migrant labour force, Bangladesh, Sri Lanka and India being the main countries of origin. In some cases, medium and large size enterprises find it more convenient to undertake recruitment directly with PREAs in the origin countries.

Interviewed counterparts report the presence of *visa trading* phenomena, also known as *open visa cases*. These can be classified as follows:

- ☐ Foreign workers recruited by *paper companies*, which are enterprises that recruit foreign workers for the irregular market, rather than for their own economic activities / projects.
- ☐ Foreign workers recruited regularly and brokered to the irregular market at a later stage to other companies. We recall that the employer cannot be changed during the

duration of the visa.

- ☐ Foreign workers recruited regularly, who end up becoming self-employed, often managing small teams of other irregular migrants.
- ☐ Foreign workers, often located in Male, that are regularly working for the employer who requested their visa, but taking up irregular work out of office hours as an additional source of income. The debt bondage contracted with recruiters and other middle-men acts as an incentive to take up additional work, so as to repay debts faster.
- ☐ Foreign workers that remain on site or engage in other forms of irregular work after the expiration of the visa.

Wages in irregular forms of work are higher, sometimes double if compared to those in the regular market. Gross labour cost of irregular work is also higher; for instance, in the construction industry, after including recruitment costs of regular workers, irregular workers cost as much as 35 per cent more than regular ones.¹³

Irregular foreign labour, certainly the most important form of informal employment in the Maldives, generates costs for all parties involved, benefitting mainly intermediaries operating outside of the legal framework and middle men. The rigidities of the current quota system create a situation in which employers resort to the informal labour market as the only option to meet labour needs. The costs of informality of foreign workers can be summarized as follows:

- ☐ Employers face higher labour costs and unfair competition from enterprises operating outside of the legal framework. Employers report high administrative compliance costs, though relatively easy to circumvent;
- ☐ Government Agencies have to manage a *de jure* system different from reality, reverting back to direct and indirect administration costs without a clear governance benefit: Public servants complain that administrative burdens are heavy and Agencies are understaffed, with a low capacity to monitor the operations of employers and the working conditions of workers, as well as to enforce a system of sanctions in case of violations.
- ☐ Foreign workers are induced to enter an informal

The costs of informality negatively affect both employers and wage earners.

¹³ Information on wages is anecdotal and based on interviews with employers' organization during the fact finding mission.

market characterized by poor working conditions due to higher wages, exposing themselves at all forms of abuses common for those informally employed not under the coverage of the Employment Act. This phenomenon is also informally referred to as *runaway* workers.

- National workers have to compete with irregular workers that are not protected by law, and willing to work at a discount price;
- Foreign workers who obtain regular visas through fraudulent marriages. Statistical evidence on this issue was not provided by the authorities.

Recruitment costs are mainly shouldered by workers

Recruitment costs are mainly shouldered by the workers and consist of a lump sum of approximately 1000USD, which incentivizes workers to enter the informal sector to get higher wages and repay the debt faster. It follows that employers have to resort heavily to the informal market, with unit labour costs almost double when compared with the formal labour market. For instance, employers in constructions pay a gross labour cost per unit of worker of 600USD a month. Net monthly wage perceived by low skilled workers, representing approximately 80 per cent of total labour force in construction, is 320USD, going up to 400-450USD in case of extra hours of work. So as to repay debt faster and to be able to provide to families members back in their countries of origin, workers in Male are incentivized to take a second job, whereas others in the Atolls are instead given incentives to runaway, seeking for better-paid jobs in the informal market. This vicious spiral finally creates both labour shortages and higher labour costs for the employers.

5. Employers receive the list of names of the foreign workers to be hired

Employers receive the names of perspective migrants from PREAs.

As this step is undertaken by private agents (final employers and PrEAs), it is not possible to describe it. However, during the validation mission, a focus group could be organised with private recruiters, so as to enrich this part of the report.

6. Request of working visa and issue of the employment approval (EA)

Upon receipt of names of applicants, IED emits employment approvals (working visas)

Employers transmit the list of the names of the applicants indicating the related job descriptions and working site to IED, which emits employment approvals / working visa.

From the approval of the quota (Step 1, see graph above), EAs take generally 3-4 months to be delivered, with a total duration of the process from step 1 to 6 of approximately 6-7 months. ***This duration could be drastically cut by the reform proposed in the following section*** of this report.

7. EAs have 90 days since the approval of the visa to entry into the Maldives and join the established working site.

Within 90 days of the approval, the worker joins the establishment in the Maldives

While employers are not charged fees for the recruitment of EAs, the Work Visa Regulation states that the employer should pay a deposit for every EAs within 48 hours of entering the country. The security deposit would be used to cover possible detention charges and airfare plus an estimated rate for food, transportation, etc., and varies according to the nationality due to differing airfare charges. When the expatriate workers leave the Maldives, the employer can claim a refund of such deposit (Gunasinghe, 2013; Auditor General's Office, 2015). ***The deposit can be kept by IED within a process of registration of the employment contract upon arrival. The Jobs Strategy could embed a section in which the deposit Fund is used for training and re-training of employees, in a Fund similar to the Employment Fund in the Austrian model.***

Work permits are issued to an expatriate worker for a year and have to be renewed annually. If the work permits are not renewed annually, the expatriate worker will stay in the country illegally. ***It is recommended to increase the mobility of workers among employers and worksites.***

Contrarily to the Gulf countries, where the *kafala* system is in place (where workers cannot terminate their contract unilaterally and are not authorised to exit the country without their employers' approval), migrant workers in the Maldives can leave *de jure* their employer at any moment. However, foreign workers often are employed in the atolls and the remoteness of their job site makes the termination of contracts uneasy. Furthermore, foreign workers are often indebted and evidence shows they work 1 to 2 years just to repay the debt.

The above analysis reveals how, as quotas and employment approvals are often not timely issued and operationalized, workers arrive late can then be relocated to other firms or employers use it as an excuse to resort to **irregular labour** at a discount price vis-à-vis regulations. For instance for the project x, a construction company pays rent and has to be operative since day 1. When the arrival of the requested workers delays, employers end up with hiring irregular workers and when the EAs finally manage to reach the country, they are often allocated to another project, i.e. another working site previously approved by the IED. **In this sense, irregular migration** in the Maldives can be considered also as induced by inefficiencies of a visa system, on the one hand rigid and on the other hand not instrumental to a clear policy objective.

1.4 Working conditions of migrant workers in the Maldives

Only anecdotal evidence on working conditions is available from official data

A key issue that should be addressed by a report on the governance of foreign labour is that of the working conditions of migrants. Only anecdotal evidence was collected through the interviews, with no hard data available, neither from official statistics (based on a representative sample and published by NBS), nor by ad-hoc studies. However, representatives of MATI reported that information on working conditions is included in some reports of the Ministry of Tourism, though these reports were not made available to us.

The issue was extensively discussed with the Labour Relations Authority (LRA), the agency in charge of the functions of a modern Labour Inspectorate. The LRA is relatively a young institution (only 7 years old). To date, it looks like, despite the small number of employers, the Agency is under-staffed and under-funded to fulfil its mandate, also considering the remoteness of several worksites. The coverage of inspections worsened in 2014, when the LRA gained some autonomy and therefore the same number of staff had to perform administrative tasks. They have now even less time for inspections as they have to perform heavier administrative tasks. The organization chart presents 10 technical staff (2 investigators and 8 inspectors), although it is reported that all of them have to devote a share of their time to administrative issues, along with the 15 staff members in charge of administration and

management. On average, the inspectors are able to conduct 1.5 visits per year, on a sample of enterprises that are extracted from the MED registry. MED registry centralizes all sectorial registries. Only 170 visits to enterprises were done in 2014. No major abuses of the visa system were reported apart from a number of foreign workers employed in occupations different from those listed in the corresponding EA.

One of the problems that were raised during the interview is the lack of a system to benchmark and objectively assess working conditions. This is lacking not only in the operations of the LRA, but also in the practices of the NBS when designing sample surveys on employment.

A compulsory insurance is paid by employers with a premium of 550 rupiahs per year, and it covers the recovery of the corpse in case of death, and little else. The Government should explore the extension of health protection, so as to prevent diseases and increase the productivity at the enterprise level. Health insurance instruments should be developed together with social security schemes that are tailor made to meet migrants' needs (i.e. contributions during the employment period and withdrawal of contributions upon return to the country of origin).

The LRA staff reports that conditions of work vary widely across sectors and occupations, with migrant workers from advanced economies (mainly Europe and other OECD countries) and those in high skilled occupations benefitting from high standards of life and work. The tourism sector is the one with more and better regulations, complemented by voluntary codes of conduct that meet the highest standards of global tourism chains. It follows that working conditions in the tourism sector are also reported as far better than in other sectors.

The most serious problems were reported for construction workers. The LRA investigates most of the labor-related complaints from the construction industry. The majority of complaints are about non payment of wages and employers not providing food and accommodation, but also hazardous working conditions. A quarter of the complaints relate to work-permit issues, such as employers wanting to cancel work permits of workers who had run away and employees wanting to change sponsors.

Chapter 2: Supply side determinants to the needs of foreign workers - Labour market needs of national and foreign workers

This chapter reviews long term demographic and labour market trends, in order to provide scenarios of labour market needs. The same scenarios can be used to quantify the annual inflow of migrants that will be required to keep up with the socio-economic development. A discussion on the supply side of Maldivian workers suggests occupations and subsectors where it is worth investing to increase employment of nationals, and insights on education and skills improvements required by national authorities.

2.1. Long-term demographic trends and their implications for migration governance

*Dynamics of total population*¹⁴

A decline in the growth of the Maldivian population

While toward the middle of the 1960s, the population of the Maldives entered a phase of rapid growth, it declined in the last thirty years from around 3.7 per cent in the middle '80s, down to 1.8 per cent over the last 15 years. Population growth is projected to decline further down to 1.4 per cent between 2020 and 2025. Although progressively reduced, the rate of population growth has been sufficient to cause a dramatic increase in the total population, from the 180,000 value of 1985 to an expected value of more than 400,000 in 2025 (See Annex table 1 for population statistics, absolute changes and yearly percentage changes 1985 - 2014).

An increase of both regular and irregular foreign population

Maldivians numbered 341,000 in 2014; in the same year foreigners were estimated at 59,000¹⁵ so the resident population was very close to the 400,000 mark. We use the notion of *regular residents* to include nationals and foreigners included in the Census, and of *census foreigners* to label foreigners included in the Census 2014. We will see throughout the report that the number of foreigners *de facto* residing in the Maldives is far higher than that of foreigners with a regular residency. Foreigners included in the sampling frame of the Census represented 14.7 per cent of total population. Female census residents were only 13 per cent of total foreigners sampled in the Census (See Annex table 2 for population by sex, nationality and geographical distributions, 2014).

14 The analysis of this report distinguishes the dynamics of the total population (0+) from those of the working age population (15-64).

15 As we will see this value is well below the estimates for 2010 and later estimates according to which the number of expatriates was close to 100,000.

Geographical context

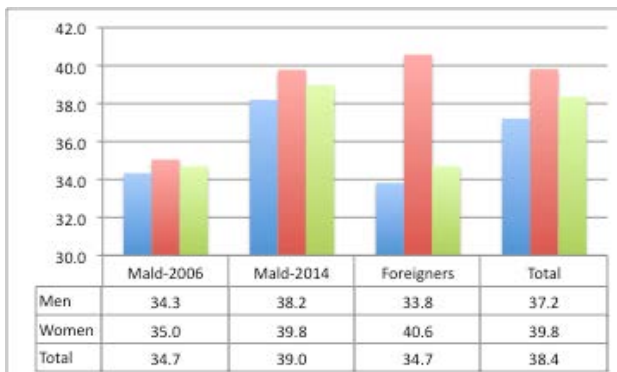
A territory of 11 main atolls that are dispersed and can be accessed mainly by regular ports of entry

A concentration of the population in the capital Malé

The Republic of Maldives, also referred to as Maldives, is an island country and archipelago, with eleven main atolls that are physically dispersed, making commuting arrangements and in general labour mobility difficult, at times impossible. Male is the largest city and hosts the national government, whereas the 1190 small islands, some the size of three to five soccer fields, are clustered in 19 administrative atolls. Almost 40 per cent of the total population lives in Male, where the majority of economic activities concentrate, and from which the model “one island—one resort” is operated. Behzad (2011) describes how economic development in Male has pulled population from other atolls in the past decades, increasing income and employment differences among the different parts of the country: i) Male, ii) the network of resorts targeting high class international tourism, iii) small towns in the 19 main atolls where labour force participation and employment patterns resemble those of rural areas characterized by traditional patriarchal families and around 200 other inhabited islands with small populations of 500 or more on each island.

In the last eight years, the percentage of Maldivians living in Male has increased from 34.7 to 39.0 per cent. The Census suggests that 34.7 per cent of total foreigners are living in Male. For both nationals and foreigners the percentage of women living in Male’ is higher than that of men.

Graph 1 – Percentage of the population living in Male: Maldivians and foreigners; 2006-2014



Source: Census 2014, CBS.

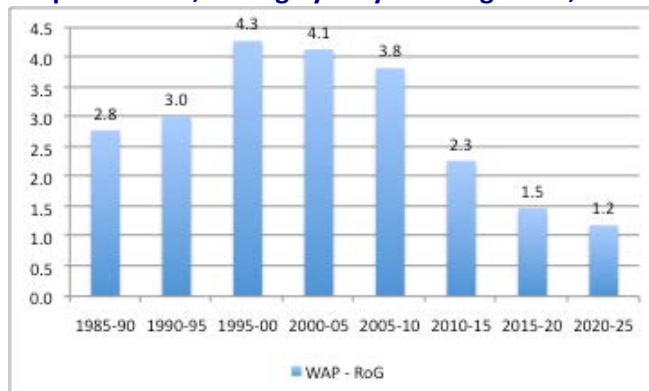
2.2. Population by age groups and working age population

The Maldives, like the majority of the countries on the planet, has been affected by a Demographic transition (DT), a process that has caused a progressive growth in the number of births that have reached a maximum at the beginning of the '80s to then slowly decline. This is clearly shown by the fact that in 2006 the most numerous five-year group was the 15-19. This process is giving the population structure the typical diamond shape shown in Annex graph 2 - Population pyramid. The population of Maldives is young, with the average age progressively increasing and having reached the 28 years old mark.¹⁶

Declining growth of the working age population

A declining rate of growth of the working age population¹⁷, as shown in Graph 2 below, suggests a two-pronged reflection: if the economic system will miss out to address the current unemployment and discouragement challenge, the employed, *ceteris paribus* fewer in stock, will have to provide for a more numerous cohort of the elderly, in addition to children and those in the working age that are out of employment. Conversely, keeping other things constant, the number of unemployed and discouraged will decrease in stock.

Graph 3 – WAP, average yearly rate of growth; 1985-2025



Source: elaboration on Census data and population projections

A large share of young people entering the labour market...

The ageing process has been slower than in other Asian countries in the same development tier, with the following implications:

- Cohorts of young people entering the labour market are large compared to the size of total population, and larger than those

¹⁶ It was 22.1 years in 1995, 23.7 in 2006 and it has probably reached by now a value above 28.

¹⁷ As a consequence of the DT, the WAP yearly rate of growth has reached a maximum of 4.3 per cent in the period 1995-2000, before its decline as shown in Graph 3. This trend is expected to continue and according to the population projections made by Statistical Office the yearly rate of growth of WAP is expected to drop to 1.5 per cent between 2015 and 2020 and to 1.2 per cent between 2020 and 2025.

but still small cohorts in absolute value and undergoing a decreasing trend

Labour force shortages and future costs of an ageing society are the main future challenges

that countries such as GCC members, Malaysia or Singapore had to deal with in the same stage of economic development;
- the size of these cohorts are however small in absolute value, due to the small size of the Maldives population; and decreasing when looking ahead at the next decades.

Thus, the implication for the Jobs Strategy of the next decades are:

- the economic system will need to absorb, over time, fewer and fewer new entrants, and
- the employed population will have to shoulder the costs of maintaining more and more people in their old age (See Annex table 3, Population by major age-groups; 1995, 2000, 2006).

2.3. Labor market

Labour market information in the Maldives is scattered, and the interpretation of trends depends on the availability of comparable data. In order to increase the consistency of the findings, we have deemed appropriate to look at, critically appraise and compare different available sources of information. Descriptive analysis of findings from each source is reported in Annex 3 - Labour market dynamics of the Maldives.

Census data of the years 1985, 1990, 1995, 2000 and 2014 are sufficiently homogeneous to infer on long-term demographic trends and provide an accurate picture of the future demographic outlook in the next 15 years. Annex table 4 and Annex table 5 present labour market variables and key indicators for the years 1985, 1990, 1995 and 2000.

- ☐ *The economic system has always been able to produce economic growth rich in employment.*¹⁸
- ☐ *Employment growth has always offset demographic growth.*¹⁹

¹⁸In spite of the very high growth in WAP (3.9 per cent in the 1985-2000 period), the economic system of Maldives was capable of producing an even faster growth in employment (4.4 per cent).

¹⁹ Between 1985 and 2006 the employment to population ratio (15-64) of Maldives grew from 52.7 per cent to 58.4 per cent, while the rate of participation grew slightly more from a minimum of 53.3 per cent in 1990 to 61.2 per cent in 2006. Total (women and men) employment to population ratios slightly increased from very low levels just above 50 per cent of WAP until the year 2000. Between 2000 and 2006, employment still increased more than WAP, the difference being more pronounced for women than for men so that the gender gap in the employment to population ratio continued to decline. Most probably, this was also due the greater attention paid to small-scale based manufacturing activities that previous censuses were not able to survey.

- *The rate of unemployment (ILO definition) remained at the frictional level.*²⁰

*Women participation and employment improved substantially only from the years 2000s onwards, while gender gaps decreased throughout the past three decades (See Annex graph 4)*²¹.

2.4. Unemployment and discouragement

Surplus of labour
force national
supply...

...with high rates
of unemployed
and discouraged

“According to ILO definition of unemployment”, the unemployment figures remained at two per cent or less throughout the 1980s and the 1990s, and no signs of structural unemployment are visible also for the years 2000s. However, the first signs of notable supply surplus in the labour market of nationals can be observed in the data: unemployment and discouragement.

In 2006, the working age population almost reached the 200,000 mark (See Table 6, Panel B). *Among 15,000 Maldivians unemployed or discouraged during the same year, more than 72 per cent were discouraged, with an important difference emerging between men (56.3 per cent) and women (78.6 per cent, See Table 6, panel A).* The discouraged and the unemployed are groups that require different employment measures, and the year 2006 is the first observation that allows us to count and describe these two different groups and therefore explain how these groups react to socio-cultural and economic trends, and more in general how these components of the working age population have evolved in the past decade.²²

Table 6 – Employment, unemployment and discouragement.

Panel A: Unemployment according to the ILO definition, discouragement and unemployment in the broad definition - Elaboration on data from Census 2006

²⁰The 2006 data using the ILO unemployment definition confirm the trends emerged between 1985 and 2000.

²¹ EPRs and LFPRs remained largely below 30 per cent. Gender differentials in employment notably decreased from a maximum of 58 points in 1990 to 35.3 percentage points in 2000

²² The 2006 Census presents a notable fracture with the past statistics, for two main reasons: i) unemployment was measured according to a broad definition inclusive of discouragement and, on the other, the survey tried to better capture the presence of women in the labour supply (HIES, 2012). In order to verify the evolution of the labour market situation in the 2000-2006 period, we have estimated separately unemployment, according to the ILO definition, and discouragement.

	ILO. Def.	Disc.	Broad def	% disc.
Men	2,679	3,458	6,137	56.3
Women	2,874	10,564	13,439	78.6
Total	5,510	14,066	19,576	71.9

Panel B: Main labour market variables; ILO definition and broad definition inclusive of discouragement; 2006 Census and 2010 HIES

	Empl.	Unempl ILO	Unempl B	LF ILO	LF B	NLF ILO	NLF B
2006							
Men	71,102	2,679	6,137	73,781	77,239	22,218	18,760
Women	40,975	2,874	13,439	43,849	54,414	52,162	41,597
Total	112,077	5,510	19,576	117,587	131,653	74,423	60,357
2009-10							
Men	65,835	6,992	13,601	72,827	79,435	24,856	18,249
Women	41,140	6,026	24,469	47,166	65,609	62,933	44,487
Total	106,975	13,018	38,070	119,992	145,045	87,788	62,736
Abs. change							
Men	-5,267	4,313	7,464	-954	2,196	2,638	-510
Women	165	3,152	11,030	3,317	11,196	10,771	2,890
Total	-5,102	7,508	18,494	2,406	13,392	13,365	2,379
Yearly % change							
Men	-1.9	40.2	30.4	-0.3	0.7	3.0	-0.7
Women	0.1	27.4	20.5	1.9	5.1	5.2	1.7
Total	-1.1	34.1	23.6	0.5	2.5	4.5	1.0

Source: NBS website, 2015.

Box 1 - Discouragement and statistical measurement: Who does it include?

As we have already seen, the 2006 Census produced a measure of discouragement. Originally, this concept was introduced (together with that of the additional workers, Humphrey, Woytinsky 1939-40) at the end of the Great Depression to interpret the behaviour of unemployment in different cyclical phases; the idea behind it was that a certain number of people, mainly married women and other secondary workers, would stop looking for a job during a recession phase, to come back when the economy would recover. More recently this concept has been taken out from its original cyclical framework so that now the ILO (ILO, 2009) defines a discouraged worker as a person who has given up looking for a job because s/he feels s/he lacks the proper qualifications, s/he does not know where or how to look for work, or s/he feels that no suitable work is available. Therefore a discouraged worker is a person who 1) is without work, ii) is available to work, but differently from the ILO unemployed iii) has not been actively seeking work during the reference period (normally the last thirty days before the interview). Following this line of thought, discouraged workers are taken out from the inactive population and counted as active. As a result, this change in definition produces an increase of both the labour force participation rate and the unemployment rate.

In the case of the 2006 Census, for instance, the total rate of participation increased from 61.2 per cent to 68.6 per cent and that of unemployment from an almost marginal 4.7 per cent to a dramatic 14.9 per cent, the effect being much more pronounced for women that are affected by discouragement more than men.

It does also change the perception and evaluation of the labour market situation and eventually of the policies to be adopted. More specifically using the broad definition of unemployment what we see is a country characterized by extremely high labour market participation due to an almost complete presence of the men segment and a high presence of women; at the same time unemployment becomes a main feature of the labour market affecting 7.9 per cent of men and almost ¼ of the women present in the labour force.

2.5. Labour force and employment

The 2006 Census is the most recent source providing homogeneous information on the main characteristics of the population, labour force and employment. In spite of being quite old, we deem it relevant to present its key findings as a prologue to a comparison with the forthcoming data of the 2014 Census.

Educational attainment and education process

Overall modest educational attainments

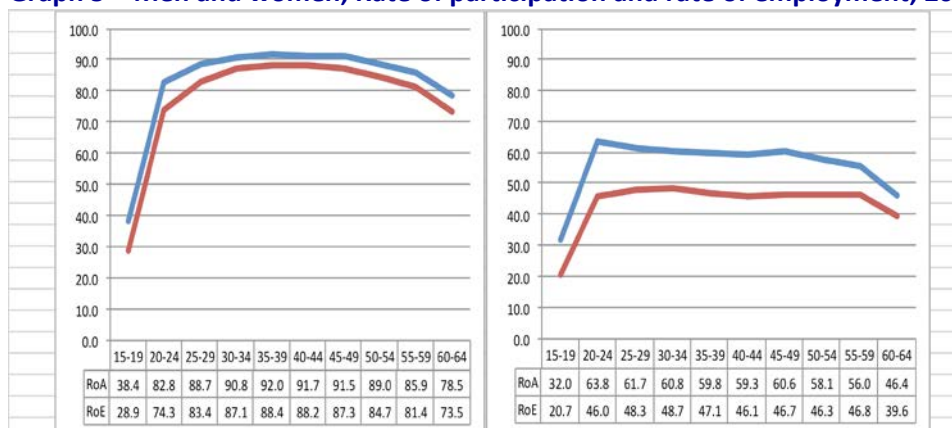
In 2006, illiteracy affected only 1.1 per cent of the total population, with negligible gender differences. However, the educational attainments of the population in the working age can be described as overall modest for both men and women, especially looking at the sectorial development of high end tourism that attracted skilled labour.

Participation and employment rates by sex and age group

Participation patterns of women resemble more and more those of men

The men's Labour Force Participation Rates (LFPRs) register values above 90 per cent for all age groups between 30 and 49 and a value still above 70 per cent for the last age group.²³ The values of the women's indicator are similar, peaking in correspondence to the 20-24 age group and displaying values above or around 60 per cent for all the age group up to 54. The gender differential is smaller for the younger age group showing a tendency toward gender homogenization.

Graph 5 – Men and women; Rate of participation and rate of employment; 2006



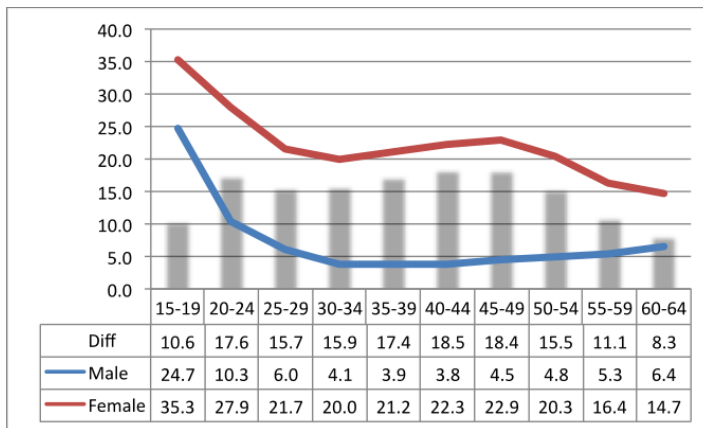
Legend: RoA: Labour Force Participation Rates, RoE: Employment to population ratios. Source: Elaboration on 2006 Census data

Women unemployment is higher than that of men and evidence suggests an increasing cohort of women re-entering the labour market after fertility.

Some differences characterise the unemployment rates. In the case of men, unemployment rapidly declines with a maximum of 25 per cent for the first age group and minimum peak below 4 per cent for the central age groups. Women unemployment follows the same general shape but i) is higher for all age groups; ii) it increases after the age of 34; iii) therefore the gender differential presents two peaks, the first in correspondence to the 20-24 age group, the second for the 45-49 age group.

Graph 6 – Men and women; Rate of unemployment and gender difference; 2006

²³ As we have already seen in previous sections, once we use a broad definition of unemployment, the labour force participation rate (LFPR) drastically increases because of measurement issues.



Source: elaboration on 2006 Census data

Increasing youth unemployment, with high incidence of discouragement and disaffection

The Maldives registered increasing numbers of unemployed and discouraged between 2006 and 2014. **Youth unemployment rates increased to 35.2 per cent** for those aged 15-19 and 21.6 per cent for the youth aged 20-24. Census 2014 also disclosed high incidence of labour market discouragement (those not actively seeking for work) and dissatisfaction (not only not seeking work, but also not available to work).

When young people unemployed are added to discouraged youth, jobless youth accounts for 59.3 per cent (15-19) and 34.5 per cent (20-24) in 2009-10 (Government of the Republic of Maldives, 2015).

Women in remote islands are the most affected by unemployment

Young **women living in remote islands**, away from the Male atoll, in particular, seem to be those most affected by unemployment. They were traditionally employed in the fishery sector, mainly on the job of drying fish for export to Sri Lanka. However, the shift in the fish exports market led to a sharp decline in demand for the services of women, who withdrew from the labour market in the absence of other alternative jobs in their own rural atolls.

Cultural supply side bottlenecks originating from the Muslim traditional culture appear to be secondary if compared to demand-side factors. Over the past four decades, when the market created jobs for women, the labour force participation, and consequently the employment to population ratios have adjusted upwards. This can be seen by looking at long term trends in female participation and employment. For instance, the decline in traditional fishery contributed to a sharp contraction of the labour force participation rate of women from 60 per cent in 1978 to 21 per cent between the 80s and the 90s (Ghosh and Siddique, 2000), but the same indicators increased again progressively up to 55 per cent as women

found jobs in the service sector in Malé (Asian Development Bank, 2007).²⁴

Self-employed represent an important share of the labour market.

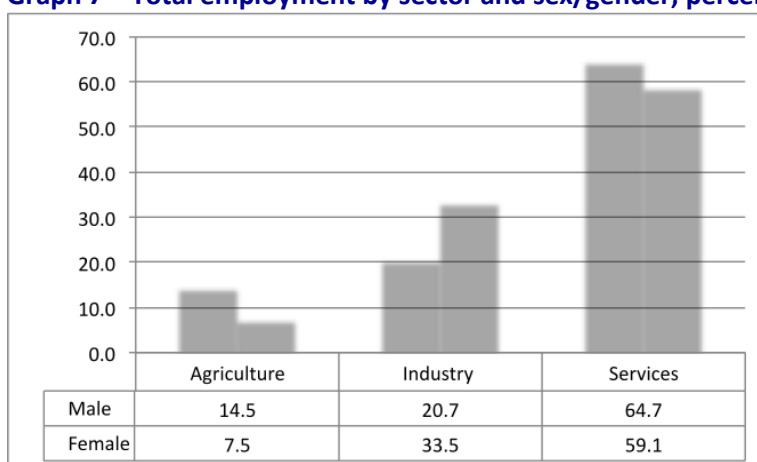
Own-account workers are also an important segment of the labour market. They represent the status of the self-employed and often include informal sub-contracting employment relations, as well as home-based activities of women workers. Home-based work has drastically declined over the years 2000s from 39% to 19% in 2010; this is a counterfactual trend to the global trend of women's employment. Maldivian women are more and more represented in salaried work, in jobs that are performed outside their homes; this is reflected in the significant decrease of contributing family members.²⁵

Employment by sector

Almost two out of three Maldivians are employed in services.

Agriculture accounts for 12 per cent of total employment, industry for 25.4 per cent and services for 62.7 per cent. A peculiarity of the Maldives is that the share of men is higher in agriculture and services, while that of women in Industry (Table 11). This rather unusual situation is explained by the employment structure by productive branch.

Graph 7 – Total employment by sector and sex/gender; percentage composition; 2006



Source: elaboration on 2006 Census data

²⁴ While the workforce employed in the fishery sector in 1977 represented 45 per cent of the total labor force, this declined to around 20 per cent by 1990 (Ghosh and Siddique, 2000).

²⁵ Another reason for the strong contraction of home-based work is linked to a change in the statistical classification of economic activities. Some forms of homework have been included in the category of manufacturing (piece rate or daily wage work) is subsumed under wage work or salaried work. See: Rothboeck, 2012).

Agriculture still accounts for 12 per cent of employment, with most workers in fishing activities.

Agriculture includes agriculture proper (1/3 of the total) and fishing (2/3 of the total). Women represent almost two thirds of agriculture proper employment. Fishing is overwhelmingly dominated by male workers (See Annex table 8).

Very few Maldivians are employed in construction, whereas the overwhelming majority of industry workers are in manufacturing

The industrial sector is dominated by two branches: manufacturing and construction. The first accounts for 72 per cent, the second for 22.2 per cent, the rest being accounted for by Utilities (4.6 per cent) and Quarrying (1.3 per cent). Manufacturing registers the presence of 65 per cent of women, which explains the fact that employment in industry is almost equally divided between men and women. Manufacturing has been a critical contributor to the economy but has declined, reasons being the expiration of the Multi Fibre Arrangement (MFA) in 2005 and closure of small manufacturing units. Agriculture and industry have significantly decreased over the last ten years. The already low production of agriculture seems to have further declined after the tsunami inundated several agricultural islands with salt water, contaminating the groundwater. This is a worrisome development, as a further reduction in agriculture will impact the overall food security of the Maldives and further increase dependency on imports of primary agricultural produce and related food (Rothboeck, 2012).

Table 9 - Industry; employment by branch and sex; 2006

	Male	Female	Total	Fem/total
	Absolute value			
Manufacturing	6,750	12,509	19,259	65.0
Quarrying	311	28	339	8.3
Electricity, gas and water	1,074	155	1,229	12.6
Construction	5,736	194	5,930	3.3
	13,871	12,886	26,757	48.2
	% composition			
Manufacturing	48.7	97.1	72.0	
Quarrying	2.2	0.2	1.3	
Electricity, gas and water	7.7	1.2	4.6	
Construction	41.4	1.5	22.2	

Source: elaboration on 2006 Census data

2/3 of Maldivian women employed in

Approximately 2 Maldivians workers out of 3 are employed in the service sector. Employment in services is almost equally divided between workers employed by private companies and

the service sector are
in the public sector

workers employed by public institutions. Men are more concentrated in the private sector, where they represent 58.3 per cent of total employment in the Service sector and women in the public sector (67.7 per cent).

Table 10 - Services; employment by branch and sex; 2006

Whole sale and retail trade	7419	4292	11711	36.6	17.1	18.9	17.7
Hotels and restaurants	10578	1512	12090	12.5	24.4	6.7	18.3
Transport, storage and communication	6179	919	7098	12.9	14.2	4.0	10.7
Financial intermediation	254	328	582	56.4	0.6	1.4	0.9
Real estate, renting and business activit.	873	283	1156	24.5	2.0	1.2	1.7
Private Service Sector	25303	7334	32637	22.5	58.3	32.3	49.4
Public administration and defense	11697	4252	15949	26.7	27.0	18.7	24.1
Education	2744	7128	9872	72.2	6.3	31.4	14.9
Health and social work	1343	2839	4182	67.9	3.1	12.5	6.3
Other community, social and personal serv.	2142	1106	3248	34.1	4.9	4.9	4.9
Extra-territorial organizations and bodies	139	77	216	35.6	0.3	0.3	0.3
Public Service Sector	18065	15402	33467	46.0	41.7	67.7	50.6
Service Sector	43368	22736	66104	34.4	100.0	100.0	100.0

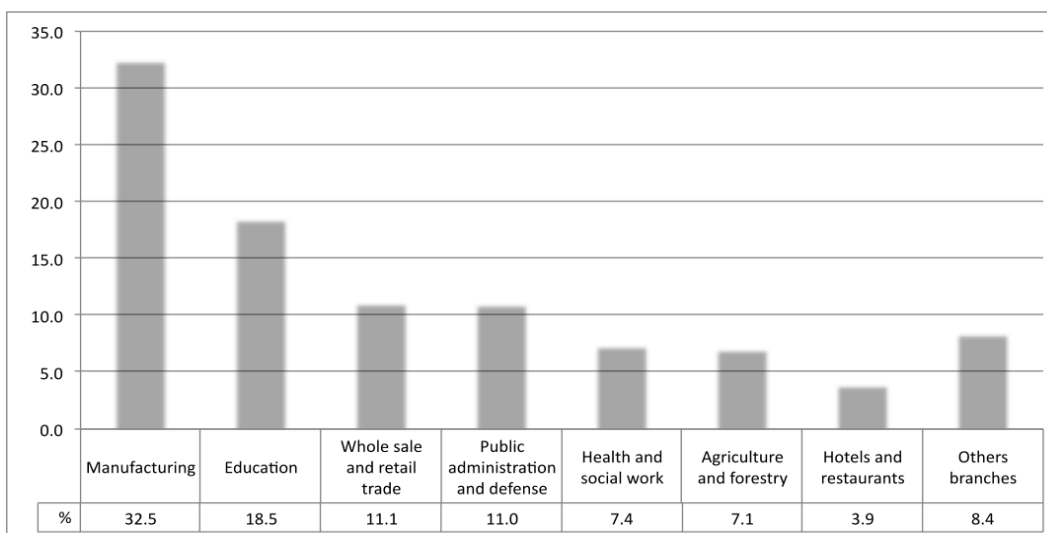
Source: elaboration on 2006 Census data

..mainly in education,
health and social
work.

Considering the total number of workers in services, the most important branch is represented by Public administration (24.1 per cent), followed by Hotels and restaurants (18.3 per cent), Wholesale and retail trade (17.7 per cent) Education (14.9 per cent) and Transport (10.7 per cent).

Women in Services concentrate in three main sub-sectors: Education (72.2 per cent), Health and social work (67.9 per cent) and Financial intermediation (56.4 per cent). These sub-sectors are not the major components, and this is why only a little more than 1 person employed in the service sector out of 3 is a woman.

Considering the entire economy, we can observe that women are concentrated in a few sectors, the first four accounting for almost 2/3. More specifically 1/3 of women are in manufacturing, followed by education with 18.5 per cent, trade with 11.1 per cent and Public administration with 11 per cent. To be underlined that Hotels and restaurants employ less than 4 per cent of employed women.



Source: elaboration on 2006 Census data

Private sector is largely dominated by tourism (accounting for 1/3 of the GDP)

Persons employed in private service sectors are mainly dealing with activities in tourism.

The 'one-island-one-resort' concept makes the Maldives one of the world's leading island destinations for tourists. Since its inclusion in international tourism statistics, Maldives' share of tourists from around the world has grown steadily from 0.02 per cent in 1981 to 0.07 per cent in 2009, an average 4.4 per cent increase per year (Ministry of Tourism Arts and Culture, 2013).

...which has however created mainly employment for foreign labour force

Despite recent contractions of arrivals mainly determined by the economic crisis in the West and by the appreciation of the US dollar, tourism is still the backbone of national income, with 1,125,202 arrivals of tourists in 2013 alone (Ministry of Tourism Arts and Culture, 2013; Ministry of Tourism, 2014).

The resorts are operated by international tourism chains in partnership with local capital. However, despite making the Maldivians richer, tourism has contributed to create a development model where high incidence of foreign workers is paired with joblessness of nationals, as it will be further explained in part 2 of this report.

Tourism accounts for approximately 1/3 of the Gross Domestic Product; this excludes activities such as construction that are closely linked to infrastructure and facilities required by tourism (Ministry of Tourism, 2014). Other spill overs from tourism can be found in other areas of economic activities: **transport, trade, financial services, telecommunication and distribution**, which have sustained the transition of

employment from the primary to the service sector (Gunasinghe, 2013).

Employment by occupation

One women at work out of two is in professional occupations, scarcely represented at the top and at the bottom of the occupational ladder.

The gender segmentation that has emerged analysing employment by sector finds support also in the structure of employment by occupation. Two occupations register a majority of women: professionals (59.2 per cent) and clerks (53.3 per cent), while the percentage of women in craft occupations is almost 50 per cent. These three occupations - that explain the role of women in education, health and manufacturing - accounting for 2/3 of female employment. At the same time women are scarcely represented in top end and lower end occupations.

Table 11 - Employment by Occupation - 2006

	Male	Female	Total	Male	Female	Total	Female/ Total
	Absolute value			Percentage composition			
Legislators senior officials and managers	5,597	931	6,528	8.0	2.3	5.9	14.3
Professionals	3,915	5,688	9,603	5.6	14.0	8.7	59.2
Technicians and associate professionals	6,897	4,534	11,431	9.9	11.2	10.4	39.7
Clerks	4,160	4,745	8,905	6.0	11.7	8.1	53.3
Service workers, shop and market sales worker	8,987	4,220	13,207	12.9	10.4	12.0	32.0
Skilled agricultural and fishery workers	9,459	2,843	12,302	13.6	7.0	11.2	23.1
Craft and related trades workers	12,769	12,560	25,329	18.3	31.0	23.0	49.6
Plant and machine operators and assemblers	5,722	199	5,921	8.2	0.5	5.4	3.4
Elementary occupations	7,428	2,701	10,129	10.7	6.7	9.2	26.7
Armed forces	2,197	140	2,337	3.2	0.3	2.1	6.0
Not stated	2,570	1,969	4,539	3.7	4.9	4.1	43.4
Total	69,701	40,530	110,231	100.0	100.0	100.0	36.8

Limited availability of reliable labour market information

In the period between 2006 and 2014, labour market data has been collected through three surveys: two Economic Surveys, one in 2007 and the other in 2013, and a Human Resources Income Survey in 2009-2010. However, due to lack of sufficient economic support, the data collected by the second economic survey provides only a partial coverage of the Maldives labour market. Even a cursory examination of the two other surveys is sufficient to realize that their representation of the labour market of the Maldives is quite different and in both cases quite different from the one provided by the 2006 Census. This is not surprising given the different methodologies, aims and actors of the various surveys, but raises serious questions on the availability of labour market information sufficiently reliable to design correct labour and migration management policies.

2.6. Growth and employment

From an economy based on traditional primary sectors to a development model rooted on high standard tourism

Over the three decades, the economy underwent a deep process of diversification from traditional primary sectors such as agriculture, fisheries and coral and sand mining to a development model rooted in high standard tourism, that ultimately brought a structural dependence on foreign labour and a high incidence of construction activities. The economy grew by an average of 7.4 per cent (International Monetary Fund, World Economic Outlook Database, October 2013). A part from the negative rebound of the tsunami of 2004 (-8.7 per cent in 2015), the main fluctuations were due to shrinks in global demand: 3.6 per cent in 2009 as a result of the global financial crisis.

Once we take into account the foreign labour (Table 18) we realize that between 2002 and 2006 total employment grew by 28.7 per cent, while between 2006 and 2010 it grew by only 8.9 per cent. More specifically in the first period total employment grew by more than 9,200 units per year, 4,900 local and 4,300 (47 per cent) foreigners; in the second period the average yearly growth was equal to only 3,700 as a balance between a growth of 5000 foreign workers and a decline of 1,300 national workers.

In conclusion, ***two phenomena seem to characterize the evolution of the labour market between 2006 and 2010 with respect to the previous period; a substantial decline in the rate of growth of total employment and a substitution of local labour with foreign labour.***

Table 18 – Employees; local and foreigners; 2012, 2006 and 2010

	Maldivians	Foreigners	Total
Absolute values			
2002	92,521	36,444	128,966
2006	112,077	53,901	165,978
2010	106,975	73,840	180,815
Absolute change			
2002-06	19,556	17,457	37,012
2006-10	-5,102	19,939	14,837
% change			
2002-06	21.1	47.9	28.7
2006-10	-4.6	37.0	8.9

As shown by the data reported in Table 10, this evolution is at least partially explained by two elements: a decline in the rate of growth of GDP (from 40.2 per cent to 28 per cent) and a decline in the employment income elasticity (from 0.71 to 0.32).

Table 10 – Total employment and GDP growth; employment income elasticity; 2002-2006 and 2006-2010.

	Employment	GDP	Elasticity
2002-06	28.7	40.2	0.71
2006-10	8.9	28	0.32

2.7. Employment needs: 2015-2030

As a consequence of the demographic transition that has affected the Maldives in the last 60 years, the yearly rate of growth of total population reached a maximum of 3.7 per cent at the beginning of the 1980s, to then progressively decline. However it will remain above 1 per cent also during the next 15 years so that total population is expected to reach 400,000 by 2025, a value more than double of the one registered in 1985 (180,000). This demographic evolution has been accompanied by a growing concentration of the population in the capital city (where 40 per cent of total population lives by now), while the number of foreigners is estimated to have already reached the 100,000 mark.

Our knowledge and understanding of the Maldives labour market stands on three types of surveys (Censuses, Economic surveys and Humans Resources Income Surveys) that have different targets, are based on samples of different nature and dimensions, use different methodologies. Therefore it cannot come as a surprise that they depict labour market evolutions and structure quite different and even conflicting. The consequence is that analysis based only on one source may result in a fairly important bias.

Census data, available from 1985 to 2014, suggest that in those 20 years the growth in employment was more pronounced than that of Working Age Population (WAP) so that the total rate of employment increased from 52.7 to 58.4 per cent. The parallel growth in labour force was slightly less pronounced and unemployment (ILO definition)

remained at a frictional level. Finally the total rate of employment was the result of a quite high rate for men and of a much lower rate for women. However the gender differential remained quite pronounced and still above 30 percentage points.

This quite rather straight-forwarded story is made more complex by the fact that the 2006 Census provided a measure of discouragement that changed the picture quite substantially creating also the premise for a very different interpretation of future events. Adopting a broad definition of unemployment, the rate of unemployment increased from an almost marginal 4.7 per cent to a dramatic 14.9 per cent, the change being obviously more pronounced for women, whose rate of unemployment reached almost 25 per cent.

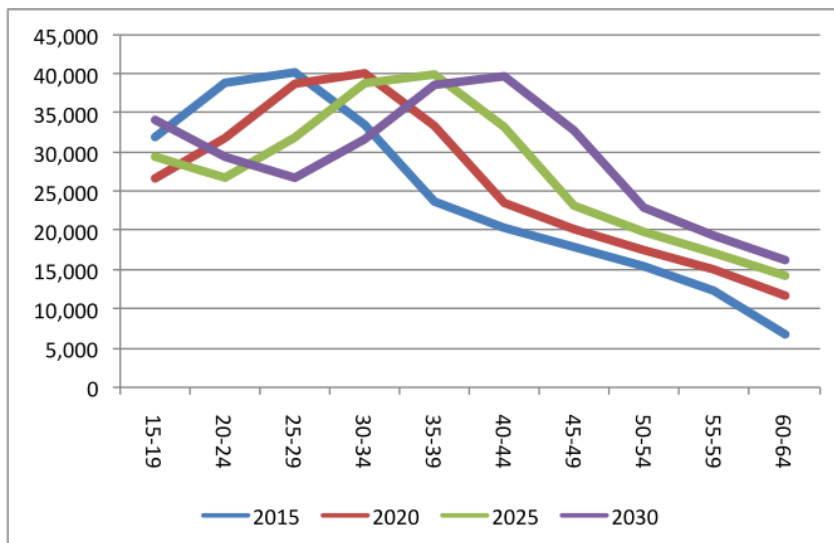
Moreover, the rate of participation for men increased above 80 per cent and that of women reached 68.6 per cent. In conclusion, what we see now is a country characterized not only by an almost complete presence of men in the labour market (their rate of participation is above 90 per cent for all age groups between 30 to 49), but also by a level of women participation unusual for a Muslim country (their rate of participation being above 60 per cent for the 20 to 49 age groups).

Census data also show the presence of pronounced gender segmentation at the sector level. The sectors with a predominant presence of women are agriculture (64.3 per cent), manufacturing (65 per cent), financial intermediation (56.4 per cent), education (72.2 per cent) and health (56.4 per cent). To be especially underlined the low presence of women in whole sales and retail trade and hotels and restaurant. This gender segmentation is also supported by the structure of employment by occupation, and partly by findings of the ES survey 2007.

**From 2015 to 2030
WAP is expected to
increase, affecting
elder age groups**

From 2015 to 2030, WAP will progressively increase by 50,000 people, from 240,000 to 290,000. At the same time the average age of WAP will progressively increase from 34 to 38 years, signalling a fairly strong process of ageing.

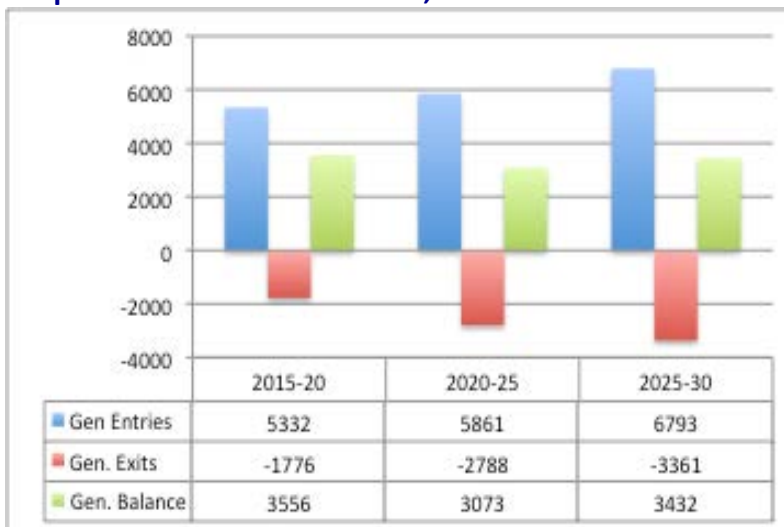
Graph 6 – Working age population by 5 year age group; 2015-2030



Source - Elaboration on Statistical Office, Population projections 2006-2025

The average yearly growth will remain substantially stable between around 3,000 to 3,500 people as a consequence of a parallel expansion of generational entries and generational exits. The first will increase from 5,300 to 6,800, the second from 1,800 to 3,400.

Graph. 7 – Generational entries, exits and balance



Source - Elaboration on Statistical Office, Population projections 2006-2025

Labour need over the next 15 years is of

Assuming a rate of participation of 75 per cent, over the next 15 years in order to face the increase in labour supply, the Maldives economy will have to create around 38,000 additional jobs (2,500 per year). To this, we should add the

more than 50.000 jobs

number of jobs necessary to provide decent employment for the unemployed, whose number is however at present unknown.

...and the related challenges

If the quantitative aspects are quite easy to forecast, it is much more difficult to indicate which types of jobs should be created and how to change the occupational structure. The objectives should be, on the one hand, to face the need of economic growth and economic development of the country and, on the other, to satisfy the local supply with its gender and cultural segmentation, while properly managing the migrants flows needed to cover the jobs refused by local workers. We should also immediately underline that the employment and labour policies that will be adopted should be paralleled by coherent educational and vocational training policies aimed to provide the young people entering the labour market with the competencies requested by the development path chosen by the government.

Chapter 3. Conclusions, recommendations and a proposal for the review of the quota system

The analysis conducted in the previous chapters suggests a review of the quota system that is aligned with the Jobs Strategy and its structure. This review qualifies a proposal for a reform of the quota system, articulated in line with the five blocks proposed by the Job Strategy. The aspects directly related to the *Better management of migration*²⁶ are presented through a proposal for reform that can be implemented progressively and incrementally in a modular way. This chapter concludes with the recommendations on the other four blocks of the Jobs Strategy, pointing at the interfaces between employment and migration.

3.1 Managing the expatriate labour force

Better management of labour migration can be pursued through two main types of action:

1. Changes in the regulatory framework on labour migration, including:
 - a. Changes required to create a national quota system for some occupations, reduce the red tape and increase labour market flexibility;
 - b. Changes required to *increase mobility of foreign labour already present in the Maldives*
 2. The establishment of a unified labour authority, which would take on the broader labour governance of nationals and foreigners, take the lead in the promotion of targeted bilateral agreements on migration with countries of origin; put in place a tripartite dialogue to administer the new system changes resulting from the measures under (1.).
- a. Changes required to create a national quota system for some occupations, reduce the red tape and increase labour market flexibility;**

This revolves around amendments to the Regulation 2011 and its implementing procedures. All in all, the changes aim to replace the quotas for foreigners with full or partially reserved quotas for national workers.

The review of the recruitment and admission process shows that *the current quota system is not only complicated, but also ineffective*, loosely attached to the reality and the needs of the domestic employers, is creating the ground for irregular migration and specifically for the abuse of the visa system. Ultimately, irregular migration ends up in:

- exploitative working conditions for workers;
- higher labour costs for employers and
- lack of control of the Government Agencies of the labour market.

²⁶ See Jobs Strategy, most updated version, website of the Government of the Maldives

Why a reform of the quota system? Employers revealed that they wished for a revision of the quota system that improves the flexibility of recruitment of foreign labour. Current rigidities of the quota system force them to recruit irregular workers at a higher price. Workers also complain about the presence of foreigners reducing the number of jobs available to Maldivian nationals. The reduction of irregular foreign workers would allow: i) a reduction in gross labour costs, ii) a reduction in recruitment costs, iii) unfair competition between nationals who are protected by formal employment arrangements on the one hand, and foreigners and irregular foreign workers on the other hand.

The objective of the reform should be first and foremost to align the regulations to the existing reality, so as to impose only constraints (procedures to comply with) that are instrumental to the Government's goals²⁷, which are:

- decent work for all national and foreign workers,
- economic development to sustain the wellbeing of Maldivian families
- reduction of red tape so as to increase Government efficiency.

Criteria to identify i) what are the occupations that should be totally or partially reserved to nationals and ii) how many jobs for these occupations should be reserved. Evidence in previous chapters shows that, on average, the Maldivian labour market creates a job for a national for every three jobs created for foreigners. The calculation should be done occupation by occupation, in order to assess the ratio of jobs given to foreigners over the number of jobs given to Maldivians.²⁸

How to control public spending inefficiencies? The system should avoid macro-formative actions or general incentives, but should pin down a reservation quota for nationals at the project level (similar to the current quota system) and at occupational levels (similar to the cashier pilot implemented since October). General macro-incentives, extremely costly and mostly ineffective should be avoided, based on the failures experienced by the Gulf States in the past 30 years. There will be three broad classes of occupations in terms of quota:

- A. Occupations that are reserved for nationals only;
- B. Occupations open to migrant workers, but partially reserved for Maldivians through national quotas (occupations that are attractive to nationals);
- C. Occupations open to migrant workers with no national quotas (occupations that are not attractive to nationals)

How to define how many jobs are reserved for occupation classes A and B. The paper proposes a reform of the quota system that works in the following way. Every project presented for approval to the IED must present a labour requirement broken

²⁷ When re-designing the rules of the game of international recruitment, it is important to spell out Government goals: i) a conducive environment for economic activities to blossom and flourish; ii) an economic and labour market context where nationals available to work, and particularly new labour market entrants, unemployed and discouraged, find a job that respond to their needs and career aspirations, and iii) all nationals and migrants in employment are also in decent work.

²⁸ This will be done once data on key occupations will be available. Data made available on Census 2014 were not broken down to allow this calculation.

down by main occupations. For each open occupation, employers can recruit an unlimited number of foreigners, regardless of the economic value of the Project, with the only constraint that they employ **one** national worker for every **n** foreigners recruited in every occupation where the quota operates. **N** has to be defined pre-emptively for each occupation attractive to nationals, or for those occupations for which there are nationals who qualify. The workers who benefit from the quota system are also often expected to have some employability gaps, and therefore they are offered training courses under Active Labour Market Programmes (ALMPs) as to adjust their skills to those demanded in the selected occupations.

Which occupations should be targeted by the reserved quota? The number of jobs required to reach the full employment of nationals is relatively low compared to the total number of jobs created every year by the system (refer to calculations). The system should be implemented in such a way that the restrictions (the reserved jobs) operate only in those occupational classes that are attractive to nationals. It will operate together with the existing experiments of “occupations reserved for Maldivians”, such as the program implemented for cashiers in Male. The study proposes the following sectors and occupations:

- Public service
- Occupational classes in education and health care
- Clerical work occupations

Determining the list of occupations and the corresponding number of workers under each of these three classes is key to better map the national labour demand, to set reservation quotas and improve the supply of TVET programmes available for nationals.. Hence, it should be reviewed in line with the Jobs Strategy. In addition, the same statistics can give insights into how to better manage immigration, first and foremost to improve the skills matching criteria and reduce the time that employers wait to have the migrant on site. In practical terms, *the reformed quota system should remove unnecessary rigidities imposed to employers and trade them off with reserved quotas for nationals in certain occupations.* The reserved quota should work hand in hand with supply side interventions (TVET and wage subsidies for those most difficult to place) aiming to provide employers with workers with adequate skills. For larger businesses (such as, for instance, the big 10 in the construction sector), these quotas of nationals should be administered at the enterprise level in cooperation with the IED; for certain occupations or enterprises, sectorial associations would broker quotas to the members and report back to and be accountable to the IED.

Chapter 1 shows that abuses of the visa system are the most diverse, and that neither employers nor workers benefit from a system full of holes. We believe that the current visa system could be dropped at once, with benefits for everybody and no costs for the parties involved, with the exception of middlemen and intermediaries operating out of legality. *The reversed quota system for nationals proposed in this report promotes a free market for foreign workers constrained only by a limited number of totally or partially reserved occupations. The new system would reduce the supply of irregular*

migrants, because costs for regular workers would be lower, because the process of recruitment would become more efficient and because a strengthened system of inspection would make it riskier to promote irregularity. Instead of having heavy compliance burdens such as submitting quotas and requesting employment approvals, employers would be asked to report on their actual needs and to register their workers possibly online. Employers would have also to notify changes of employer and/or changes of establishment.

*The role and operations of the Labour Market Authority in the implementation of the system.*²⁹ This proposed quota system would be highly beneficial for employers, thus the Government must ensure job placement for nationals and improved working conditions for both nationals and foreigners working in the Maldives. *The operations of the IED would be re-oriented towards a system of random inspections, brokered out directly or through the social partners, in coordination with (or by absorbing) the LRA, so as to monitor the implementation of the new system and the compliance with the working conditions and provisions stipulated in the Employment Act.*

The remoteness of the Maldivian archipelago, and the small size of its territory and limited number of its enterprises lead us to believe that the system would be feasible to implement, would boost the productivity of the Maldivian businesses, would increase the employment of nationals and would improve the working conditions of foreigners. In an initial stage, the system could be pilot-tested and evaluated after six months, by offering the new set of rules to selected (or volunteer) enterprises. *Increased mobility of foreign labour, implemented in a smart way that provides incentives to comply with the system, would entail enormous savings on labour costs for employers.*

The reform of the current quota system can be viewed as *a replacement of foreign quotas with reserved quotas for nationals in certain occupations.* We believe that the reform proposed is less radical than it may first appear. Essentially, the main idea is to trigger the development of *informal labour recruitment arrangements*, in the interest of final employers and workers, and to link the quota system with the objective of absorbing nationals in to decent work. Furthermore, the formalisation strategy overriding the different aspects of the reform is likely, as it is documented in some other parts of the world, *to improve the working conditions of foreign workers with a net reduction of labour costs for employers.*

The *reform proposal* is built on five key elements:

1. The current system is already de facto allowing employers to recruit all foreign workers they need. The current regulation remains mainly on paper;
2. All counterparts agree that the current system is difficult to implement, ineffective and inefficient due to the presence of rules that are not designed based on policy objectives and that leave ample space for the same rules to be circumvented. Any rigidity that is not instrumental to meet policy objectives is to be considered as unnecessary red tape, which should be seen as a cost from the point of view of both the

²⁹ See establishment of labour authority in the following pages.

employers and the Government Agency in charge of labour governance.

3. The new system would wipe away incentives to recruit irregular workers, and allow flexibility for employers to hire workers when they require them.

4. The funds and human resources saved up from the elimination of red tape will be re-oriented towards an inspection system that would enforce compliance both on reserved quotas and on working conditions.

5. Its design would only imply the amendment of Regulation 2011 and a coordinated action (or a merger) between the IED and the LRA.

b. Increase mobility of foreign labour already present in the Maldives so as to curb informality (visa trading phenomena), reduce labour costs and meet needs of employers in a timely manner.

Countries characterized by a similar system of immigration that we can define as employers-based, have tried to combine a system in which the visa (and the resident permit) is linked to the employment contract with measures that: increase the flexibility in the labour market to meet employers' needs, to reduce recruitment costs and forms of informality of employment. This is the case of the United Arab Emirates, which has reformed its governance system so as to allow foreign workers to look for another job in the last three months prior to the expiration of the contract. The system has been piloted and evaluated, and based on positive impacts for all parties involved, extended to other categories of workers and expanded in coverage and scope. This study shows in details how nationals and foreigners are compartmentalized in different occupations. For this reason, an increase in the mobility of foreigners is not expected to affect the employment of nationals, if this increase is restricted to certain occupations characterized by low or no incidence of Maldivians workers.

Chapter 1 provided an analysis of the immigration process and its governance in the Maldives, pointing out dysfunctional aspects and options for its review.

- *It is recommended to cut down as many administrative layers as possible, and re-orient efforts towards labour inspection and enforcement of the fewer compliance aspects that are assessed as functional and necessary to achieve the stated goals.* We invite the reader to observe that an on-site inspection is contemplated by the internal procedures of the LRA. This opens a space of collaboration between the IED and the Labour Regulatory Authority (LRA), in charge of inspecting the working conditions as per the provision of the Employment Act. To date, the coverage of the LRA is very little, with most inspectors devoted to internal administrative tasks. The on-site inspection during the verification process could be streamlined with a standard labour inspection, conducted on a random sample of enterprises. For this to happen, *a restructuring of institutions in charge of labour administration is proposed. For instance, the IED could embed the LRA, so as to create a unified labour authority, in charge of both foreign workers permits and of making sure that the provisions of the labour code are implemented by Maldivian enterprises (see also the following section on the LRA).* The suggested review should balance incentives to comply with regulations with a system

of enforcement. A few questions may be useful to finalise the revision of Reg2011:

1. *Are all procedures and criteria set in Reg2011 useful for the good governance of foreign labour?*
2. *How is each constraint imposed on employers and other agents conducive to the following objectives: i) businesses can operate smoothly; ii) full employment of nationals is pursued and iii) decent work is promoted across the country?*

The link between the timespan of permits on the one hand, and of employment of a certain foreign worker on the other hand, is especially important for the construction industry. Employers incur costs since the date of approval of the project for instance as they have to pay rent for the real estate concession, and for this reason, the construction work has to start as soon as possible. A rigid system which does not take into account these features of labour turnover/the need for labour market flexibility, implicitly incentivizes non-compliance with the existing regulations. MACI suggested to establish a system to link the quota to the enterprise, rather than to the project. This model deserves attention, and we try to suggest a practical option below, taken from a similar system implemented in the UK. Two options are proposed: Option 1 below is implementable only if the Government considers to replace the foreign quota with national reservation quotas; Option 2 is implementable immediately within the current quota system.

Option 1 (within the current quota system):

Each large enterprise (for instance, only those with 300 employees and above can be eligible, such as the Big 10 of the construction sector) holds an account at the IED with a quota that varies according to projects and business dynamics. As in the current system, workers will be demanded at the enterprise level, but instead of granting workers based on projects, foreign workers (quotas) will be granted based on labour needs at the enterprise level. This works in pair with a model that increases flexibility of labour among different establishments/projects operated by the same enterprise. Changes of establishment or/and enterprise could be notified electronically, and verification could be done during one of the periodic visits from the inspectorate. The system of notifications could be integrated with that of demand needs requirements, which in turn could be used by analysts both in forecasting (how many and what types of workers the enterprise will need in the next 12 months) or retrospectively (how many and what types of workers the enterprise de facto has hired in the past 12 months). The system would have an internal control mechanism that links human resources and organisation charts with salary slips, similar to the one currently being implemented in the UAE. This allows the Government to ensure the employer hires only those who are currently on its payroll, in addition to the warranty that withdrawal of payments are reduced to the minimum and in kind and monetary deductions from gross wages are transparent.

Option 2 (within a reformed system with reserved quotas for nationals):

The system would be the same for national and foreign workers, and would allow the application of restrictions on reserved jobs for nationals, as opposed to the current cap on recruitment for foreigners which has been demonstrated to be almost impossible

to implement and enforce (See part on the abuse of the visa system), in addition to not being functional for timely recruitment of human resources from the point of view of employers. What is proposed can be described in even simpler terms. The new platform, similar to that of Mauritius, would be similar to a standard employment registry, such as that of most OECD countries, with information updated online and enforced through a system of inspections.

The low number of people at risk of labour market exclusion due to the small magnitude of the Maldivian labour supply, and the fiscal space for economic and social policies, makes the above strategy a reasonable outcome for public policies.

A few reports from non-governmental organizations have promoted the view that working conditions of foreigners in the Maldives are poor, with allegations of labour exploitation, especially in the construction sector. We have not found evidence of this neither in official statistics nor in the labour inspection reports of the Authority. However, even unfounded, these allegations could greatly harm the image of a country whose economic development depends on tourism/whose main income comes from tourism.

The reformed system would nullify many of the incentives that employers currently have to resort to irregular migrants.

In the year 2010, a measure was introduced to replace new arrivals of foreigners with irregular migrants available locally. We believe that this was only partly successful. *A reform should work hand in hand with a wave of regularization of the existing foreign workers in such a way that both workers and enterprises are given clear advantages to move to the formal sector.*

c. The establishment of a unified labour authority

The thrust of the new Authority is to streamline the current work of the IED with that of a modern Labour Inspectorate, with appropriate inspection coverage over the entire population of enterprises. The authority should have a two-fold mandate: i) define and implement appropriate operating procedures for the new quota system; ii) manage a labour inspection system in which inspectors have access both to the worksite and to the dwellings of migrant workers.

A part from major gains in efficiency, the newly established authority would establish a framework to measure working conditions of both nationals and foreigners, therefore reducing rumours of poor working conditions, and ultimately reputational damage for a country that, depending on tourism, has all interests in keeping a positive image in the international environment.³⁰

³⁰Only anecdotal evidence was reported by the counterparts, and the author was not able to find press from the NGO sector either. A certain degree of inefficiency was already reported in an audit report in 2015, which revealed that, on a sample of 40 sample cases, 27 (68%) did not meet the criteria set by the IED.

An audit report of the LRA revealed that a system of sanctions is also not properly in place. In the 28 cases reviewed, quotas were issued even though site inspection was not carried out and/or relevant documents were not attached. Furthermore, the IED has issued quotas despite site inspections highlighting problems in the sites. Hence, more quotas were issued for more workers than required while some quotas issued did not meet the criteria set by the IED. Finally, a survey that was conducted during the audit revealed that a significant number of employers who took part in the survey were not satisfied with the service provided by the IED and or with the time taken to approve quotas (Auditor General's Office, 2015). If the authority does not have the capacity to enforce its operating procedures, and in the case of violation, to sanction non-compliant employers, the law and its accompanying regulation remains on paper only.

The roles and mandates of the Labour Authority should be reviewed and streamlined with the workflow of operation of the IED, so as to make the Authority an instrument to monitor compliance of employers with both the Employment Act and the Quota System.

In a geographical context where workplaces are dispersed, the Authority has little capacity to reach out to remote establishments through inspections. The involvement of social partners and of sectorial associations has to be promoted to generate a monitoring system that is shared by the Government, workers and employers. *In order to increase the capacity of the IED/LRA to reach out to remote employers and worksites, it is recommended to involve the social partners in the administration of the reformed system.*

In particular, the fact that the visas of the EAs are bound to specific workplaces notably limits the flexibility and efficiency in the use of human resources within the enterprise. These inefficiencies are particularly felt by the construction sector, dominated by ten large construction companies, with multiple construction sites.

An **operational definition of decent work** will serve two purposes: i) design a module on working conditions for future censuses and surveys that fits the Maldivian labour market; ii) design checklists for inspection activities, where working conditions are benchmarked in an objective way through checklists that will be sector and occupation specific. *It is recommended that a working group on conditions of work is established, to define a framework to pin down a definition of decent work in the Maldives, and make it measurable both in terms of a module to be applied to future censuses and surveys, and in terms of a checklist of objective aspects of quality of employment used during inspections.* This work should start from the provisions of the Employment Act, and define objective yardsticks to evaluate compliance with the labour law. This framework of assessment would be useful both to define standard operating procedures of inspectors on site and to design a module on conditions of work for future sample surveys to be used by the NBS. The following aspects should be taken in to account:

- wages and income
- rights at work (formal and informal forms of organizations, at enterprise or sectorial levels);
- written contract in both local language and the language of the migrant worker;
- payment of social security contributions by the employer;

- paid annual and sick leave;
- health insurance
- OSH yardsticks to be defined by sector and occupation;
- Hours of work (maximum hours of work defined by sector);
- Living conditions such as minimum conditions of the dwelling (to be defined at sectorial level);
- Minimum of consecutive hours of rest for domestic workers;
- One full day of leave for domestic workers.

The establishment of a unified labour authority should mainstream the current work of the IED with that of a modern Labour Inspectorate, with appropriate inspection coverage over the population of enterprises. The authority should define appropriate operating procedures defined so as to allow inspectors to have access both to the worksite and to the dwellings of migrant workers.

The unified labour market authority would promote *Government to Government (G-to-G) bilateral schemes to ensure a direct link between the demand and supply of foreign labour, a standard of quality of skills and competences for each of occupation, leading in turn to major reductions of recruitment costs, debt bondage and generally improving the working conditions of migrant workers.* In practical terms, as a large majority of foreign workers comes from Bangladesh, *it is suggested to pilot a Gov-to-Gov scheme, with a service centre in Dhaka, with the Bangladeshi authorities.* The scope of this cooperation agreement has to be defined. Our suggestion is to pilot test a one-stop-shop centre in Bangladesh similar to those established in origin countries by South Korea. Such a centre could test skills and competences, conduct different screening activities, including the suggestion of issuing electronic visas by the embassy and bio-metric cards. In general, it is suggested to refrain from elaborated MoUs that remain on paper, but rather to concentrate the attention on practical functions of a Maldives' Centre in Bangladesh that would directly serve the interest of employers. The Centre could be either publicly funded, or it could even take the form of a Public-Private Partnership co-owned by IED, MATI and MACI.³¹ Activities could be pilot-tested and self-selected on the basis of client satisfaction mechanisms. The centre could be seen in the medium to long term as a service centre sustainable with fees far lower than those currently paid to PREAs. The Centre could be managed through a tripartite governing body, so as for the activities to respond to the emerging needs of users.

MATI is the employers' organization for tourism; it has a long history, having being established in 1992. It represents 80 per cent of all resorts and airlines active in the Maldives. Its main role is to lobby with the Government, especially with law makers on taxes and regulations. MATI represents mainly big players, with smaller businesses, such as guest houses, safari boards and travel agents having their own associations. MACI is the employers' organization of the construction sector, which is dominated by less than 10 companies employing on average more than 500 workers each, mainly project-based. The association mainly resort on low skilled labour, with the main problem being workers arriving in the Maldives "not fit to work"

3.2 Recommendations on linkages between employment and better migration Governance

Diversification through the promotion of second-tier growth centres (to re-orient job creation from tourism and construction);

- ***Sustained growth built on a more diversified economy, which leads to the creation of more and better jobs.*** The JS proposes a set of measures to orient/direct growth paths towards the achievement of employment outcomes. The implications from a labour migration perspective relate to sectoral policies (and incentives) that create jobs in a framework of preservation of the long-term prospects of tourism, the backbone of the national income of the Maldives. The 2014 Census results will provide accurate information needed to combine this long term perspective with shorter term implications in terms of additional jobs to be generated in the next 5 years.
- ***Localization of employment pacts at the Atoll level is critical for a country characterised by such a dispersed national labour market.*** In order to limit internal migration between the Atolls and Male, it is important to de-localize the national quota system so as to create jobs for nationals where these are needed. The Atoll's Committee (sub-national authorities) should be helped to quantify the employment challenge at the local level, so as to identify how many and what type of jobs would meet the needs of the local population. This recommendation goes hand in hand with the establishment of local pacts for employment of nationals at the Atolls level. With a low degree of mobility and considering daily commuting to be rather impractical in the Maldives, it is important not only that enough jobs are created, but that the right jobs are created in the right place. Critical is the role of the Island Development Committee.

Education and skills development;

- ***Enhanced education and skills development that improves the employability of jobseekers.*** The supply side patterns of the Maldivian population present a situation where skills and competences of the nationals do not match labour demand. Many gaps can not be filled on the short term. This requires a two pronged strategy: short term interventions should be planned and implemented alongside long term ones.
 - a) Reserved quotas for nationals should be set and implemented as the spine of the international recruitment system for selected occupations that are attractive for nationals and for those jobs that can be performed by nationals. Dual System (DS) schemes are particularly suitable for this context, when combined with information campaigns and career guidance and counselling so as to avoid the usual stigma associated with apprenticeships and DS.
 - b) The small size of the country suggests that active policies should be implemented by profiling i) new labour market entrants, ii) the unemployed and iii) the inactive using individualised targeting. Special attention should be given to the specific labour market constraints of the female labour market and by deploying different degrees of intensity of treatment for short-term jobseekers and for those requiring activation measures of higher intensity.

- c) Wage subsidies for those most difficult to place should be streamlined as part of these integrated employment packages, combining standard employment services with vocational training and wage subsidies as needed on an individualised base.

- ***Orient current vocational training reform so as to support effectiveness of the Jobs Strategy.*** This paper has to be seen as an input to the formulation of the Jobs Strategy, which coherently interfaces with skills development policies. The design of vocational pathways for Maldivian youth needs to be shouldered by an adequate VET system. If the labour market of foreign workers is still not yet characterized by highly technical profiles, the challenge of integrating more young workers in the labour market requires specific curricula development initiatives for the occupations that will have to be targeted, the establishment of quality technical vocational education, and short- and medium-term competency based training (CBT). Employers suggest that training should be more sensitive to labour market needs, and this requires the Government to conduct regular skills assessment initiatives, preferably with the use of administrative records, as suggested in Rec 1. These initiatives should constitute material for public private partnerships between the relevant authorities and social partners organizations. The latter have proved to be effective in channelling the needs of the their clients, but a more active involvement in skills identification and training could help both workers and enterprises to match vacancies with Maldivian jobseekers. The Government should also explore a system of incentives to hire nationals, based on financial instruments in which training and re-training costs are co-shared by the Government and the employers.

Interventions targeting youth

Data of Census 2014 confirm that two main demographic groups are at risk of labour market exclusion: youth and women. Young girls and female young adults are therefore exposed to multi-layered disadvantages that should be appropriately addressed.

- ***Reduce bottlenecks to labour force participation and employment.*** The evidence describes different categories of people characterized by different phenomena of joblessness. These problems are affecting mainly young people and women, and it is important to classify them into/two main groups, understand if the cause has to be found in demand- (i.e. lack of jobs matching their profile, or presence of jobs that for a number of reasons are not attractive for them) or in supply-driven factors (i.e. choices that hinder participation of certain people, such as those who can live on rent, or in certain age groups, such as women in fertility age).

The unemployed are defined in this study as those who are not working, available to work and actively seeking for a job. The discouraged are those who have lost hope, therefore not working and available for work, but not actively seeking for a job. Sometimes, these are referred to as those who have lost hope.

- ***Equip the Active Labour Market Policy of Maldives with employment packages targeted to individualized needs.*** During the consultations with Government counterparts, anecdotal evidence of voluntary unemployment (technically discouraged), especially among youth emerged as a clear priority to address. This group is often composed by young people who can afford to be out of work, as these people can live on family income. The causes may be a mixed bag of supply- and demand-driven factors. Employers mention a dysfunctional attitude of spoon-fed youth, in addition to a need to increase employability of Maldivian youth. For policy design purposes, policy makers should design a range of measures that address each one of these factors, and target them “in packages” to individualized needs. These measures should be designed in coordination with measures to reduce the number of dropout presented in the recommendation 4 below.
- ***Profile young people early in life and equip them to meet employers’ requirements before they experience labour market failures.*** Improvement in the quality of education should be done at various levels, with vocational pathways that are already designed to meet labour demand in the occupational class that are reserved for Maldivians. These occupational classes should be identified among those attractive for nationals. These measures, addressing both general and vocational education, have to be considered within a long-term strategy. To train a Maldivian engineer specialized in logistics and attractive for employers, the system will require approximately 5 to 7 years from the moment in which the education system is able to provide the appropriate vocational pathway.

The establishment of quality educational pathways in secondary and tertiary schools that are in line with the strategy of economic diversification of the country should be combined with career guidance programmes and counselling targeting people at school. These should go beyond technical knowledge and should entail modules where employment is presented as a dignifying aspect of personal realization, in line with the Muslim tradition.

Not always it has to be expected that the appropriate vocational pathways is available in the Maldives, especially when it comes to specialized tertiary education. A system of scholarships and student loans to get quality education and training abroad should also be explored in the short-term, and aligned so as the domestic education system can benefit from the lessons learnt from scholarship programmes. These programmes are more efficient when they are performed by private-public-partnerships between academic institutions in the Maldives and abroad.

Two different types of programmes should be designed. The first one relates to vocational and core skills training (from 3 to 6 months) that are able to make young Maldivians meet requirements for semi-skilled entry level jobs, already provided by the market. These programmes are likely to place young Maldivians in jobs with salaries ranging from 4,000 to 10,000 rupees, and should be jointly designed with a national quota system (See recommendation 5 below). The second one (from 2 to 5 years, often more) requires: i) a review of highly skills jobs currently performed by expats, ii) a strategy to create these skills in loco; iii) a national quota system (see below).

Establishing labour market information systems and better monitoring and evaluation of policies, programmes and measures under 1 to 4.

- ***Integrate labour market information in a single database*** administered through an online platform. This will include both data on supply and demand of labour, different components of income including wages, as well as mechanisms to reserve certain jobs to national workers.
 - a) Data on **labour demand** (retrospective and forecasted) will come as a by-product of enterprise-based accounts that will be used to monitor compliance with the new (quota) system and with the provisions of working conditions of the Employment Act.
 - b) Data on **labour supply** will be linked to household accounts; the latter will be linked with registered employment contracts, used to target labour market and social protection measures, as well as to directly administer other tax and transfers.
- ***To provide relevant and timely findings to design Vocational Education and Training programmes.*** Statistics on the socio-economic situation, education and labour market should be collected in such a way as to respond to policy and programme design needs. First, data producers and data users should align their work on data to be collected. Second, data producer authorities, such as line ministries and government agencies, should establish a system to provide timely and regular data. Some pieces of information are needed in the short term, such as employment and wage statistics on a quarterly basis. Other pieces of information, such as those linked to skills assessment tools, data to understand demand- and supply-driven bottlenecks to participation, should be designed in such a way that provide findings for medium- and long-term planning.
- ***To increase the capacity of national authorities to use analytical findings instrumental to programme design.*** Authorities should consider the establishment of a labour market analysis task force, able to describe and explain labour market trends and translate them in options for policy makers. The task force should combine both technical officers from the Government and the social partners, as well as external experts for example from the academia or from national think tanks as needed. In fact, it is often the case that, especially in small-scale states, policy makers decide to outsource labour market analysis tasks. The skills to administer public institutions, as well as those of decision makers at the management or political levels, are different from those required to extract consistent findings. Job descriptions of the MED, jointly with analysis needs, should be discussed to identify who performs tasks of these three different roles: i. analysis, ii. decision making and iii. Programme design and policy implementation. The criteria to design the LMISs should be instead decided upon in a consultative way, so as to avoid the production of statistics that nobody uses or that provide biased information, as well as the lack of consistent statistical evidence.
- ***To improve matching between demand and supply of labour, both nationals and foreigners.*** In the era of big data, the same LMIS should serve the two-pronged purpose of evidence based policy design tool (see above) and system to help labour market agents (jobseekers and employers) to facilitate the encounter between available vacancies and people offering labour services. The system should be targeted not only to nationals

looking for a job (both unemployed and employed looking for a second or a better job), but also to create a labour adjustment system for foreign workers.

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ANNEXES

Annex 1: Case studies of useful national practices

Case Study 1: The Mauritius Circular Migration Database - MCMD 2010

Objective: Improving the matching of foreign labor demand and supply, by implementing online platform

Description of the practice:

The MCMD (Mauritius Circular Migration Database) is an online job interactive platform activated in 2010, which aims at facilitating the matching of Mauritian jobseekers with both local and international employers who are registered on this website. The website is a joint initiative of the Ministry of Labour, Industrial Relations, Employment and Training (MLIRET) and the International Organisation of Migration and has been funded by the European Union and the Italian Ministry of Labour and Social Policies. The sources used to compile this case study provided no information on the number of candidates registered in the system.

The MCMD works as a permanent database which offers a pool of potential Mauritian employees with a variety of qualifications, skills, experience and interests. This tool expedites the selection process, therefore making recruitment in Mauritius more competitive and cost effective.

Once candidates are registered in the MCMD, their resumé is shared with employers during the selection process. Foreign employers whose labour recruitment project has been endorsed by the Government of Mauritius (GoM) will be able to carry out an online selection. They will have the possibility of short listing candidates according to their desired profile, holding interviews, making the final selection, following up on the status of visa applications and pre-departure training/orientation. The National Empowerment Foundation (NEF – <http://www.nef.mu>) and the governmental partner will provide all assistance throughout the selection process and any additional information required at all stages of the process.

Extent of applicability in the Maldives:

The main value of the data-base will be job-matching services. Policy and programmes of the Jobs Strategy would benefit from the analysis of quota system statistics, which are free as they are a by-product of an administrative process, especially if complemented with information on occupational profiles of labour needed. Recent economic surveys had consistency problems that prevented analysis of short and medium-term labour demand requirements. This suggests that quota system data constitute the most effective to date, and efficient (cheapest) source to assess options to orient the development path and define economic diversification objectives. Furthermore, the analysis of timely and regular statistics from these sources (quota system and employment approvals) are key to support migration programmes to reduce recruitment costs by establishing direct links with countries of origin, and to forecast occupational profiles particularly interesting for the placement of national workers. This mirrors a general trend in information system design worldwide: the LMIS of the future will rely more and more on administrative data, integrated with sample surveys and censuses that will serve to benchmark regular short-term information.

Case study 2: Fast-track procedures for certified or trusted employers in Thailand, the Philippines and among CP Member Countries

Objective: Easing the administrative burden and processing times for employers to hire foreign workers

Description of the practice:

Some national schemes foresee fast-track procedures for certified or trusted employers or otherwise facilitate the recruitment of foreign workers for them.

Innovative experiences are registered in government-run recruitment in Thailand, the Philippines and among CP (Colombo Process) Member Countries. Employers wishing to hire Thai workers must register at TOEA (Thailand Overseas Employment Administration) and prove capability by showing various documents, such as a certificate of business registration permit, a model or standard form of employment contract, and visa forms for workers. Once registered, employers have access to a pool of registered workers. TOEA maintains a pool of workers ready for deployment, minimizing the wait time for employers and allowing workers to access more employers.

The Philippines require all foreign governments wishing to recruit directly from the Philippine government to establish a Guarantee Trust Fund to cover workers' monetary claims arising from Register or accredit employers.

Extent applicability in the Maldives:

Such systems of certification of “reputable” employers is applicable mainly to large employers who have a stable need of workers from abroad. While those schemes undoubtedly streamline the immigration procedures and are particularly interesting in the case of foreign recruitment in response to temporary labour needs, they may contribute to widen the labour market information gap between bigger and smaller firms, while companies with low recruitment and SMEs would be de facto excluded from getting certified.

Case study 3: The entry visa and related labour status categories in Singapore

Objective: diversifying the admission conditions and labour status of foreign migrants in the Maldives

Description of the practice:

In Singapore the labour migration system includes three main visa categories available to foreign workers, which correspond to different labour profiles:

1. *semi-permanent residents* with semi-permanent work permits who are allowed to take any job anywhere in Singapore (valid for five years). Foreigner workers from this group are eligible to apply for citizenship. Just like citizens, they face no restrictions in the labour market and can bring their families (spouses, however, do not have the automatic right to work).

2. *foreign professionals* with annual permits called *employment passes* which are issued only for specific jobs and for a specific duration (valid for one to five years). Although tied to a specific company, employment pass holders enjoy limitless opportunities to get their permits extended. Work permits are also given to unskilled workers whose salaries are low by local standards but who do not enjoy the same entitlements as professionals.

3. *seasonal workers* with short-term permits usually valid for two years (subject to renewal). Unskilled migrants are the only group of foreign workers subject to the Employment of Foreign Workers Act of 1990 (hereafter: EFW Act). This Act defines foreign workers as “non-citizens who are looking for jobs or are in employment and who earn not more than \$ 1,500 a month” and is designed to control the employment of this category of foreign workers in Singapore.

Extent of applicability in the Maldives:

Diversifying the entry visa and the labour status of migrant workers according to the needed labour profiles (skills, role, temporary or long-term nature of the assignment, etc.), while keeping a limited number of workers’ categories, can help to better meet the specific needs of the domestic labour market. One major limits of the current system of labour migration management in the Maldives is the fact that *all* employment approvals are bound to a specific employer and workplace, as required in the “projects” employers are asked to fill in. While this practice can turn to be useful for some categories of workers or sectors, it revealed to be detrimental for those firms who need to employ and use their labour force in a flexible way (e.g. transferring workers from one construction site to another or moving them one role to another). The extent of applicability of this system depends on how broad are the chosen categories of foreign workers and whether they respond to the actual needs of employers.

Case study 4: The Employment Permit System (EPS) of South Korea

Objective: Implementing bilateral cooperation system for the recruitment of labour migrants

Description of the practice: The South Korean government's labour migration recruiting policy of low-skilled migrant workers is based on the Employment Permit System (EPS). The EPS is a temporary and circular labour migration policy designed to supply a low-skilled foreign workforce for local firms which suffer labour shortages. This labour migration policy was introduced in response to rising labour demands of small and medium businesses that faced severe labour shortages since the late 1980s when the wage soared and domestic workers started avoiding 3D jobs.

The South Korean job-matching system is jointly implemented in cooperation with 15 Asian countries with which it has Memoranda of Understanding: Bangladesh, Cambodia, China, Indonesia, Kyrgyzstan, Mongolia, Myanmar, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, Timor-Leste, Uzbekistan, and Vietnam.

According to this system:

1. The employers submit a request to South Korean Job Centres for Employment Permit of Foreign Labour for quotas according to type of business and sending countries, which are set out by the Foreign Workforce Policy Committee (established by the Prime Minister's Office).

□ 2. The South Korean government signs MOU with sending countries in order to select competent job seekers, based on objective standard of qualification such as EPS-TOPIK score, result of skill test and working experience.

□ 3. Government agencies in migrant sending countries pre-select qualified potential migrants (18-39 years old) based on standardised online testing of knowledge in the Korean language (the EPS-TOPIK test), skill-test and work experience. There is then a roster of pre-selected potential migrants submitted to the South Korean government.

□ 4. The South Korean government then approves the roster of job candidates and sends it to Job Centres, which in turn pick out qualified candidates for employers.

□ 5. To protect the employment opportunity of Koreans, employers can apply for Employment Permit at Job Centers in case of having failed to employ Koreans in spite of the efforts to hire them (for 3 to 7 days). Job Centers recommend foreign workers who are qualified the recruitment conditions (three times). The Employment Permits are issued when employers choose competent foreign workers among the recommended

□ 6. When an employer selects a foreign worker, the worker receives the Employment Permit and the employers sign a standard labour contract, visa paperwork is then processed.

7. Upon arrival in South Korea the migrant worker does an employment-specific training course; attends a further Korean language course; trains on industrial safety and education; and receives an orientation course to the EPS, and South Korean culture and traditions. Migrant workers can work for as much as three years, but they cannot bring their families to South Korea, and are required to return home for at least six months after the end of their contract before being allowed to come back to South Korea as migrant workers. Their contract can be renewed for an additional two years by the employer; at that point the contract is terminated.

Annex 2: Consistency of the 2010 Human Resources Income Survey (HRIS)

The 2009-10 Human Resources Income Survey provides the latest available information on the Maldives labour market and as the 2006 Census provides estimates of unemployment according to the ILO definition and a broader definition inclusive of discouragement (referred to by Maldivians also as *national definition*). The data collected by the HRIS, however, provides a picture of the Maldives labour market only partly in line with previous sources.

We do not have sufficient information to evaluate the reliability of the sample. What we know is that it samples only the local population in inhabited islands, which excludes around 10,000 people working in the resorts located in the industrial islands (*ibidem*). For comparative reasons previous analyses have chosen to align the 2006 Census to the Survey. In the Government report, so as to compare results across time, the Bureau of Statistics has changed the results of the census, adjusting the sample to that of the survey. We have followed the opposite road, by adding approximately 10,000 people to the population of the survey, so as to compare it to that of the census. and this has produced somewhat different results. More specifically our computations show that between 2006 and 2010:

WAP increased by almost 16,000 people

- ☐ Total employment declined by a little more than 5,000;
- ☐ Total unemployment, ILO definition, increased by 7,500
- ☐ Total unemployment, in the broad definition, increased by 18,500

Therefore, while WAP continued to increase at around 2 per cent per year as it could have been expected from the analysis of inter-censal population, local employment declined by 1.1 per cent per year; at this point it cannot come as a surprise that unemployment ILO definition increased by 34 per cent and when broadly defined by almost 24 per cent. Moreover, differently from what previous analyses have stated, the decline in employment affected only men, women employment registering a slight increase. Coherently men's unemployment as well as men's discouragement³² increased more for men than for women.

³² Due to our alignment of HIES data to Census we... This result is in contrast with the one presented in the HRE. The alignment of the census to the survey and other minor computational difference brought the HRE to the conclusion that men employment increase while that of women declined.

Table 17– Main labour market indicators; ILO definition and broad definition inclusive of discouragement; 2006 Census and 2010 HIES

	RoE	RoU		RoA	
		ILO	Broad def.	ILO	Broad def.
Census 2006					
Men	74.1	3.6	7.9	76.9	80.5
Women	42.7	6.6	24.7	45.7	56.7
Total	58.4	4.7	14.9	61.2	68.6
HIES					
Men	67.4	9.6	17.1	74.6	81.3
Women	37.4	12.8	37.3	42.8	59.6
Total	51.5	10.8	26.2	57.7	69.8
Abs. change					
Men	-6.7	6.0	9.2	-2.3	0.9
Women	-5.3	6.2	12.6	-2.8	2.9
Total	-6.9	6.2	11.4	-3.5	1.2

Source: Various, NBS website, 2015.

These trends provoked a situation difficult to interpret. If we take the indicators computed with the ILO definition of unemployment, what we have is

- ☐ a notable drop in the activity rate (-3.5 per cent),
- ☐ a more pronounced decline in the employment rate (-6.9 per cent)
- ☐ as a consequence, the rate of unemployment more than doubled, increasing from 4.7 to 10.8 per cent;
- ☐ The drop in participation is slightly more pronounced for women than for men, while the opposite is true for the rate of employment; as a consequence the increase in the rate of participation is very similar;

If we consider the indicators build with the broad definition of unemployment:

- ☐ The total rate of participation increases, the increase being more pronounced for the rate of women than for that of men;
- ☐ the total rate of unemployment reaches an unprecedented value of 26.2 per cent, with the women's rate at 37.3 the men's rate at 17.1

A comparison with the data of the 2007 ES confirms that the presence of WAP in the market reaches almost 70 per cent, and more specifically more than 80 per cent for men and almost 60 per cent for women. The difference is that while in the case if the ES these values refer to employment, for the HRIS one fourth of them is unemployed. The HRIS raises therefore two questions:

- ☐ Is the negative trend in employment coherent with the evolution of production? (In both cases: counting only nationals, counting nationals and foreigners, we have the following impact: lower production, lower number of immigrants, lower of employment growth elasticity
- ☐ Is the different level in employment of the HRIS and ES due to a difference in the questionnaire and/or the fact that one survey was addressed to the companies -that would declare employed also part-timer an informal workers- and the other to families -that will consider a situation of informal, limited employment as a situation of unemployment?