



INFORMAL SECTOR SURVEY 2021:

Rapid assessment of the impact of
COVID-19 on Informal sector,
Maldives



MALDIVES BUREAU OF STATISTICS
Ministry of National Planning, Housing & Infrastructure



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Informal sector

Maldives Bureau of Statistics (MBS)
Ministry of National Planning, Housing & Infrastructure

United Nations Development Program (UNDP Maldives)



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Developed by:

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| | |
|---------------------------|-------------------------|
| Report Compiled by: | Mariyam Imsa Shakir |
| Layout & Cover Design By: | Aminath Musfiqa Ibrahim |
| Report Edited by: | Aishath Shahuda |
| Proof Read By: | MBS and UNDP |

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| | | |
|----------|---|----|
| | Figures ----- | 7 |
| | Foreword ----- | 9 |
| | Foreword ----- | 10 |
| | Acknowledgements----- | 12 |
| | Executive Summary----- | 13 |
| | Introduction ----- | 14 |
| | Chronology of events related to the COVID-19 crisis in the Maldives ----- | 15 |
| S | Methodology ----- | 18 |
| T | Key findings in numbers----- | 21 |
| N | Profile of informal sector population ----- | 22 |
| E | Impact of Covid-19 on Maldivian industries ----- | 27 |
| T | Impact on income earning activity ----- | 36 |
| E | Impact of preventive measures----- | 43 |
| C | Coping mechanisms ----- | 45 |
| O | Conclusion----- | 50 |

| | | |
|----------------|--|----|
| | Snapshot of Covid-19 during the survey period----- | 17 |
| | Informal Sector Model Flowchart----- | 19 |
| | Impact on informal businesses ----- | 21 |
| | Figure 1.1: Persons engaged in informal sector age and gender compared with HIES-19----- | 22 |
| | Figure 1.2: Establishment type of informal sector by gender compared with HIES-19----- | 23 |
| | Figure 1.3: Employment status of informal sector worker by gender compared with HIES-19----- | 24 |
| | Figure 1.4: Workers employed by informal sector business owners ----- | 25 |
| | Figure 1.5: Workers by nature of employment, sex and nationality ----- | 26 |
| | Figure 2.1: Informal sector workers by sector, pre and post pandemic by gender---- | 27 |
| | Figure 2.2: Percentage change in informal employment from pre to post pandemic levels by industry ----- | 29 |
| | Figure 2.3: Registration status of informal sector businesses post-pandemic by gender----- | 30 |
| | Figure 2.4: Industries of informal sector workers who registered their business post-pandemic----- | 31 |
| | Figure 2.5: Months in which informal work was stopped or ----- | 32 |
| | discontinued----- | 32 |
| FIGURES | Figure 2.6: Informal sector workers no longer engaged in any income earning activity by gender and industry previously engaged in ----- | 33 |
| | Figure 2.7: Income reported in HIES-19 of those engaged in informal sector who had to stop or quit their job due to COVID-19----- | 34 |
| | Figure 2.8: Perception of impact on business/work due to the current measures taken to prevent COVID-19 ----- | 35 |

| | |
|--|----|
| Figure 3.1: Impact on production, employment, wage/salary, revenue by gender --- | 37 |
| Figure 3.2: Changes in production, employment, wage/salary, revenue ----- | 38 |
| Figure 3.3: Impact on income post-pandemic by gender----- | 39 |
| Figure 3.4: Change in sales volume in second quarter when compared to first quarter of 2021 by gender ----- | 40 |
| Figure 3.5: Ways in which income generating activities were affected by COVID-19 outbreak by gender ----- | 41 |
| Figure 4.1: Preventive measures which had the most severe impact on business ----- | 43 |
| Figure 4.2: Source of material supplies/products acquired----- | 44 |
| Figure 5.1: Measures taken to cope during April to June 2021----- | 45 |
| Figure 5.2: Ways in which informal sector worker compensated for their loss of income ----- | 46 |
| Figure 5.3: Stimulus package effectiveness of relieving the impact of COVID-19 --- | 46 |
| Figure 5.4: Stimulus package effectiveness of relieving the impact of COVID-19 by employment status ----- | 47 |
| Figure 5.5: Willingness to register in MSME roster if they were to receive benefits by gender----- | 48 |
| Figure 5.6: Which aspects should government target to help ----- businesses recover quickly by gender ----- | 49 |

FOREWORD

Informal sector plays a key role in the Maldives by providing employment opportunities, especially within the atolls and marginalized population. According to the HIES 2019, informal sector provided employment for 19% of the population while the level of informality is higher among the elderly population. As the informal sector neither has employment security nor social security, the impact on the livelihood of due to Covid-19 will be much more than those working in the formal sector. In this regard, the finding of this survey will be a valuable contribute to understand the impact of Covid-19 on the informal sector and the effectiveness of the policy measures taken to minimize the loss. It can also serve as a guiding light to program fiscal policies targeted to the informal sector in the future.

The HIES 2019 presented that over 26,000 or approximately three-quarters of small businesses are conducted in informally. However, due to the limited time and resource constraints, only a sample of 500 households were taken and of which the response rate was 97.2%. The response rate of this survey is considered to be very high compared to other establishment surveys conducted in Maldives or elsewhere. Even though the weights were adjusted for the non-responses, due to the limited number of samples, the results of this survey can only be used to draw inferences at national level.

During the survey process it also emphasized the urgent need for a population census, which can be used to develop a sampling methodology for the informal sector. Such a frame would provide an unbiased estimate of the informal sector, as a representative sample from each industry can be drawn using it.

I would extend my gratitude to UNDP for collaborating with us in this study by providing the resources. I sincerely thank all the respondents of this survey for the valuable information they provided in making this study viable. I urge all stakeholders, both government and private, to make better use of this survey and statistics, and to work hand in hand in creating an enabling environment to realise the SDGs.



Ms. Aishath Hassan
Chief Statistician

FOREWORD

The COVID-19 pandemic is not over yet and keeps sending shock waves through the world economy. While we remain hopeful that it will recede, the crisis hit a world already struggling with development challenges and has revealed and compounded existing inequalities.

The Maldives has not been an exception and remains vulnerable while recovering from a negative GDP growth of 33.5 per cent in 2020. Globally, the COVID-19 crisis and its economic and social impacts have been particularly harsh for workers in the informal sector, the backbone of any economy. The informal sector is a segment of the workforce which remains often not captured in many labor market monitoring mechanisms. They are workers left off official registries, payrolls and statistics, and networks of businesses and laborers operating in a gray zone overlooked by government regulations and protections - deprived of many legal entitlements typically available to their formal sector peers. This exacerbates their vulnerability, especially in crisis, particularly for women who require special attention in national efforts to create livelihood opportunities, to provide a reasonable safety net which goes beyond income.

In 2020, the United Nations Development Programme (UNDP) supported the Government of Maldives to conduct a Rapid Livelihood Assessment (RLA), which was critical at the time to understand the impact of the pandemic on the nation's formal sector but could not expand its scope to cover the informal sector due to data gaps. The informal sector in Maldives is currently estimated to be 19% of the employed population and 43% in the sector are reported to be self-employed women, putting them in a disadvantaged position if and when a crisis happens. Following the RLA, UNDP and Maldives Bureau of Statistics (MBS) partnered to conduct a dedicated gender analysis of this sector to ensure an enhanced dialogue and policy discourse able to capture the pandemic effects on women. It gives me therefore, great pleasure to see this study materialize as the first structured study in the Maldives to examine the impact of the pandemic on the nation's informal sector, comparing a sample of informal employment pre- and post-pandemic, looking at loss of income and employment across industries and gender.

The survey's results are unsurprising. The pandemic has not only pushed many workers from the formal sector to informal sector with women dominating this switch, but also women-led informal enterprises were found to be less likely to formalize their businesses due to social barriers, which prevent them from registering in national mechanisms. In general, the loss of income across all industries has been significant, with women particularly unable to go back to previous employment. The results of the survey sheds light into the effectiveness of countercyclical measures deployed

in the Maldives which would be helpful for the design of social protection measures responsive to crises.

I am certain that the data and the policy recommendations of this study will offer a pathway for reflection, and in generating adequate policy responses for improving livelihoods and strengthening access to social protection and finance for the informal sector. Efforts to rebuild economies to generate green, resilient, and inclusive development cannot succeed without the full consideration of the challenges of the informal sector.



Enrico Gaveglia
Resident Representative
United Nations Development Programme in the Maldives

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First, we would like to acknowledge the support and cooperation received from all the individuals selected in the sample and convey our heartfelt appreciation for providing the valuable information for this survey. Secondly, we would like to thank all the enumerators and supervisors involved in the data collection, for their hard work during the survey period.

The hard work and contributions by the staff of Statistical Survey and Data processing Division, at all stages of the survey is also acknowledged as follows. Sampling Design was prepared by Ms. Aishath Laila. Preparations, implementation, and management of the survey in terms of the questionnaire design, training manual, conduction of training, data collection, coding, editing, and entry was led by Ms. Fathimath Nihan and the staff from Statistical Survey and Data processing Division comprising of Ms. Mariyam Imsa Shakir, Ms. Lamha Shareef, Mr. Ahmed Shaheed, Mr. Ali Shafeeu and Mr. Ismail Mahfooz.

Data processing was carried out by MBS team comprising of Mr. Ahmed Shaheed, Mr. Ali Shafeeu and Mr. Ismail Mahfooz under the supervision of Ms. Fathimath Nihan. Mr. Ismail Mahfooz carried out data cleaning under the supervision of Ms. Aishath Laila.

The survey report was authored by Ms. Mariyam Imsa Shakir. The layout, compilation and design was done by Ms. Mushfiqa Ibrahim. We would also like to sincerely thank Mr. Peter Buwembo, Ms. Maturra Aya and Mr. Tomas Stenstrom for their input in the report finalization.

Planning and management of the survey operation was carried out with the direct supervision and guidance of Ms. Fathimath Nihan under the overall guidance of Ms. Aishath Shahuda.

We would like to sincerely thank the United Nations Development Programme (UNDP) for funding this survey and providing technical inputs to this study. The technical inputs to the document was provided by the UNDP core team consisting of Mr. Mohamed Shahudh, Senior Economist and Ms. Khadheeja Hassan, Junior Economist.

EXECUTIVE SUMMARY

With the many restrictive measures placed to reduce the further spread of COVID-19 across Maldives, it is clear that this would have heavy social and economic implications. The key objective of this survey was to assess the impact of COVID-19 on the informal sector workers. (i) People who are engaged in businesses which are not registered, (ii) people who run their own businesses with less than 5 employees (regardless of registration status) and (iii) employees working in living quarters/agricultural plots or no fixed location without social security are all considered informal sector workers. The informal sector excludes domestic workers employed by private households. In Maldives, 19% of the employed population work in the informal sector of which 43% are self-employed women engaged in activities such as weaving, making short eats, teaching and tailoring. In this survey a sample was taken from the informal sector. The respondents from this survey report that the reduced travel and island monitoring measures had the most severe impact on their business. While the government did provide stimulus packages to mitigate the effects of the pandemic it had little to no impact on informal sector workers. Instead, informal sector workers needed government support to establish mechanisms to help sell their produce and set up special credit facilities. It is recommended that income support or subsidy options be made available for informal sector workers, as well as training to help informal sector workers with the basics of running a business and to make timely decisions in times of crises.

INTRODUCTION

The ongoing COVID-19 pandemic has formed an unprecedented economic crisis all around the world. The hardest hit country in South Asia is the Maldives¹, an island nation heavily reliant on tourism. State of public health emergency was declared in Maldives on 12th March 2020, with the first case of community transmission discovered on 15th April 2020. National borders were closed from 27th March 2020 to 15th July 2020, which caused devastating effects for Maldives where the tourism industry is the main contributor to the country's GDP making up one fourth of the country's GDP and registered an annual growth rate of 7% in 2019. The annual real GDP of 2020 is estimated at MVR 51,248 million which is a decrease of MVR 25,914 million compared to 2019, indicating a decline of 33.6% in annual growth rate². A significant portion of the Maldivian population earn through the tourism sector either directly or indirectly.

Restrictive measures deployed to combat COVID-19 have affected the employment and livelihood of vulnerable populations. Those employed in largely informal sectors such as fisheries, making short-eats, and tailoring businesses face great losses due to low demand stemming from social distancing practices.

The employed population of Maldives comprises 57% of the working age population of which 19% is engaged in the informal sector³ as their primary occupation. The informal sector includes the working age population that were engaged in any unregistered businesses or businesses with less than 5 employees, or employees working in a living quarter, agricultural plot or no fixed location with no social security. This excludes those engaged as domestic workers employed by private households. Workers in the informal sector are typically lower-skilled, lower-paid or generates lower income and have very limited access to finance and safety nets than formal sector. This population had been identified in the Household Income and Expenditure Survey (HIES) 2019 conducted by the Maldives Bureau of Statistics (MBS) and a sample of this population was interviewed for Informal Sector Survey 2021.

HIES is a nationwide survey conducted in Maldives every 5 years. This survey provides key statistics on income, expenditure, employment and poverty at the household level. The results from HIES would typically be representative at the atoll level; unfortunately due to the pan-

1 *World Bank (2020): Maldives Development Update In Stormy Seas*

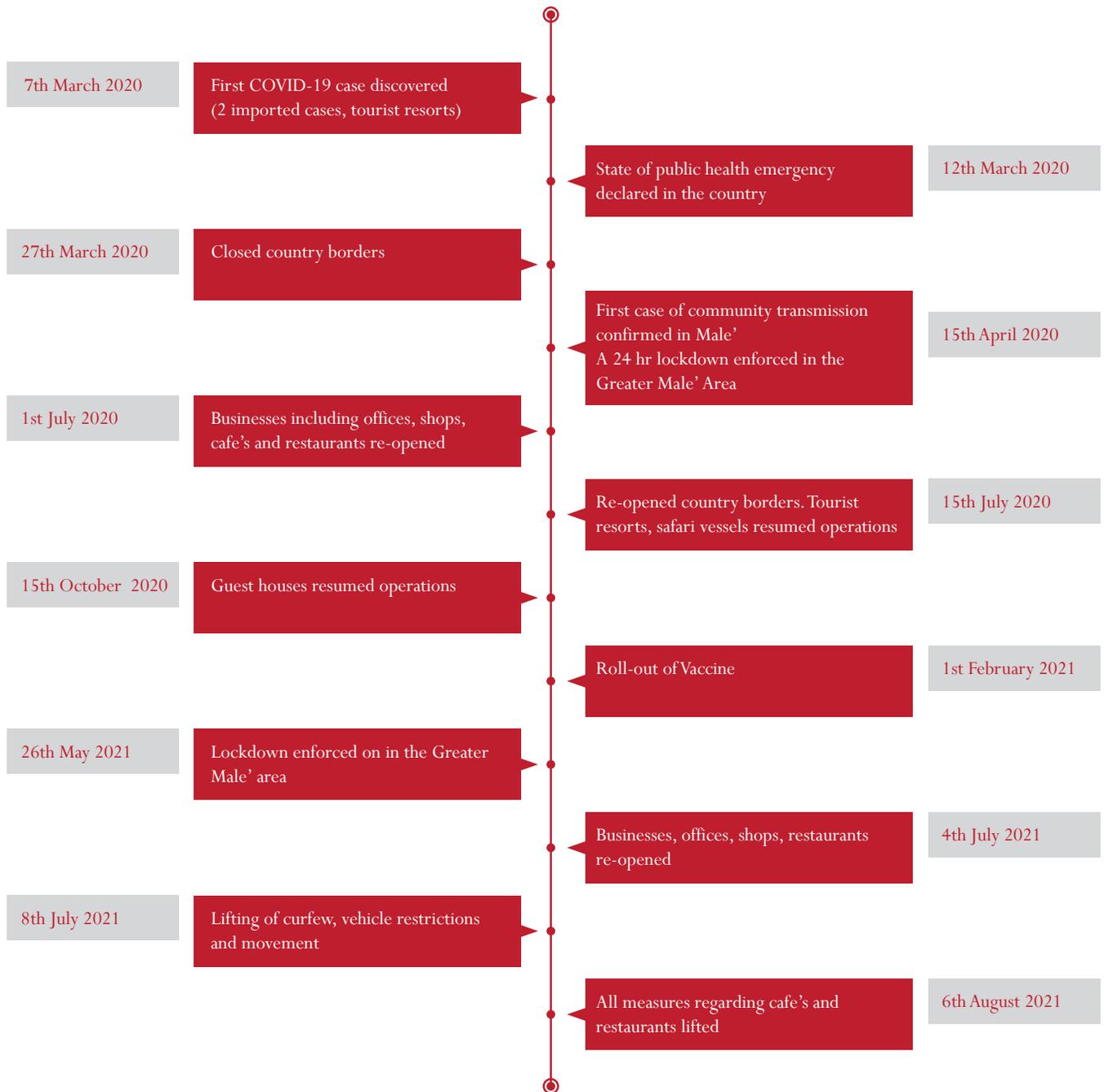
2 *National Bureau of Statistics (2021): Quarterly National Accounts Maldives*

3 *Maldives Bureau of Statistics (2020): Household Income and Expenditure Survey 2019: Employment*

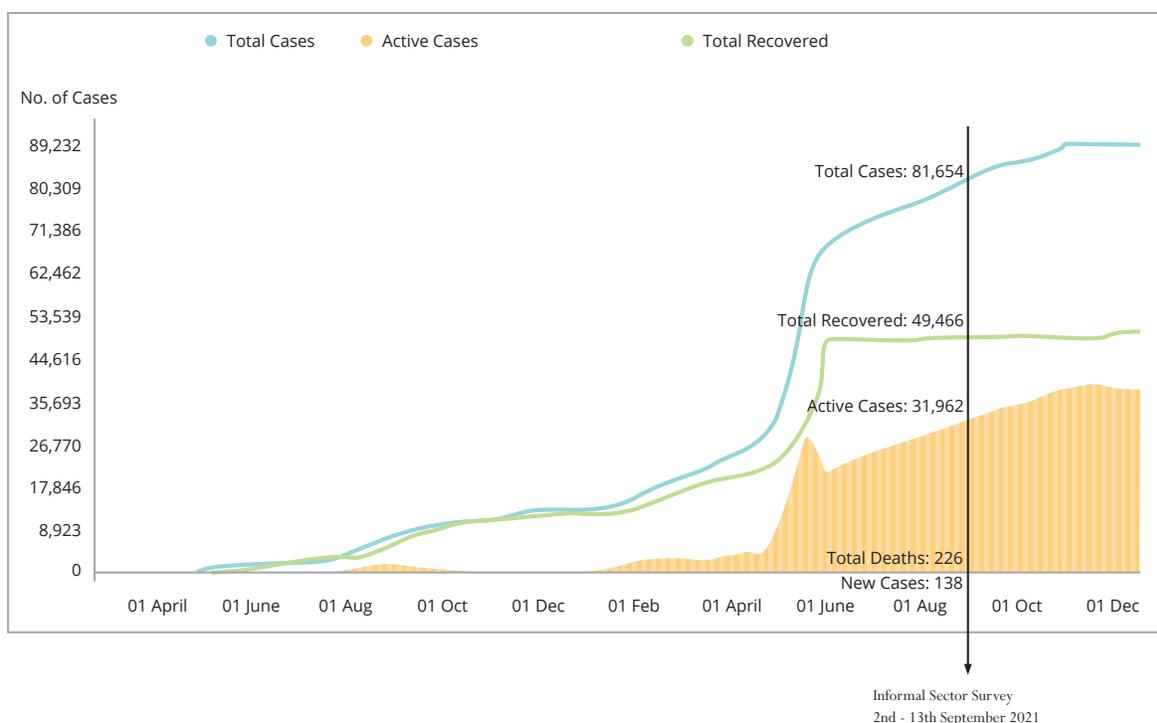
demographic the survey could not be carried out in 3 out of 20 atolls. Moreover, the considerable impact COVID-19 had on the country would render the results of the survey incomparable to the pre- and post-pandemic time periods. The data collected from HIES-19 was used to generate results at the national level, Male', Atolls. Of note is that a rapid assessment of the impact of COVID-19 on household income, expenditure and employment was also conducted in March 2021 by taking a panel of the same households in HIES-19. This enabled MBS to show pre and post pandemic impact on households. A similar approach was used to conduct this survey.

CHRONOLOGY OF EVENTS RELATED TO THE COVID-19 CRISIS IN THE MALDIVES

Following are some key events that occurred between HIES-19 and this Informal Sector Survey. The target sample for this survey was taken from the same cohort of HIES survey participants from 2019. The field work for HIES-19 was carried out from September 2019 to March 2020. This Informal Sector Survey was carried out in September 2021.



Snapshot of Covid-19 during the survey period



Source: Ministry of Health

At the time when this survey was conducted, the COVID-19 status in the country was more controlled after the first wave of Covid-19. The Government was relaxing most restrictions on the operation of businesses, offices and the nation's schools and was beginning to allow the sectors outside of essential services industry to operate with minimal restrictions.

Vaccination updates as of 2nd September 2021:

TOTAL VACCINATED: 1,103,818

| Population | Dose 1 | Dose 2 |
|---------------------------|--------|--------|
| Total Population | 71% | 56% |
| Eligible Population (18+) | 86% | 73% |
| Eligible Population (12+) | 85% | 67% |

M E T H O D O L O G Y

The methodology utilized quantitative data collection. A structured questionnaire was administered via phone to randomly selected informal sector workers drawn from Household Income and Expenditure Survey (HIES) 2019. This sample covered the same informal sector individuals in HIES-19, in order to show before and after COVID-19 impact on the informal sector.

500 individuals who fulfil the criteria from HIES-19 were selected randomly for the Informal Sector Survey. The sample was determined and aggregated to ensure results that were represented at national level. Informal sector workers were selected using systematic sampling methods.

The sampling frame covered informal sector workers who worked in the informal sector as their primary occupation in HIES2019. To select informal sector workers using a systematic sampling method a do-file was developed and all the selections were done using STATA software. Before applying the systematic sampling method, the sample size was determined, and randomly selected workers engaged in the informal sector as their primary occupation in HIES 2019.

The survey mainly covers the impacts on informal sector business, to which extent their businesses were affected, coping mechanisms and the economic activities they were engaged.

The survey was conducted from 2nd- 13th September, respondents were asked to recall the following reference times:

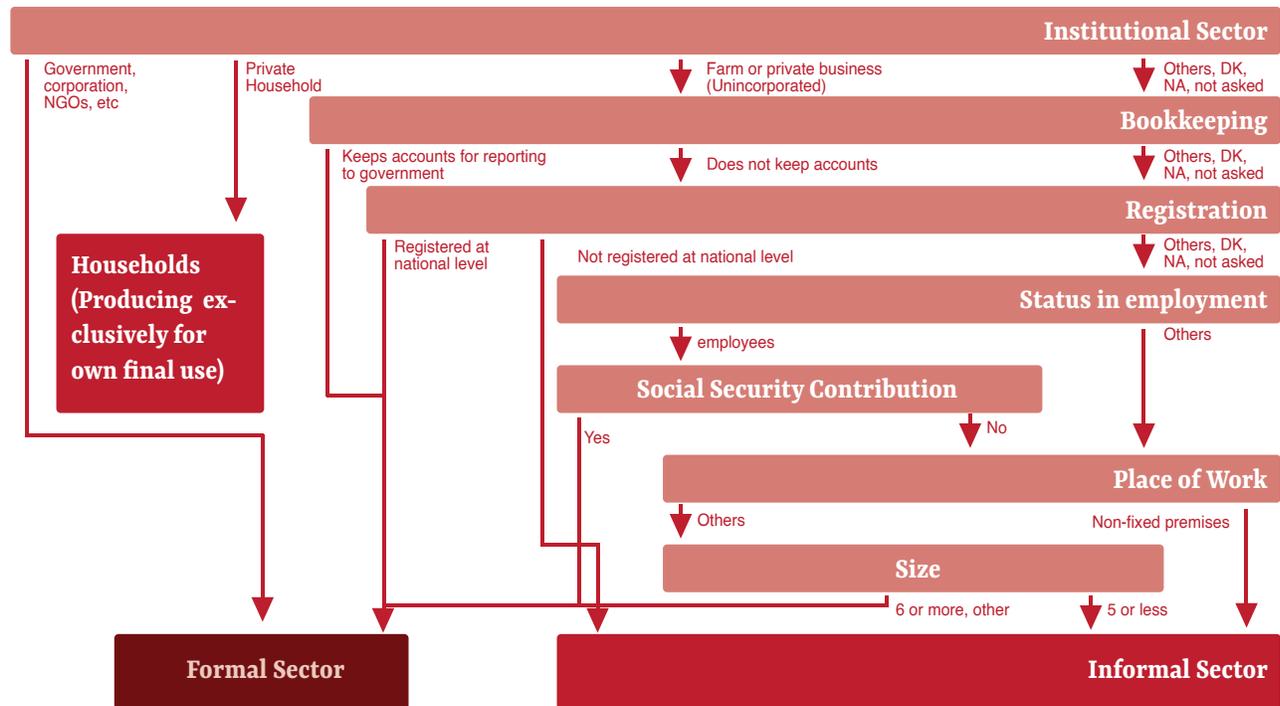
| Time Reference asked to recall | Question |
|---|--|
| January – March 2020 | Economic activity engaged during pre-pandemic |
| After March 2020 | Economic activity engaged during post pandemic |
| The past 7 days from when the respondent was interviewed | Economic activity engaged during past 7 days |
| Compared between January- March 2020 with January – March 2021 | Impact on production, revenue, employment of staff and their wages |
| Compared between January – March 2021 with April – June 2021 | Changes in sales volume |

The responses were via phone calls, using a dedicated short-code phone number designated for the MBS. Contact numbers of the respondent from each household, that was recorded during HIES 2019, were used to reach the respondent for the interview. Numbers out of service, no longer in existence or out of the region were immediately replaced. Respondents who could not be reached after 3 attempts were replaced.

Computer-assisted telephone interview CATI was used with all the data transferred directly to an online technology platform developed using Survey Solution software of the World Bank. The survey followed an informed consent protocol, whereby, after providing information about the survey and its purpose, only the informal sector worker that agreed to comply and had no objection was interviewed further. Out of 500 informal sector workers selected, 486 informal sector workers participated in the survey.

Design weights were adjusted for non-response to mitigate the distortion caused by non-response. The findings of this informal sector survey can only be used to gauge the impact on informal sector business at the national level. We will not be able to assess the impact separately for Male', Atolls as a whole, or any single Atoll.

Informal Sector Model Flowchart



For the purpose of this survey, informal sector was defined using the definition of the 15th International Conference of Labour Statisticians (15th ICLS). The 15th ICLS defined informal sector enterprises based on employment capacity, in which their size of employment is below 5 employees, and/or they are not registered under specific forms of national legislation, and/or their employees are not registered are classified as the informal sector. Employees are considered to have informal jobs if their employment relationship is not subject to national labour legislation, income taxation, social protection of entitlement to certain employment benefits (paid annual leave, sick leave, severance pay, health insurance*)

The term ‘enterprise’ refers to any unit engaged in the production of goods or services for sale or barter. It covers production units which employ hired labour, production units that are owned and operated by single individuals working on own account as self-employed persons, either alone or with the help of unpaid family members. The activities may be undertaken inside or outside the enterprise owner’s home, and they may be carried out in identifiable premises, unidentifiable premises or without fixed location.⁴

Informal sector excludes government entities, State-Owned Enterprises, Non-Government Organisations, companies and domestic workers (maid, care taker) employed by private households.

4 Source: International Labour Organisation (2014): 7th Meeting of the Expert Group on Informal Sector Statistics (Delhi Group)

**All Maldivians are enrolled to a health insurance scheme “Aasandha” which is not provided for foreign residents.*

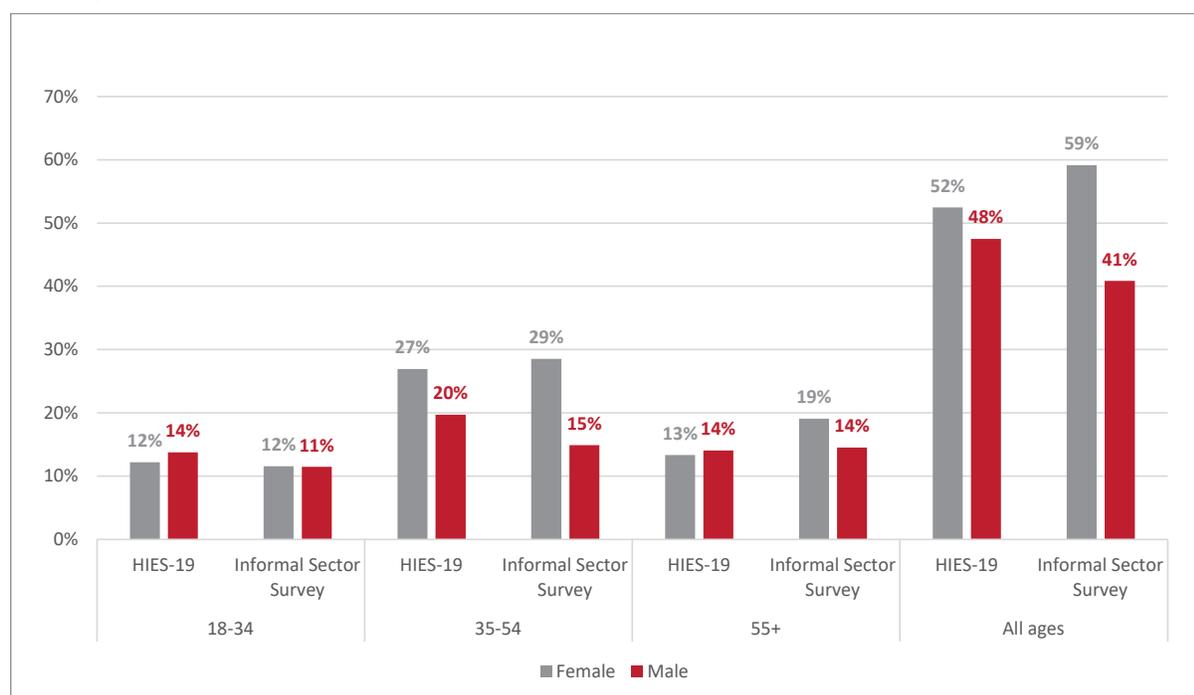
KEY FINDINGS IN NUMBERS

- The prevalence of informal sector employment was highest among women (59%) compared to men (41%) across all age groups.
 - 63% of informal sector workers carry out their economic activity in their house or living quarter and 21% do not have any fixed premises.
 - 70% of informal sector workers were employed in the secondary sector pre-pandemic and 54% are post pandemic.
 - Informal sector engagement in tertiary sector showed an increase from 11% to 32% between pre and post pandemic.
 - On average 34% of informal workers had to stop or discontinue their work for 2-3 months. The most common months were April, May and June of 2020.
 - 17% of informal sector workers were not engaged in any economic activity after March 2020. 45% of these workers were engaged in the manufacturing industry. 17% in the agriculture, forestry and fishing industry, 13% in the education industry and 5% in the transportation and storage industry.
 - 71% of informal sector workers report that they earned less income than what they earned pre-pandemic
 - 52% report that ban on travel between islands had the most severe impact on their business
- ## Impact on informal businesses
- 72% of informal sector workers are engaged as own account workers, of which 52% are women and men 20%.
 - 41% of informal sector business owners have employees, of which 80% are unpaid staff.
 - 48% of respondents report that their production decreased and 54% report decrease in revenue.
 - 17% report their production had decreased by 41-50 percent. 19% report their revenue had decreased by 41-50 percent.
 - 39% of respondents report that their sales volume had decreased between quarter 1 and 2 of 2021.

PROFILE OF INFORMAL SECTOR POPULATION

The employed population of Maldives comprises 57% of the working age population of which 19% is engaged in the informal sector as their primary occupation. The following is the composition of the informal sector population used for the purpose of this survey.

Figure 1.1: Persons engaged in informal sector age and gender compared with HIES-19



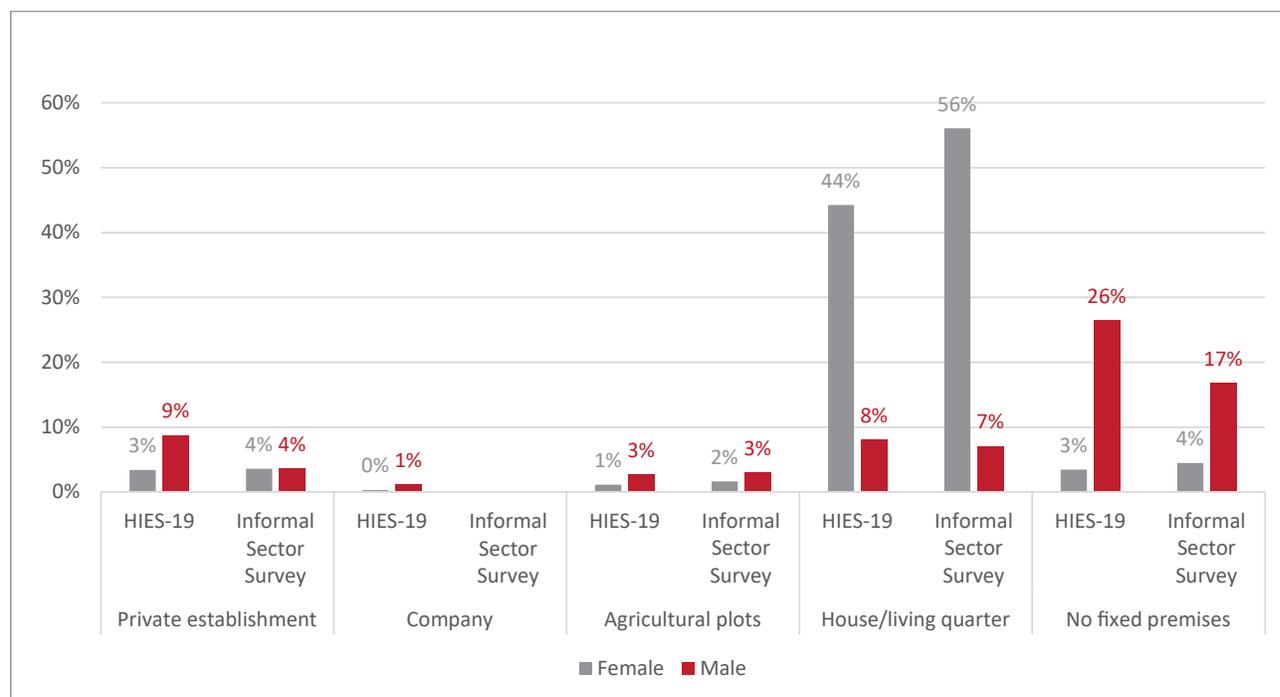
Source: Informal Sector Survey, 2021 & Household Income and Expenditure Survey, 2019

As evident from figure 1.1, the informal sector is predominantly comprised of women with a share of 59% while men share 41% in the sector. The share of employment in the informal sector is the highest in the 35-54 age group (44%). The second highest is 55+ age group at 33%. This may be due to the barriers in acquiring formal employment or employment in the formal sector after retirement or during early retirement.

As indicated earlier, the target cohort for this survey were taken from the HIES-19 survey, who were identified as informal sector respondents. Consistent with the dataset for this survey, the

HIES-19 dataset also show that the highest representation of the informal sector comes from the age cohort of 35-54, representing 47% of informal sector workers while 27% of informal sector workers are 55+.

Figure 1.2: Establishment type of informal sector by gender compared with HIES-19

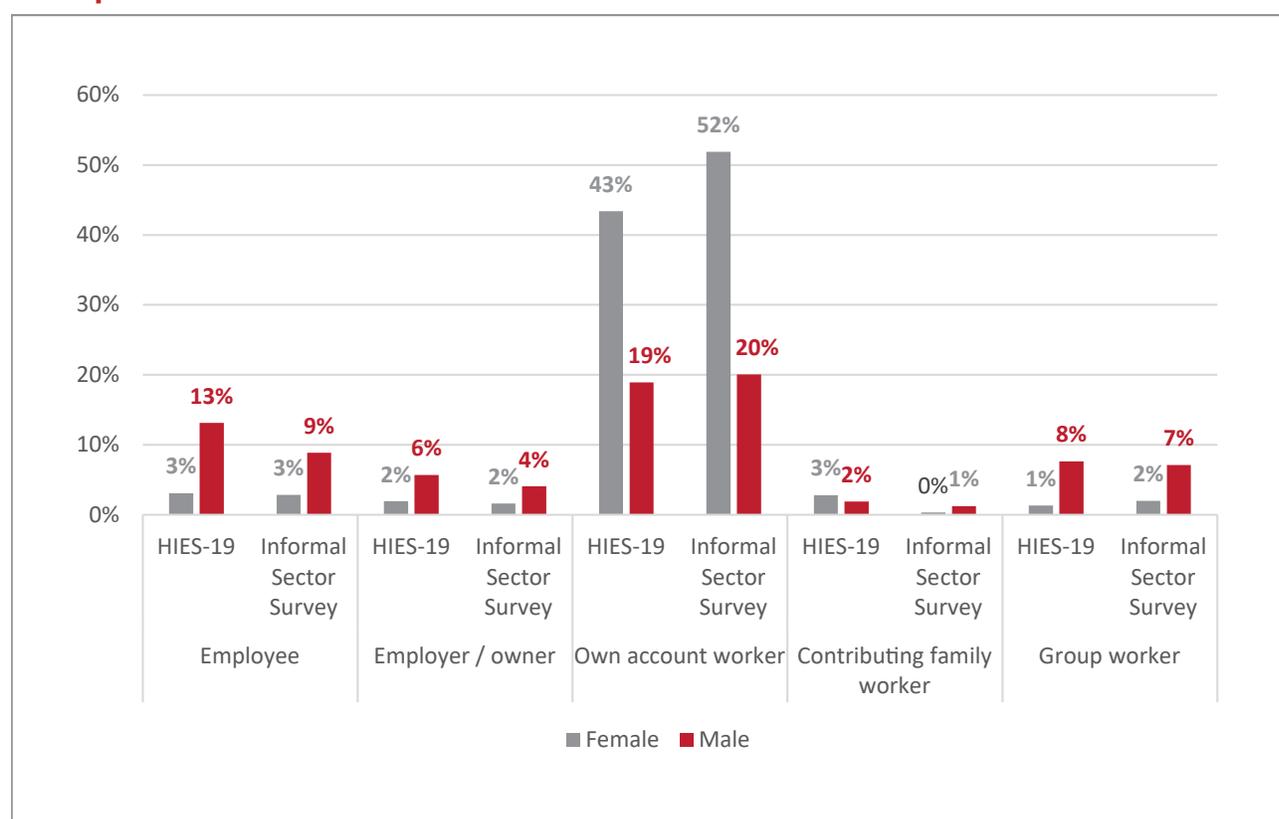


Source: Informal Sector Survey, 2021 & Household Income and Expenditure Survey, 2019

Informal businesses are primarily initiated as household establishments, as suggested by data from this survey 63% of the respondents report that their place of work is in their house or living quarters while 21% of informal businesses do not have a fixed establishment. In terms of the remaining cohort, 5% work in agricultural plots and 8% in private establishments, while 3% of respondents have chosen other modes of conducting business

As per informal sector definition, government units, state owned enterprises, non-government organisations, companies and domestic workers employed in the household are excluded. Similar to this survey, the largest segment of informal sector workers in the HIES-19 survey (52%) carry out their income earning activity in their house/living quarter. The second most is no fixed premises at 29%. In HIES-19 the establishment type for 13% of the informal sector workers were private establishment or company/establishment operating under a company whereas in this 2021 survey only 8% report this establishment type.

Figure 1.3: Employment status of informal sector worker by gender compared with HIES-19



Source: Informal Sector Survey, 2021 & Household Income and Expenditure Survey, 2019

A large proportion of informal sector workers are represented by own-account workers with an overwhelming share of 72% of which more women (52%) contribute to this category than men (20%), making it the only category with more women than men. However, percentage share of men has slightly increased compared to HIES-19 by 1 percentage point, as evident from figure 1.3.

There is a significant lack of entrepreneurs in the informal sector, where only 6% of the respon-

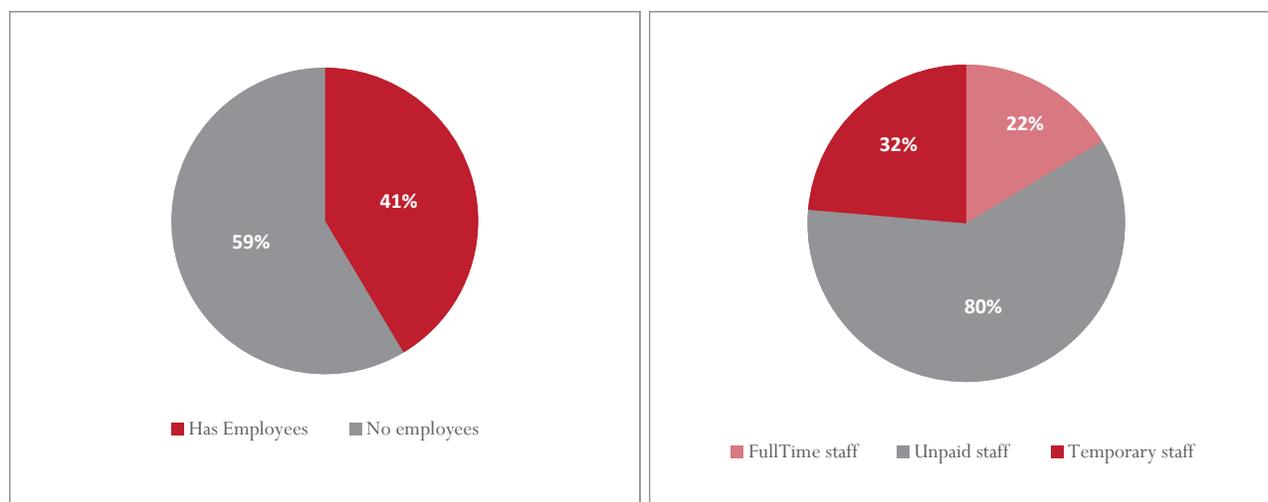
dents are engaged as employers, which fits the definition of having at least 1 full time paid staff working for them. Men appear to be dominant in this category as well with a 4% share while only 2% women represent the employer category.

12% of the respondent's employment status are as employees, where 9% are men.

In addition, 9% are employed as group workers in which 7% are men. Group workers typically take up projects or work in which the profits are distributed equally among all the members.

HIES-19 shows a similar trend when observing the composition. However, it is important to note that the percentage share of own account workers is lower at 62%.

Figure 1.4: Workers employed by informal sector business owners

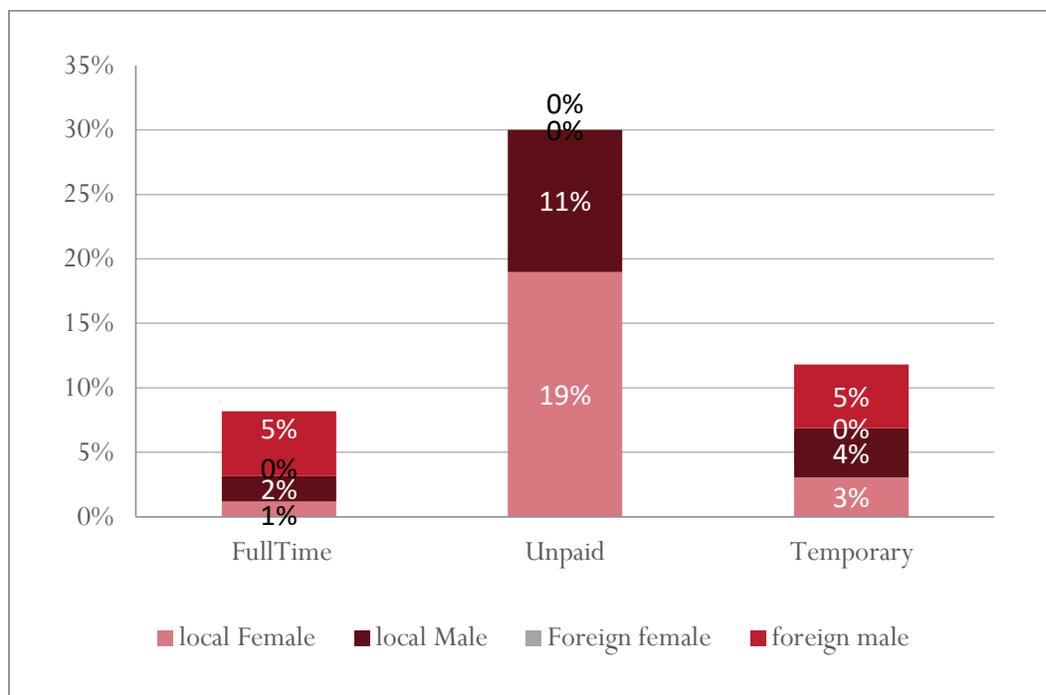


Source: Informal Sector Survey, 2021

59% of informal business owners do not employ any workers. Informal business owners are those identified as employer/owner, own account workers and group workers (only those who answered they are owners among their group workers).

80% of informal business owners employ at least 1 unpaid staff. 22% employ at least 1 full time staff. Similarly, 32% of the informal business owners employ at least 1 temporary staff.

Figure 1.5: Workers by nature of employment, sex and nationality



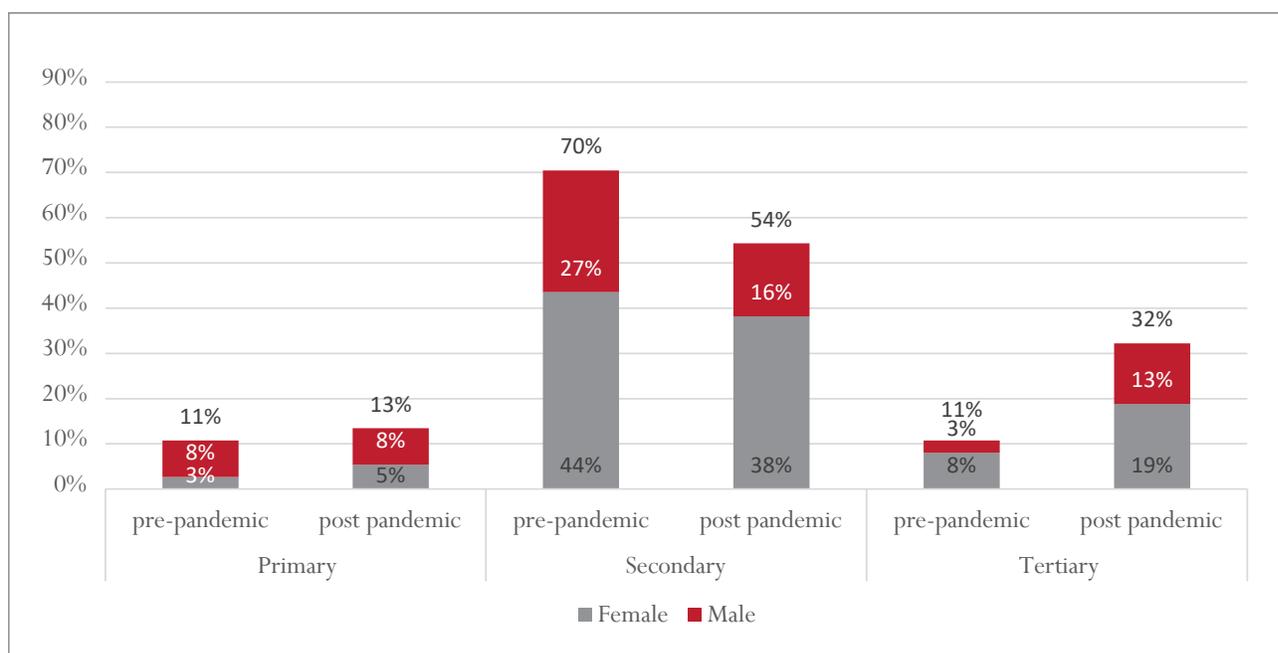
Source: Informal Sector Survey, 2021

Employers in the informal sector tend to be skewed towards hiring unpaid workers more than temporary or full-time staff, employers in the informal sector tend to be skewed towards hiring unpaid workers more than temporary or full-time staff. Unpaid workers are typically family members or workers working in an establishment without any wage or salary. Data shows 30% of the workers hired by the informal sector are unpaid workers. Coincidentally, these unpaid workers are more likely to be women than men, making them even more vulnerable and subject to explicit undervaluation of their contribution to the business.

Businesses also tend to rely more on foreign employees as a source of full-time or temporary staff as opposed to local employees and yet again, women are less likely to be hired than men in both these categories as evident from figure 1.4.

IMPACT OF COVID-19 ON MALDIVIAN INDUSTRIES

Figure 2.1: Informal sector workers by sector, pre and post pandemic by gender



Source: Informal Sector Survey, 2021

Any discrepancies between totals and sum of components in this publication are due to rounding.

An assessment of the data in figure 2.1 reveals that the informal sector has grown for the primary from 11% to 13% and the tertiary sector showed significant increase from 11% to 32%, hinting a migration from formal to informal sector employment following the significant job losses experienced during the pandemic. The share of women actually grew for primary and tertiary sectors following the pandemic, with women forming the larger share of informal employment, across secondary and tertiary sectors after the pandemic. An assessment of the underlying data indicates that 8% of the informal sector workers are no longer engaged in the same income generating ac-

tivity that they had reported during the pre-pandemic reference time. The below analysis provides a trend analysis of the informal sector representation across all sectors and gender, comparing pre and post pandemic representation.

Primary sector: This sector comprises of employees primarily working in the agriculture, forestry and fishing industries. The representation of informal sector employment for this sector has grown from 11% to 13% from the pre-pandemic levels. An analysis of the gender composition of this sector shows that the percentage of men engaged in the primary sector had remained the same at 8% while the percentage of women had increased from 3% to 5%.

Secondary sector: This sector consists of employees primarily working in manufacturing and construction industries. The data from the survey indicates a general reduction of informal sector employment from 70% to 54%. A deeper analysis of the data for this industry shows that prior to the pandemic 57% of the employment for this sector came from manufacturing industry while 13% came from the construction industry. In the post-pandemic reference time, the share of employment for these two sectors fell to 49% and 3% respectively. This shrinkage of informal employment in conjunction with the reduction of activities in the formal sector indicates that, workers who were unemployed during the pandemic in this sector have not been successful in finding or creating alternative forms of employment in the sector unlike primary and tertiary sectors. The share of employment has shrunk for both male and female workers, with men experiencing the larger fall in employment from pre-pandemic levels.

Tertiary sector: This sector comprises of a diverse range of economic activities ranging from accommodation and hotel industries, retail, finance, real estate and public administration services. Among the three sectors represented, the tertiary sector experienced the greatest growth of informal employment from 11% to 32%. Given the reduction in the secondary sector and the huge increase in the tertiary sector, this may indicate that formal or informal sector workers moved to informal jobs in the tertiary sector post-pandemic. The data shows that the share of female employment in informal sector surpassed the share of men, increasing from 8% to 19% indicating significant migration from formal sector employment to informal sector employment following the job losses of the pandemic.

UNDP's Rapid Livelihood Assessment conducted at the height of the pandemic in 2020 confirms that, women were disproportionately affected by the pandemic in the formal sector and findings of this survey indicates a similar pattern, with a greater share of women resorting to informal sector employment and potentially being subjected to greater vulnerabilities emanating from the fact that the informal sector is typically marked by informal contracts, irregular labour, and weaker minimum wage enforcement as well as limited access to social security.

Figure 2.2: Percentage change in informal employment from pre to post pandemic levels by industry

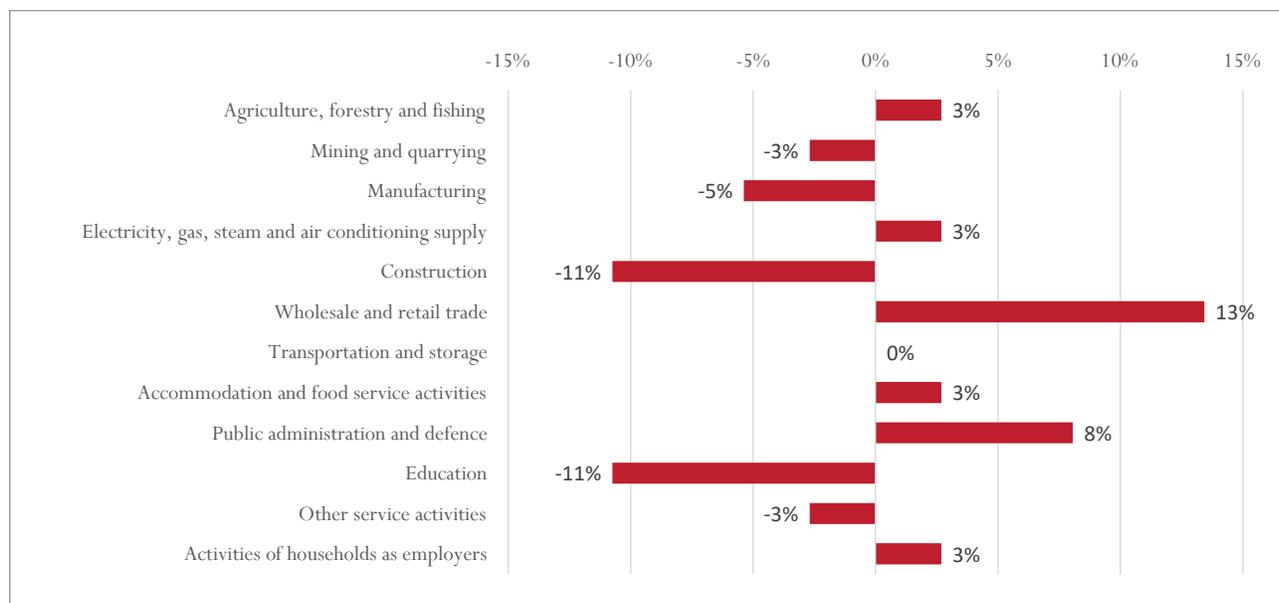
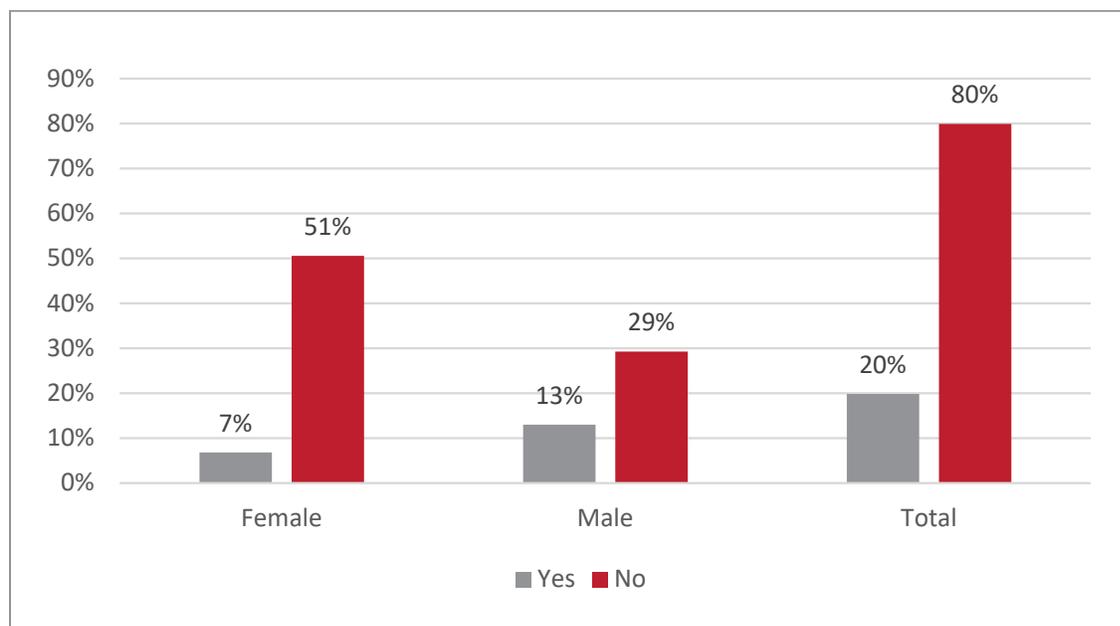


Figure 2.2 shows that the largest reduction of informal sector employment is observed in the construction industry with a reduction of 11 percentage points.

On the other hand, the largest increase can be observed in the trading sector with an increase of 13 percentage points for the wholesale and retail trade industry and 8 percentage points for public administration and defence industry. This may indicate that informal sector workers had opted for a safer form of employment as a way to reduce vulnerabilities that come with being engaged in the informal sector. This does not strictly mean that they are now in formal employment, though industries such as public administration and defence and education typically have formal employment.

Figure 2.3: Registration status of informal sector businesses post-pandemic by gender



Source: Informal Sector Survey, 2021

Transitioning into the formal sector through business registration even after experiencing the negative effects of the pandemic appears to be less preferred among the informal sector businesses. A vast majority of 80% report that their businesses remain unregistered. This resistance towards formalization may be a reflection of the systematic barriers and challenges that exist in the economy, as well as lack of awareness of the benefits of formalization. The business and tax registration processes, albeit a more efficient and accessible online and one-stop processes established in the respective agencies now, may be seen as a hurdle by the informal sector business owners. There is a significant lack of awareness of the various safeguard mechanisms that formal businesses enjoy such as having formal contractual relations, assurance of social security and access to finance. The 20% that reported being in a registered business are more likely to have a better chance of access to the mentioned benefits and quicker rebound from a slump.

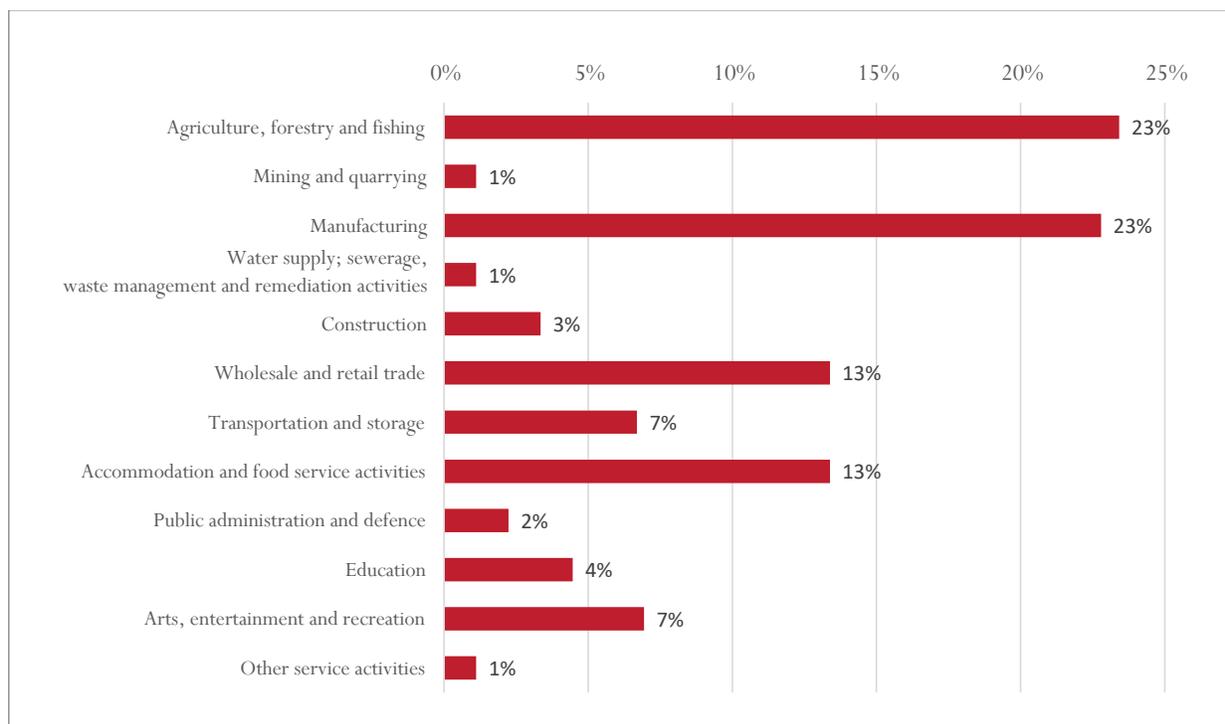
Another reason for why informal sector businesses remain unregistered may be because 80% of these businesses are owned by women. Women are typically burdened with unpaid care work;

household chores, cooking, cleaning, taking care of children, elderly and persons with disabilities. Gender norms play a key role in dictating the unequal division of unpaid care work. This becomes a huge barrier for women to enter the formal sector as paid work in the formal sector is typically not flexible in working hours and requires the employee to report to a workplace.

Many women have no choice and some may prefer to work in the informal sector as it allows them to engage in an income earning activity and carry out unpaid care work concurrently at home.

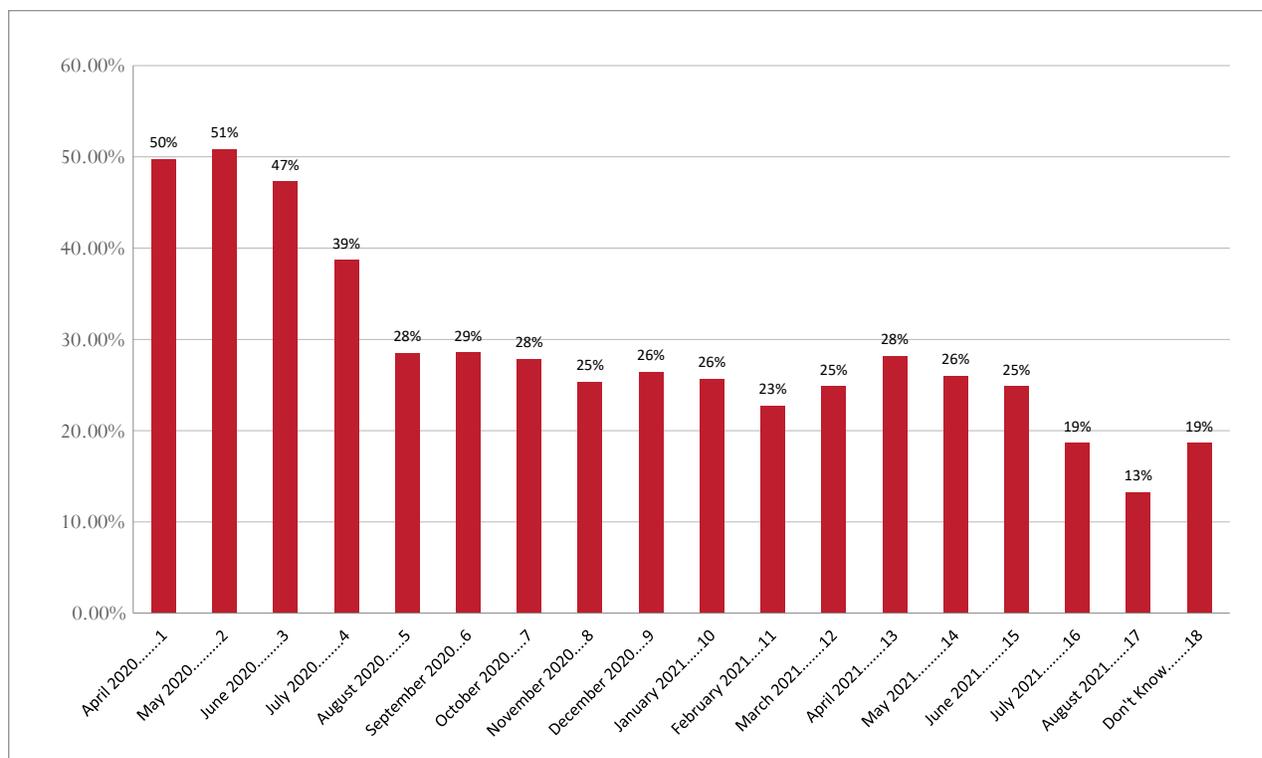
Among the 20% that had shifted to the formal sector, the industry they were engaged in are as follows:

Figure 2.4: Industries of informal sector workers who registered their business post-pandemic



Most notably, 23% of the businesses that registered post-pandemic were engaged in the agriculture, forestry and fishing industry and another 23% were engaged in the manufacturing industry. Moreover, 13% of the businesses were in wholesale or retail trade and another 13% in the accommodation and food services industry.

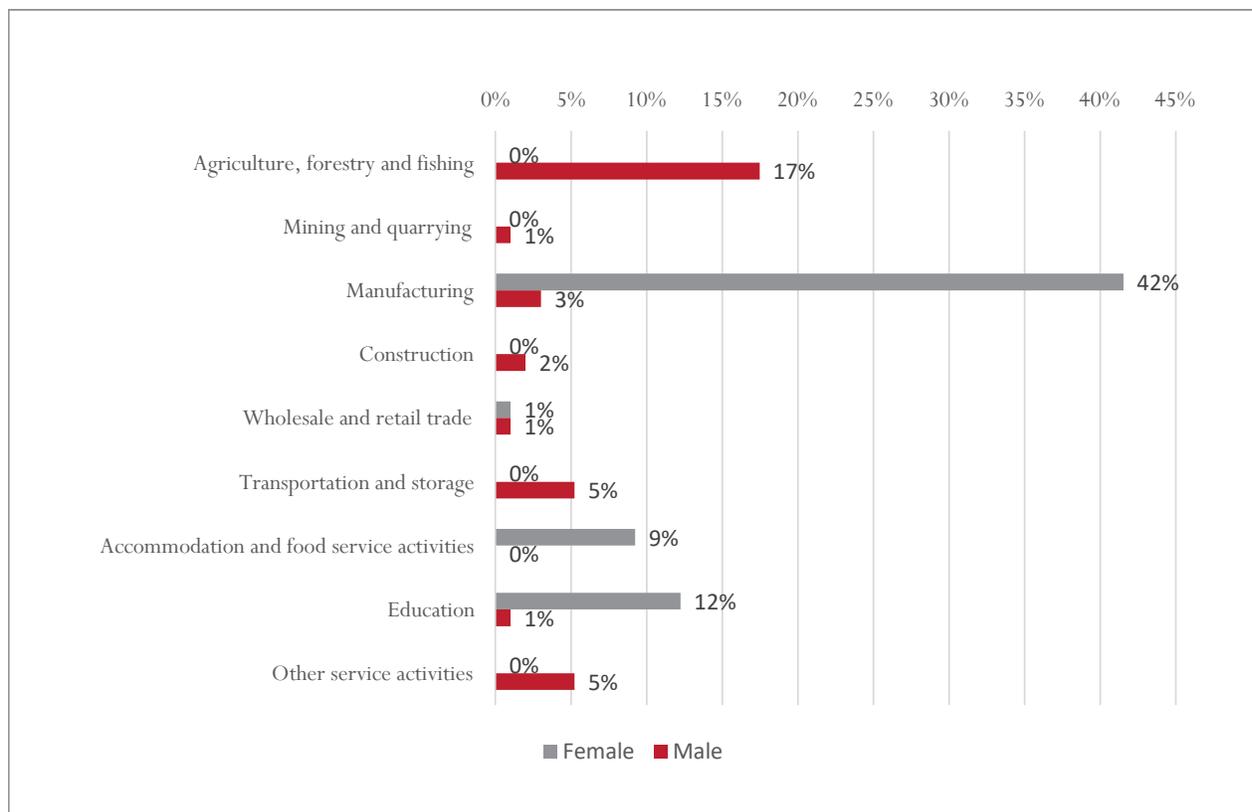
Figure 2.5: Months in which informal work was stopped or discontinued



Source: Informal Sector Survey, 2021

Respondents were asked to identify the months in which they had to stop or discontinue their informal work. Most informal work was stopped or discontinued from April 2020 to June 2020. This aligns with the restrictive measures undertaken in Maldives due to the COVID-19 pandemic, such as the lockdown. Moreover on average 34% of informal sector workers had to stop or discontinue their informal work for 2-3 months.

Figure 2.6: Informal sector workers no longer engaged in any income earning activity by gender and industry previously engaged in

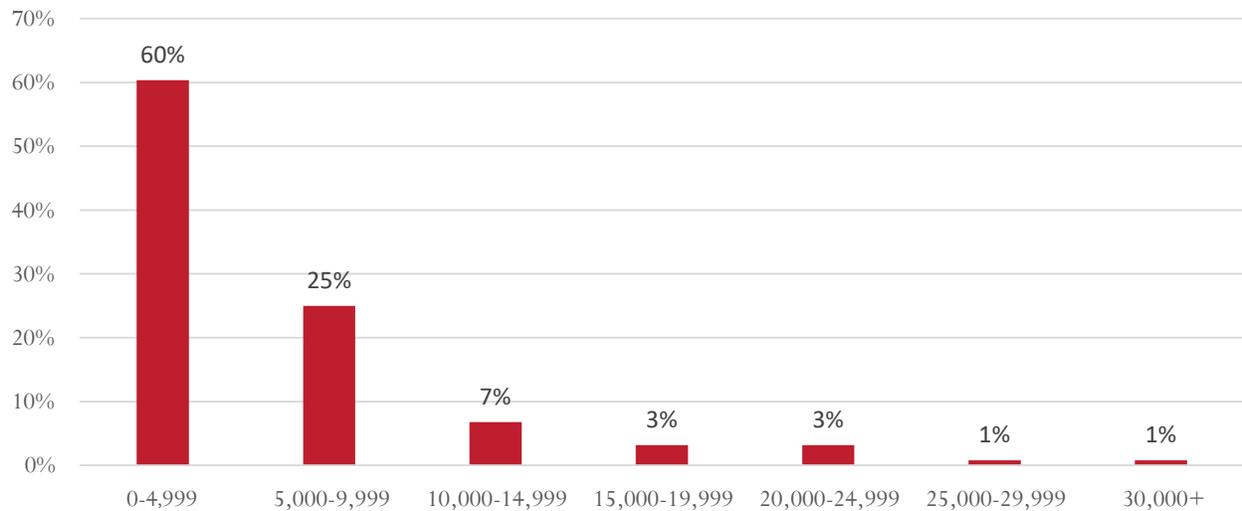


Source: Informal Sector Survey, 2021

Any discrepancies between totals and sum of components in this publication are due to rounding.

Overall, 17% of informal sector workers were not engaged in any economic activity after March 2020. 45% of these informal sector workers was in the manufacturing industry of which the vast majority are women (42%). 17% (all male) of the informal sector workers not engaged in any economic activity had worked in the agriculture, forestry and fishing industry, 13% had worked in the education industry of which 12% were women, and 5% (all male) had worked in the transportation and storage industry.

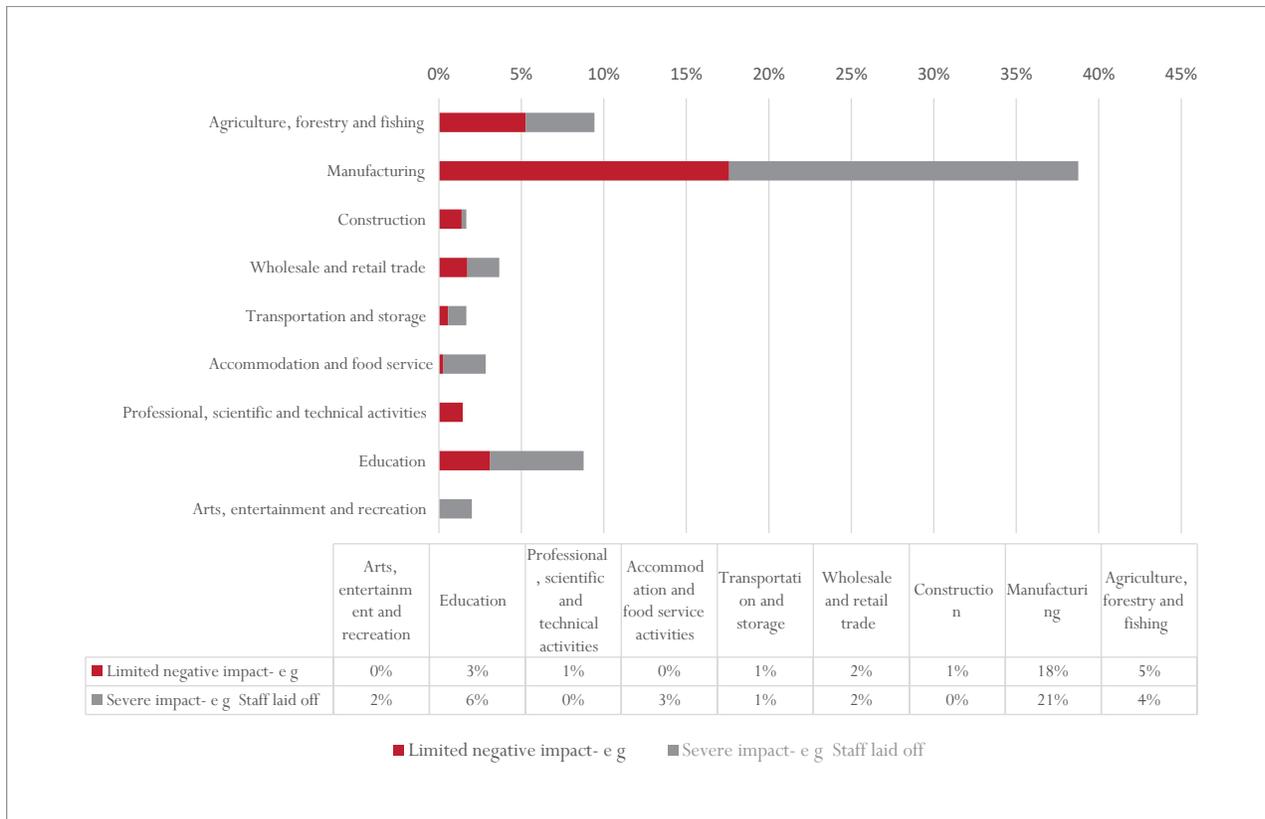
Figure 2.7: Income reported in HIES-19 of those engaged in informal sector who had to stop or quit their job due to COVID-19



Source: Household Income and Expenditure Survey, 2019

60% of the reported income by informal sector workers in HIES-19 fall in the lowest category of MVR 0 - 4,999. It is clear that restrictive measures played a critical role in the significant reduction of economic activities and would have substantially affected the livelihoods of these informal sector workers.

Figure 2.8: Perception of impact on business/work due to the current measures taken to prevent COVID-19



Source: Informal Sector Survey, 2021

Respondents were asked the intensity of the impact of COVID-19 on their business. Among those are industries that faced some level of negative impact.

About 57% of the informal sector workers surveyed are involved in manufacturing; this could be tailoring, building furniture, making short-eats, thatching and weaving. 39% of those involved in manufacturing experienced negative impacts of which 21% report to have experienced severe negative impacts such as having to cease operations, let go off staff.

14% of the informal sector workers are engaged in agriculture, forestry and fisheries. 4% report to have experienced severe negative impact.

IMPACT ON INCOME EARNING ACTIVITY

When we look into the various aspects of a business such as production, employment, salary and revenue as compared to pre-pandemic and exactly a year later;

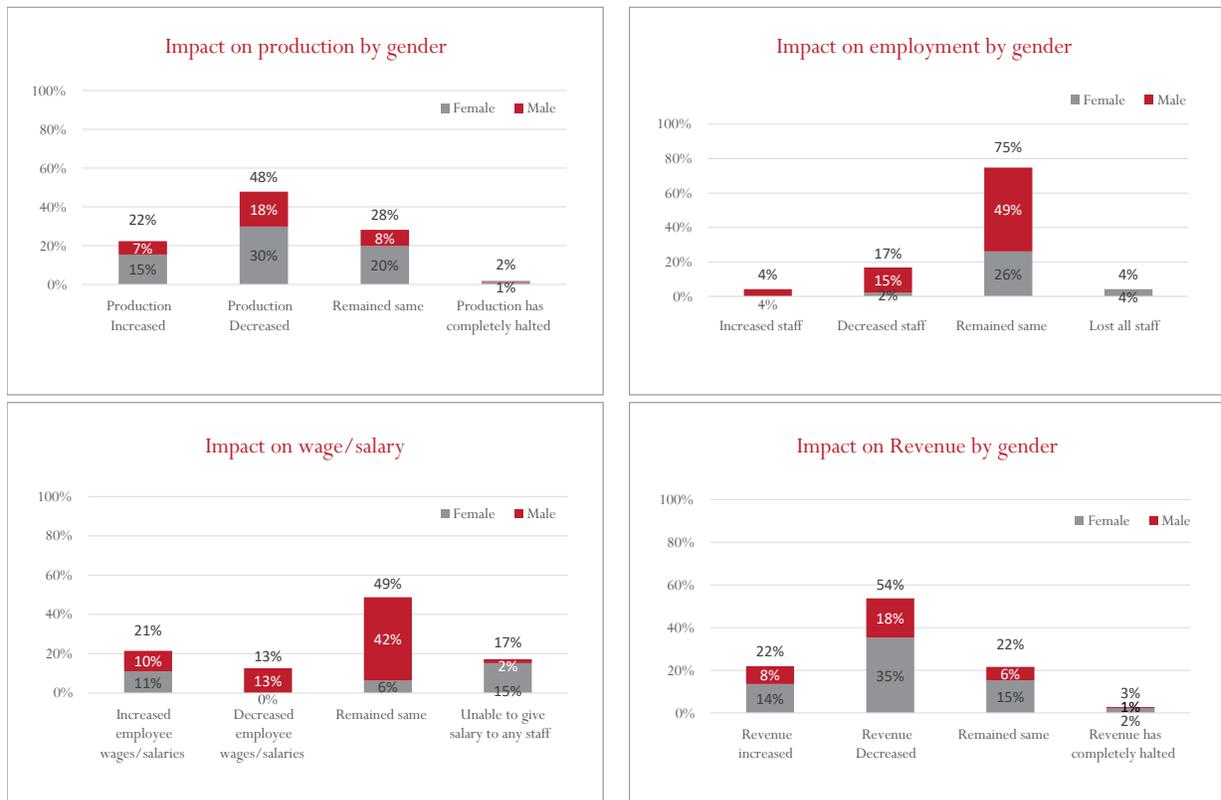
48% report that their production had decreased of which 30% are women and 18% are men. 28% report that it had remained the same of which 20% are women and 8% are men. While 22% report that it had increased.

75% report that the number of staff working for them remained the same of which 49% are male employers and 26% are female employers. 17% report that the number of staff that they employed decreased and 4% lost all their staff.

49% report that the salary/wages they paid their employees remained the same while 17% reported that they were unable to give any salary.

54% report that their revenue had decreased, 22% report that it increased. 3% report that their revenue was completely halted.

Figure 3.1: Impact on production, employment, wage/salary, revenue by gender



Source: Informal Sector Survey, 2021

Any discrepancies between totals and sum of components in this publication are due to rounding.

Figure 3.2: Changes in production, employment, wage/salary, revenue

| | Percentage Band | Production | Revenue | Staff Amount | Salary given to staff |
|-----------------|-----------------------------|------------|---------|--------------|-----------------------|
| Increase | 0-10 | 11% | 5% | 0% | 0% |
| | 11-20 | 3% | 4% | 0% | 0% |
| | 21-30 | 2% | 2% | 0% | 4% |
| | 31-40 | 1% | 2% | 0% | 0% |
| | 41-50 | 6% | 7% | 0% | 9% |
| | 51-60 | 0% | 0% | 11% | 0% |
| | 61-70 | 0% | 3% | 0% | 0% |
| | 71-80 | 6% | 1% | 0% | 23% |
| | 81-90 | 1% | 1% | 0% | 0% |
| | 91-100 | 0% | 0% | 0% | 4% |
| Decrease | 0-10 | 4% | 5% | 5% | 0% |
| | 11-20 | 7% | 9% | 9% | 4% |
| | 21-30 | 7% | 8% | 8% | 4% |
| | 31-40 | 11% | 6% | 6% | 4% |
| | 41-50 | 17% | 19% | 19% | 0% |
| | 51-60 | 4% | 5% | 5% | 0% |
| | 61-70 | 5% | 5% | 5% | 4% |
| | 71-80 | 7% | 7% | 7% | 4% |
| | 81-90 | 4% | 3% | 3% | 0% |
| | 91-100 | 3% | 6% | 6% | 0% |
| | Completely stop/lose | 3% | 4% | 4% | 37% |

Source: Informal Sector Survey, 2021

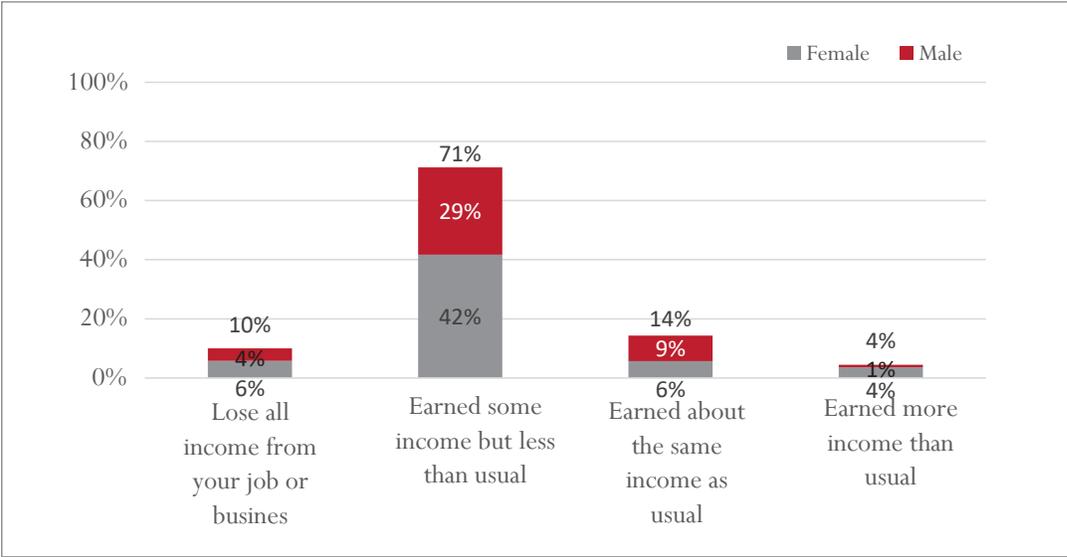
Among the informal sector workers who report that they experienced an increase or decrease due to COVID-19 regarding the aspects discussed above, Figure 3.2 shows the extent of these changes.

Among the 22% that reported that their production increased, 11% reported an increase of 0-10%. Among the 48% that reported that their production decreased, 17% report that production decreased by 41 – 50%. 23% report a decrease that is more than half.

Revenue was affected in a similar trend as production. Among the 22% that reported their revenue increased, 7% report their revenue increased by 41-50%. Among the 48% that reported their revenue had decreased, 10% has reduction in their revenue by 41-50%.

Among the 21% that reported that the salary given to their employees had increased, 23% reported an increase of 71-80%. Among those that reported that the salary given to their staff was impacted by COVID-19, 37% respondents were unable to provide a salary to their employees.

Figure 3.3: Impact on income post-pandemic by gender

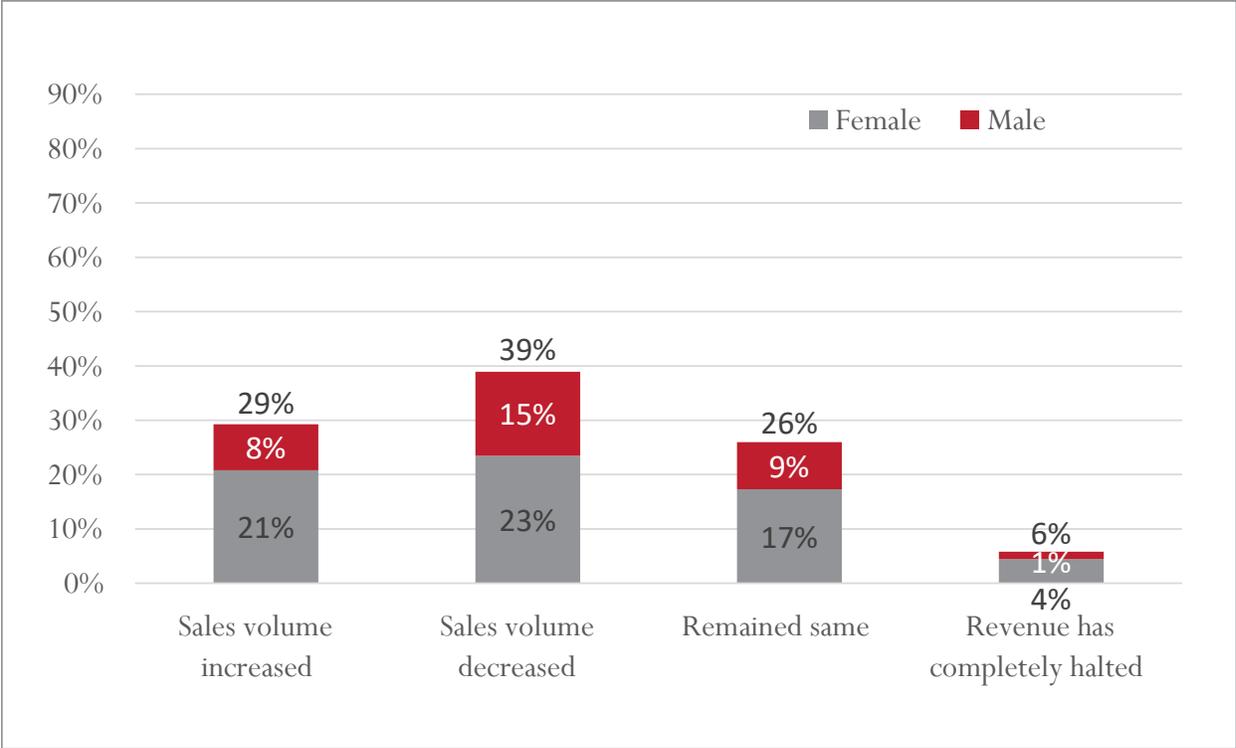


Source: Informal Sector Survey, 2021

Any discrepancies between totals and sum of components in this publication are due to rounding.

The impact on income after the pandemic, had been devastating for 10% of the informal sector workers having lost all their income, among this 6% are women and 4% are men. 71% did earn some income but less than usual and 14% earned almost the same as before.

Figure 3.4: Change in sales volume in second quarter when compared to first quarter of 2021 by gender

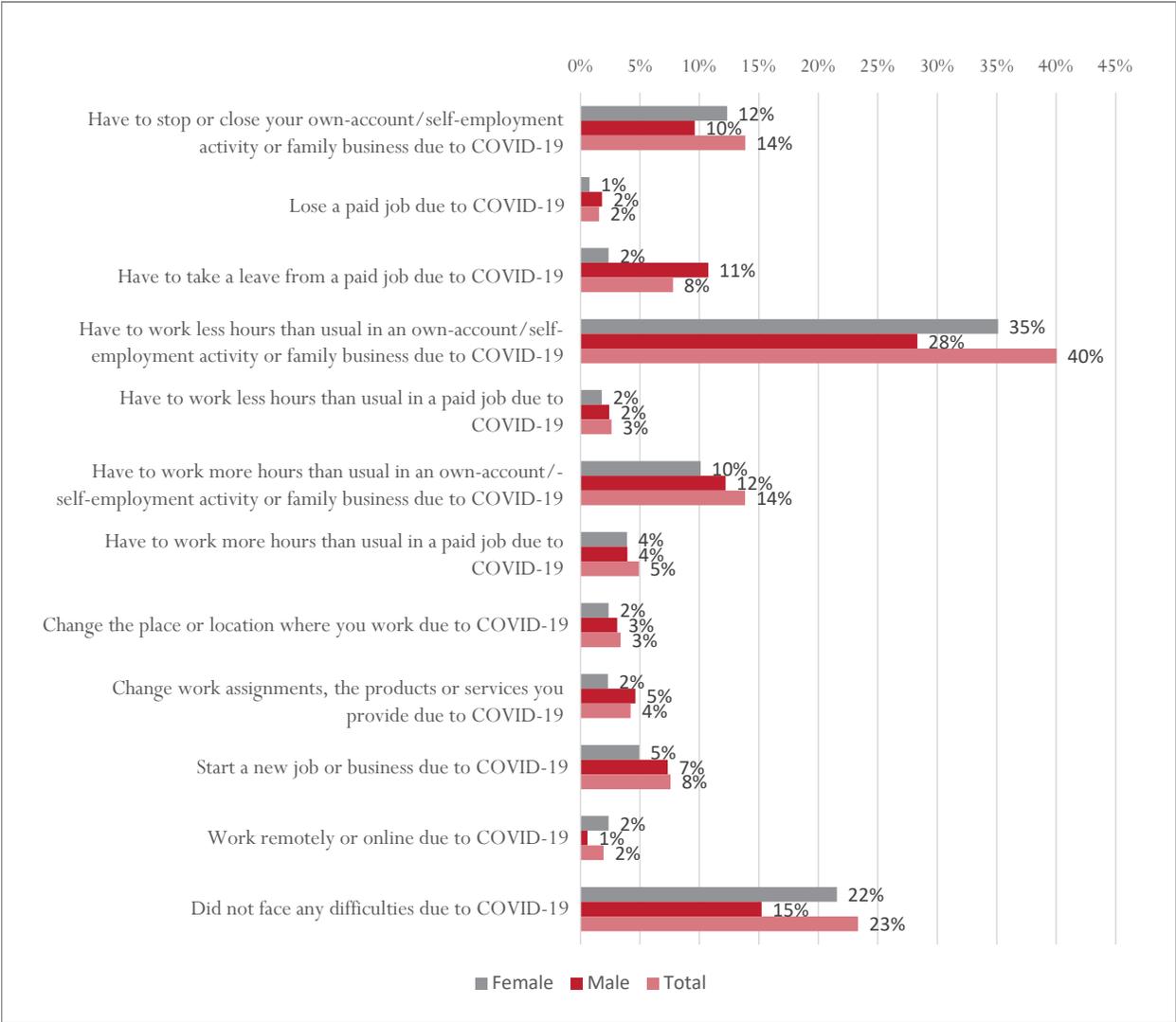


Source: Informal Sector Survey, 2021

Any discrepancies between totals and sum of components in this publication are due to rounding.

In order to get a more current picture of how COVID-19 has impacted these businesses, Figure 3.4 above shows the change in sales volume in the second quarter of 2021 when compared to the first quarter. The First quarter is defined as January 2021 to March 2021 and second quarter is April 2021 to June 2021. 39% report that their sales volume had decreased of which 23% are women and 15% are men. 29% report their sales volume had increased of which 21% are women and 8% are men. This is likely due to the second lockdown which occurred from May to July. 26% report their sales volume remained the same while 6% report their revenue had completely halted.

Figure 3.5: Ways in which income generating activities were affected by COVID-19 outbreak by gender



Source: Informal Sector Survey, 2021

Among own account workers 14% had to stop or close their business due to COVID-19. 40% report that they had to work less hours than usual while 14% report they had to work more hours. 2% among informal sector workers whose employment status is identified as employees lost a paid job and 8% had to take leave from a paid job. 3% had to work less than usual while 14% had to work more hours than usual.

3% of the respondents had to change the place or location that they worked from. This does not mean that they changed their job, employer or work but implies that they had to change their work

location due to restrictive measures. As most people report to have been working in their living quarters or house most informal sector workers did not have to change location.

4% of the interviewed population had to change work assignments, the products or services they provide. They may have had to modify their product in a way that was compliant with the safety precautions and restrictive measures taken to combat COVID-19. For example a cafe previously operating as a dine-in may have had to operate as a food takeaway or delivery only business however their main industry of work remains the same.

2% of the interviewed population had to work remotely or online due to COVID-19. As the interviewed population mostly work at their own house or living quarters they did not have to make arrangements to work remotely. Teachers working in tuition centres may have had to change their classes to online sessions due to the closure of such establishments.

8% of the informal sector workers report that they had to start a new job or business. They had to change their income earning activity to mitigate the losses they faced due to the lack of demand due to restrictive measures.

12% of female informal sector workers and 10% of male informal sector workers had to stop or close their informal sector business.

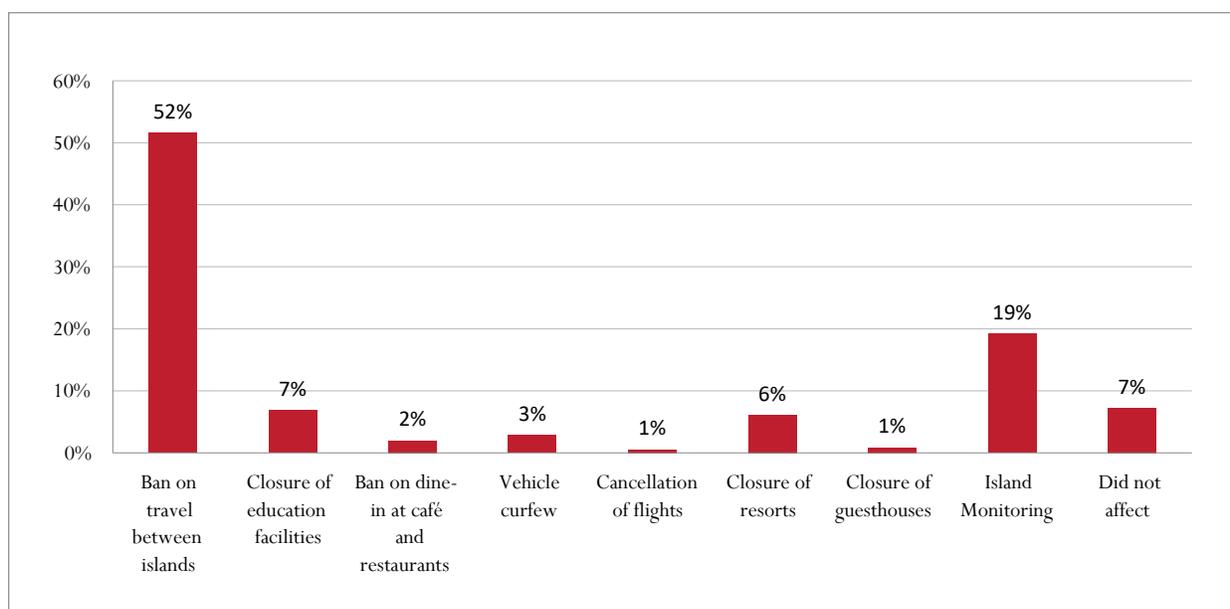
35% of female informal sector workers and 28% of male informal sector workers had to work less hours than usual.

10% of female informal sector workers and 12% of male informal sector workers had to work more hours than usual.

22% of female informal sector workers and 15% of male informal sector workers did not face any difficulties.

IMPACT OF PREVENTIVE MEASURES

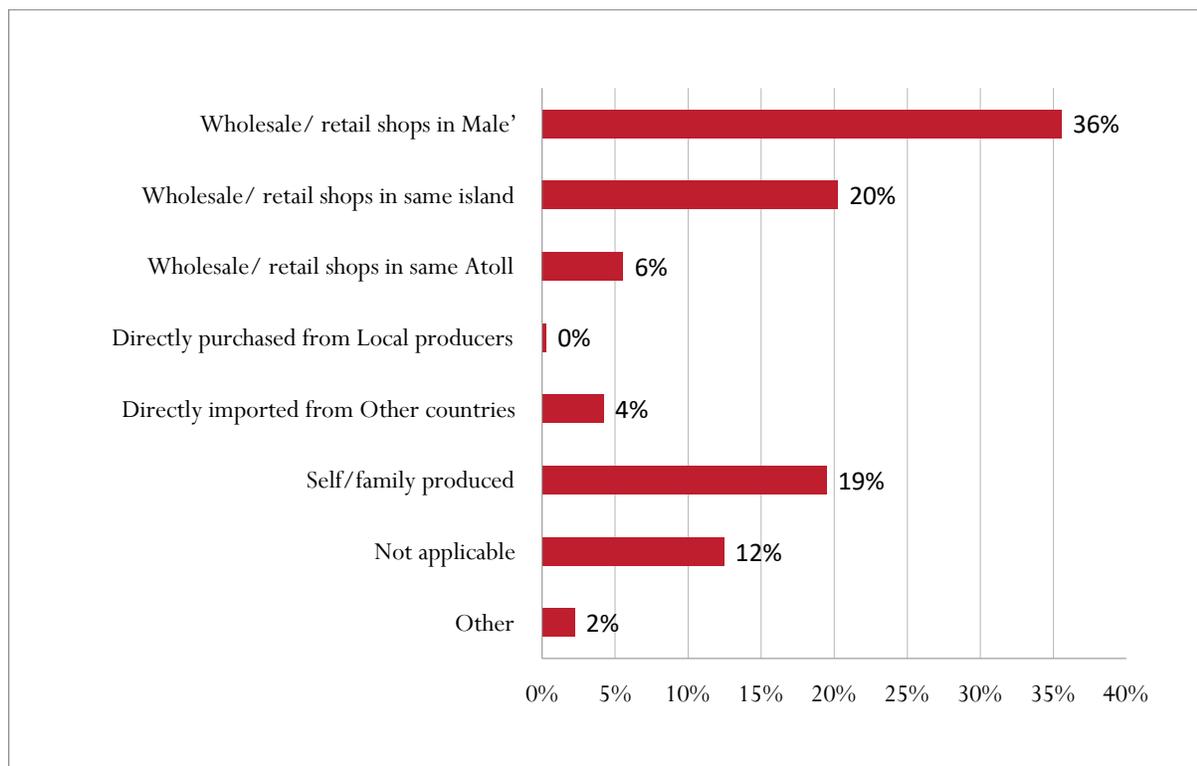
Figure 4.1: Preventive measures which had the most severe impact on business



Source: Informal Sector Survey, 2021

The preventive measure that had the most severe impact is ban on travel between islands, reports 52% of the informal sector workers. Coming in second is island monitoring at 19%.

Figure 4.2: Source of material supplies/products acquired

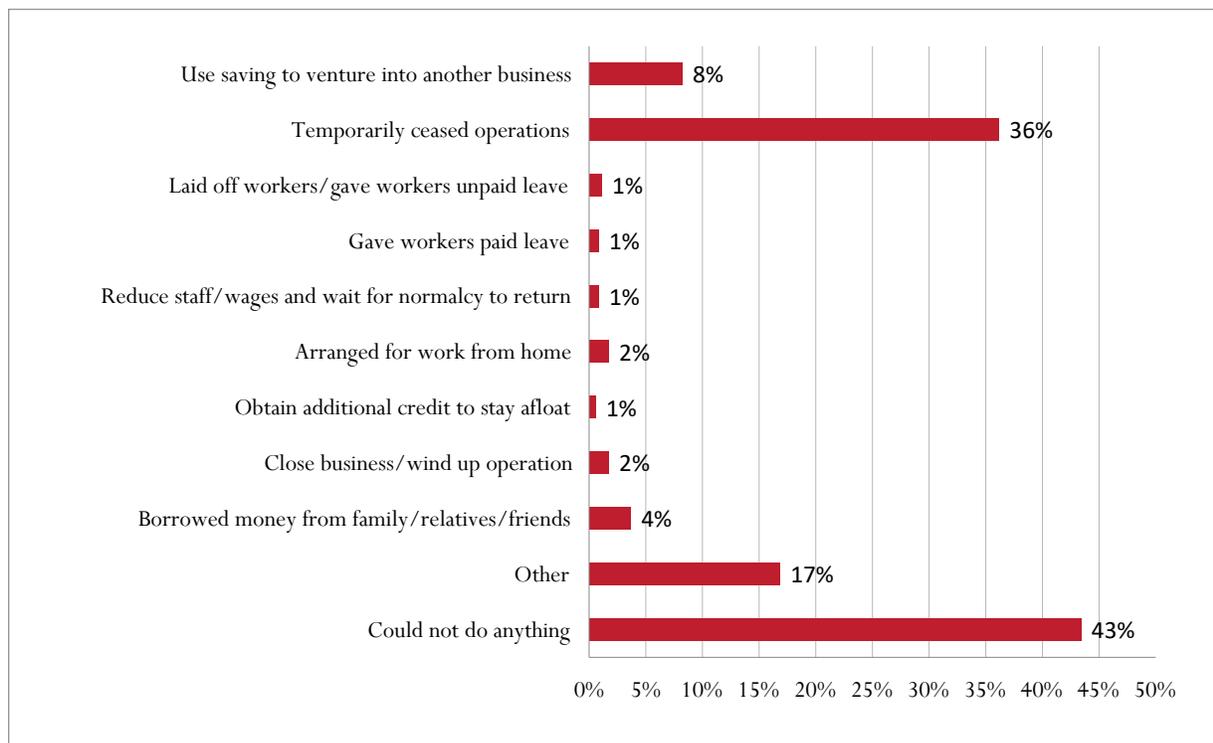


Source: Informal Sector Survey, 2021

It is evident that the travel ban between islands had the biggest impact as 36% of informal sector workers acquire their supplies from Male'.

C O P I N G M E C H A N I S M S

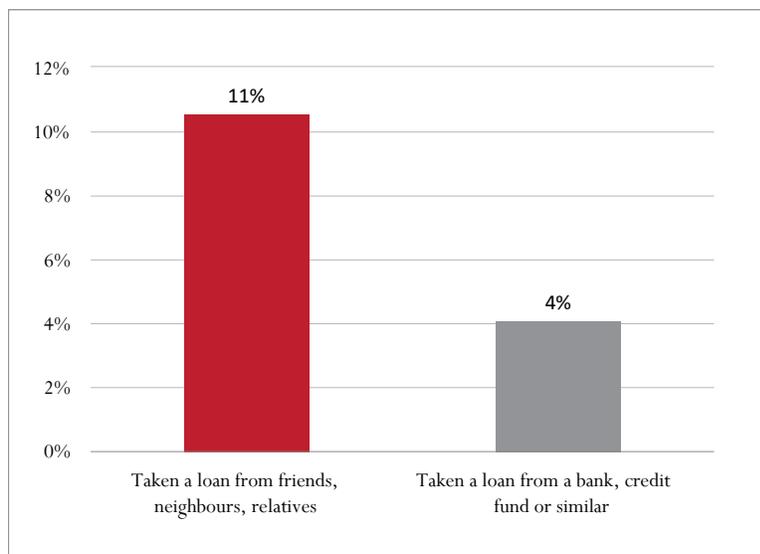
Figure 5.1: Measures taken to cope during April to June 2021



Source: Informal Sector Survey, 2021

Respondents were asked to choose all that applied to them from the above list of measures. To cope with these preventive measures 36% of informal sector workers had to cease operations temporarily. 8% had to use their savings to venture into a new business. Unfortunately, 43% of the informal sector workers could not do anything to cope with the preventive measures.

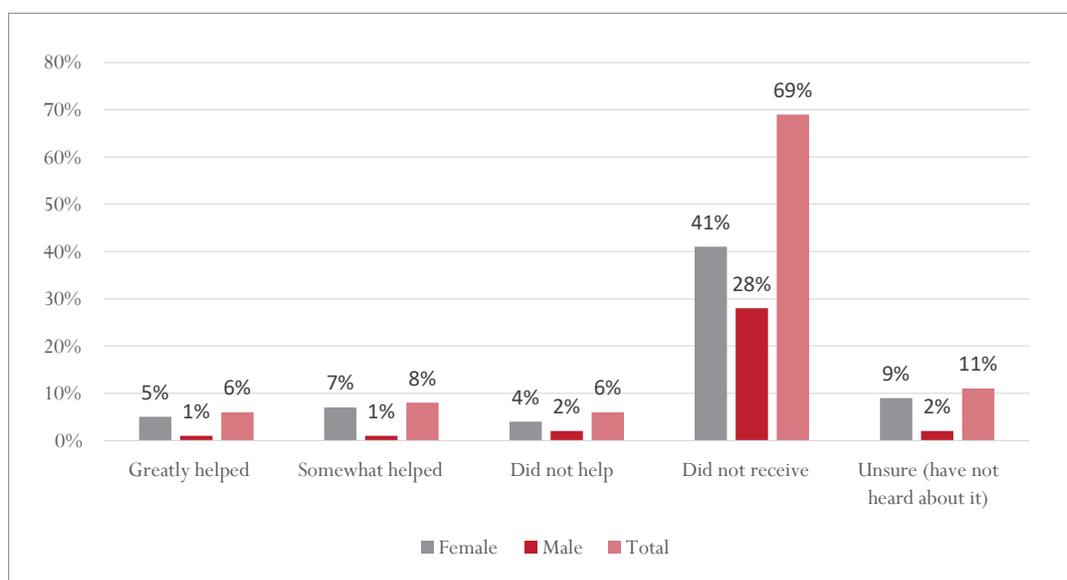
Figure 5.2: Ways in which informal sector worker compensated for their loss of income



Source: Informal Sector Survey, 2021

To compensate for the losses these businesses experienced, among those who had lost income or earned less than usual, 11% took a loan from friends, neighbours or relatives and 4% took a loan from a bank, credit fund or similar.

Figure 5.3: Stimulus package effectiveness of relieving the impact of COVID-19

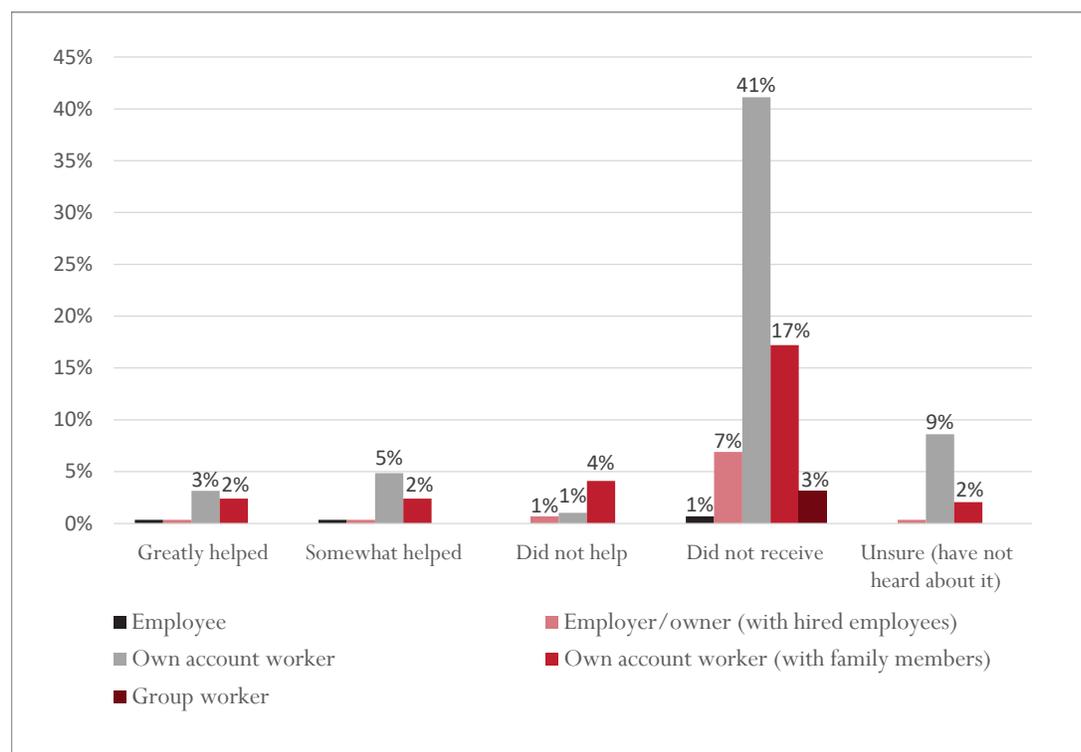


Source: Informal Sector Survey, 2021

To help alleviate the effects of COVID-19, stimulus packages such as income support and loan schemes to MSMEs were arranged by the government. Income Support Allowance was paid for a duration of 10 months; April 2020 to December 2020 to eligible Maldivians who were currently unemployed, on no pay leave, had their salary deducted or had their earnings affected (for self-employed/ freelance workers).

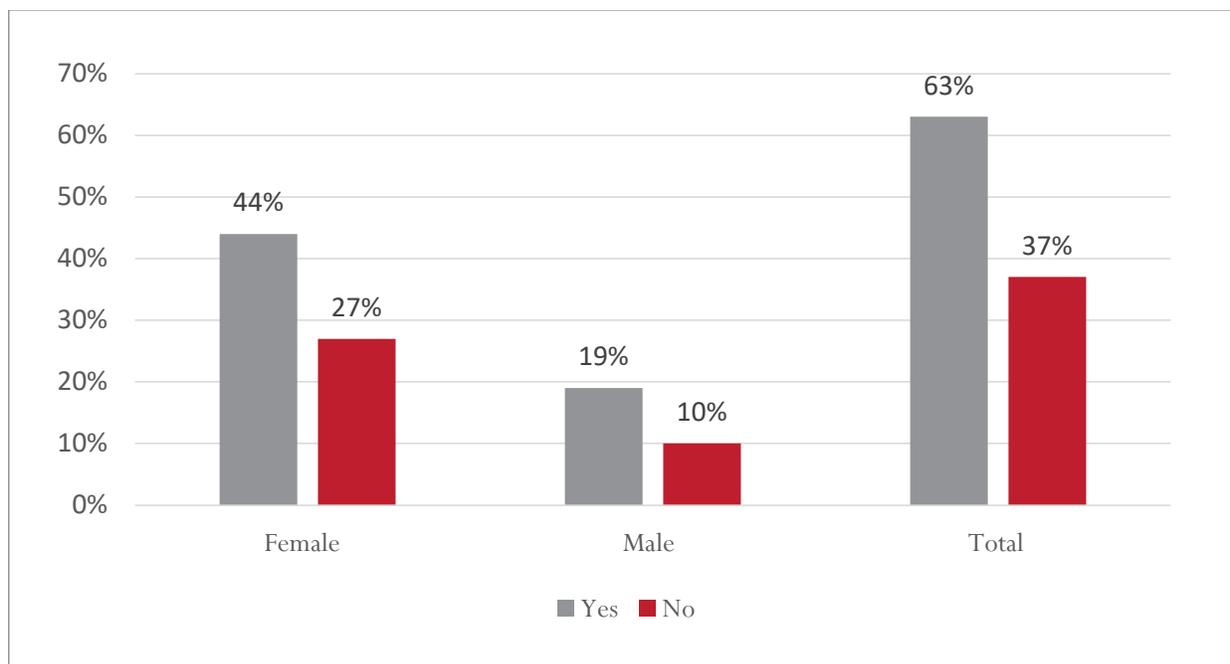
14% report that it helped them, 6% report that it did not help. 69% report that they did not apply or did not receive the stimulus package of which 41% are women and 28% are men. 11% report that they were not aware of the stimulus package of which 9% are women and 2% men.

Figure 5.4: Stimulus package effectiveness of relieving the impact of COVID-19 by employment status



When we observe whether the informal sector worker’s employment status had any link to obtain the stimulus package, we can see that it does not play a role. It is possible that a good share of informal sector workers who applied were denied this opportunity as they were unable to produce the required documents. The required documents and bank statements may not be maintained or readily available for informal sector workers.

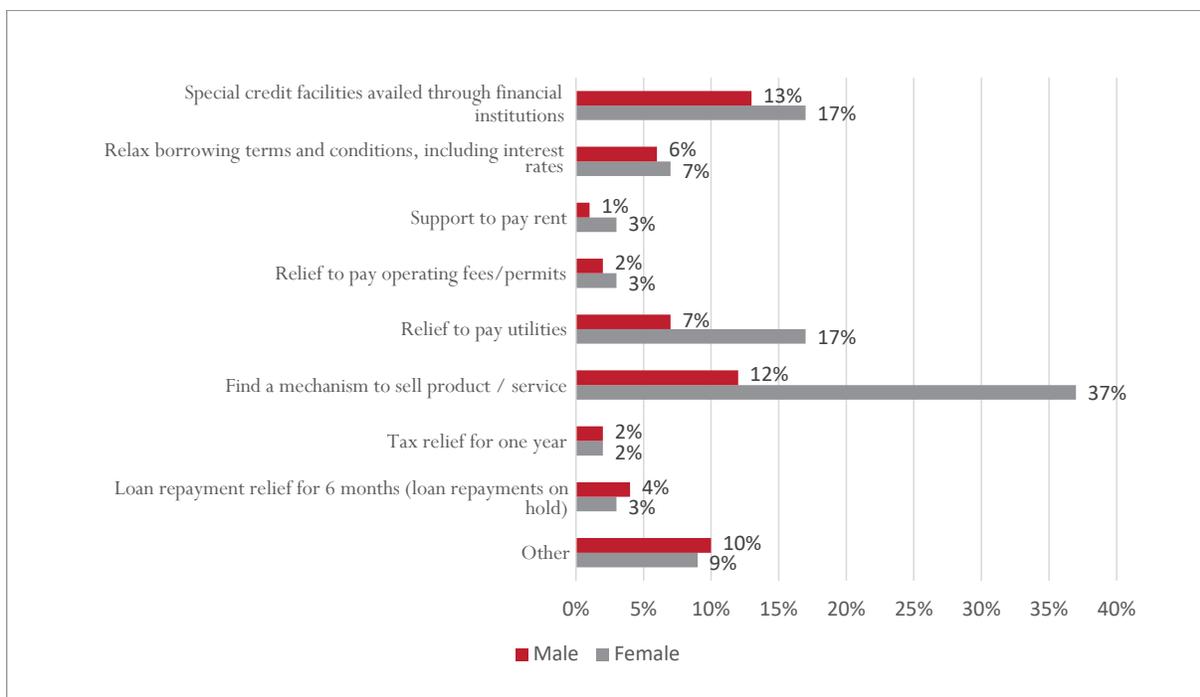
Figure 5.5: Willingness to register in MSME roster if they were to receive benefits by gender



Source: Informal Sector Survey, 2021

63% of the informal sector workers are willing to register at the national roster of MSME's if they were to receive benefits/investments or similar if offered as a recovery measure. In both genders, there are more people who are willing to register than not, of which 44% are women and 19% men.

Figure 5.6: Which aspects should government target to help businesses recover quickly by gender



Source: Informal Sector Survey, 2021

Respondents were asked to choose all that applied to them from the above list. 49% of informal sector workers believe that if the government would facilitate a way to sell products/services it would help their business recover quickly. 30% report that special credit facilities availed through financial institutions would be helpful as well. 24% would like relief to pay utilities and 13% would like to ease borrowing terms and conditions including payment of rent.

CONCLUSION

The Maldives does not have a formal mechanism for conducting informal labour market surveillance and relies on ad-hoc surveys to collect data on the sector. This effectively make it extremely challenging for the government to monitor the livelihood impact on this sector, especially in times of crisis and to design timely and targeted measures to improve the livelihoods of the informal sector. The Maldives national social insurance schemes such as the pension schemes are designed primarily targeted towards the formal sector with mandatory participation and uniform participation rules which may inhibit the informal sector to formally enrol and benefit from such mechanisms in the long-run.

The informal sector experienced heavy impacts from the restrictive measures placed to reduce the spread of COVID-19. Many informal sector workers faced great losses and little to no compensation or guidance to improve their situation. Reduction in production, revenue, sales volume, income and working hours were experienced by most of these workers. As most of these workers are women engaged in activities such as weaving, making short eats, and tailoring; the manufacturing industry was the most negatively impacted industry. Some workers had to temporarily cease operations, venture into new businesses and take loans to stay afloat. Even though stimulus packages were offered by the government, many informal sector workers did not receive this aid and were unable to adopt any coping mechanism to save their livelihood. A majority of the informal sector workers surveyed were however willing to register in MSMEs if they were to receive benefits. According to the survey respondents, government support is needed to establish mechanisms to help sell their products and services, and help them avail special credit facilities, among others, as the Covid-19 restrictions, including the ban on travel and island monitoring have severely impacted them.

In a recovery phase that is expected to follow the easing of lockdown measures, attention should be paid to the strengthening of employment policies that support enterprises and workers, along with strong labour market institutions and comprehensive and well-resourced social protection systems. Specific measures may include:

1. Establishment of an informal sector monitoring mechanism

- Establish a formal decentralised mechanism for monitoring the informal sector to allow authorities to conduct informal sector labour market surveillance and collect gender disaggregated data on an ongoing basis
- Establish a mechanism within the duty bearing agencies of the government to analyse informal sector labour data and develop regular knowledge products to understand changes to the informal sector size.

2. Strengthening social protection for informal sector

- Carry out a systemic review of the Maldives national social insurance mechanisms to identify barriers to entry for the informal sector and identify easier enrolment options specifically targeting the informal sector.
- Continue to provide income support to vulnerable workers (such as the self-employed, casual workers and other workers in the informal sector) who are not registered in social insurance schemes
- Carry out a study to understand gender sensitive barriers and challenges faced by the majority of informal sector workers in accessing the government stimulus programs, with a view to improving the current mechanism for providing stimulus or relief packages to those in need

3. Introduce measures to retain workers and keep SMEs afloat

- Introduce wage subsidy mechanisms to help businesses (particularly SMEs) cover wages and retain workers on their payroll, as an alternative to lay-offs.
- Provide training to diversify products or increase productivity in agriculture
- Introduce dedicated capacity building support for start-up financing, management and on business risk mitigation strategies (such as insurance) following major disruptions or crisis.
- Promote cooperatives and provide training on forming and strengthening cooperatives
- Provide computer/digital market training to women in business so that they can develop their capacity to harness digital opportunities that would make them more agile and responsive. Online marketing provides an opportunity for SMEs to reach out to its

clients during periods of crisis.

- Creating awareness and an enabling environment that would allow the informal sector on access to markets and links with value chains.
- Subsidise utilities or defer payment for informal sector SMEs
- Introduce tax deferrals for SMEs

4. Strengthen access to finance for informal sector

- Conduct a systemic legal and institutional review of the Maldivian capital and financial markets to understand the barriers in accessing finance for SMEs and informal sector.
- Conduct a technical analysis on the use of proceeds of trust fund grants in Maldives (e.g SME and Zakaath Fund) and the potential for blended financing opportunities in partnership with financing institutions such as Banks.
- Conduct a gendered analysis of lending practices for SMEs and identify systemic barriers to easing access to finance for vulnerable groups and identify policy recommendations to address such issues.
- Facilitating access to financing mechanisms with dedicated mandates to promote female entrepreneurship development
- Commence start-up coaching programs through the national mandate bearing agencies such as the BCC and SME bank to create awareness on financing modalities available for SMEs and to create sustainable business models.

In order to capture the true effects of the pandemic it is vital to collect reliable data to monitor the labour market situation in a timely manner. Household income and expenditure survey (HIES), conducted at a five yearly frequency is not sufficient for the labour market data needs. Introduction of a regular Labour Force Surveys in the country, at least on an annual frequency, ideally quarterly, is a way forward. Improving the quality and availability of register-based labour statistics for statistical purposes at the required level of disaggregation and use for timely labour market indicators. Integrating labour market data from different sources in a proper labour market information system is important, to facilitate evidence-based decisions.

Informal Sector Survey 2021:
Rapid assessment of the impact of COVID-19 on Informal sector

April 2021



MALDIVES BUREAU OF STATISTICS

Ministry of National Planning, Housing & Infrastructure,
Dharul Eman Building (7, 8, 9th Floor),
Majeedhee Magu,
Male 20345,
Republic of Maldives

info@stats.gov.mv
<http://statisticsmaldives.gov.mv>



**THE UNITED NATIONS DEVELOPMENT
PROGRAMME IN THE MALDIVES**

H. Aage, 4th Floor (Bank of Ceylon Building)
Boduthakurufaanu Magu
Male', Maldives
Tel: +960 332-4501
Fax: +960 332-4504

registry.mv@undp.org
www.undp.org

