

Rapid Livelihood Assessment

Impact of the Covid-19 Crisis in the Maldives

ASSESSMENT PHASE I - PRELIMINARY REPORT SUMMARY



With support from the National Bureau of Statistics, Maldives National University, Ministry of Tourism, Ministry of Fisheries, Marine Resources and Agriculture, Ministry of Youth, Sports and Community Empowerment and the Ministry of Arts, Culture and Heritage.



Ministry of Economic Development
Republic of Maldives



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BACKGROUND

The report is commissioned by the Ministry of Economic Development, the Government of Maldives and the assessment was completed with support from UNDP Maldives. The rapid assessment aimed to understand the extent and nature of impact of the COVID-19 crisis in the Maldives and support timely economic recovery planning.

The first phase of the assessment explored the impact of the crisis on employment in the tourism sector. The tourism sector was targeted because it is the largest industry and employer in the country, and it was the sector that was most exposed to the external shock. The data collection for this phase involved reviewing secondary data on tourism employment provided by the National Bureau of Statistics, analyzing secondary data extracted from the Government's online job portal, jobcenter.mv and two primary data collection activities which included a phone survey with resort managers and an in-depth interview by phone and other online mediums with resort employees registered in the Government's online job portal.

The following summarizes the preliminary findings from the first phase of the assessment. The assessment report will be updated, when remaining data collection activities are completed.

PHASE I FINDINGS

As a country solely dependent on tourism, Maldives is amongst the worst affected countries in the Asia region and potentially globally, due to the impacts of the COVID-19 pandemic. With the emergence of confirmed cases of the virus in tourist resorts in early March 2020, the Government of Maldives introduced strict containment measures which eventually resulted in the suspension of on arrival visa for visitors at the end of April 2020. This meant that the Maldives tourism industry would completely close for three months until July 2020 which is unprecedented in the country's history. It is estimated that these local containment measures as well as the pandemic's impact on global travel will result in a decline in tourist arrivals for the year 2020 by 50 percent or more. This negative impact on tourism is expected to lead to a significant decline in the GDP growth for the year, the loss is expected to be in the range 11 to 30 percent with substantial declines in revenues for the Government. This phase of the rapid livelihood assessment aimed to understand the impact of the complete closure of the Maldives tourism industry on employment, livelihoods and the potential knock-on effects on their families and communities.

The following outlines some of the key findings of the assessment:

Approximately 22,000 local payroll employees of resorts are being affected as a direct result of COVID-19.

With the inclusion of foreign payroll employees, more than 45,000 employees in tourist resorts alone are being affected. In addition, a large number of people working for third-party service providers of the resorts are affected. A large proportion of these third-party employees of resorts are foreign migrant workers undertaking elementary work such as gardening, cleaning and maintenance.

The direct impact of the crisis on resort employees is evident in 3 ways i.e redundancy, retention but with no-pay leave and retention with reduced pay.

The distribution of impact varied between the data sources used for the analysis in this report. The resort management survey indicated that 16 percent of payroll employees were terminated while 84 percent were retained with reduced pay. An analysis of the data from cases lodged in the Government's job center portal indicated that out of 724 cases, 16 percent faced termination, 49 percent were retained with no-pay and 35 percent were retained with reduced pay.

With respect to job security, majority of payroll employees have been retained for the period April-June 2020. Job loss and redundancy was mostly evident amongst those on probation contracts and amongst younger age groups.

More than 55 percent of those terminated as per the cases lodged in the Government's job portal indicated that the employees had contracts less than 3 months which meant that they were either on probation or doing internships. The cases lodged in the job center also indicated that termination was highest among young people (15-20-year olds) and those working in food and beverage and transport areas. According to data collected for this assessment, a large proportion of staff of third-party service providers to resorts including migrant workers are likely to have been made redundant.

Job security beyond July is uncertain for majority of the resort employees.

Experts forecast a slow recovery for the Maldives tourism industry with occupancy levels that are unlikely to normalize until the end of the first quarter of 2021. Although resorts

are seeking to reopen in July, it will be done with minimal operations and with a skeleton staff structure. A large number of employees that are currently retained up to the end of June 2020 risk losing their jobs after July 2020 as resorts may not be able to retain them.

Services of freelancers, seasonal workers and local vendors providing goods and services to resorts have been temporarily stopped and majority work on mutual understanding basis, indicating a high prevalence of loss of work amongst informal sector catering the resorts. These include recreation/entertainment providers to resorts, cleaning services provided to resorts which often involves women, reef fish providers, local boat (*Dhoni*) operators etc.

For those employees who have been retained, a large proportion of employees have lost their incomes completely as majority are put on no-pay for the period April-June 2020. As stated above, the data differs between the resort management survey conducted for this assessment and the data from the cases lodged in the Government's job portal. According to findings of the resort management survey, none of the payroll staff retained were put on no-pay, while the data from the job center cases indicate that 49 percent were put on no-pay.

Employees positions who lost jobs and are on no pay will experience an average income loss ranging from US\$ 600 to US\$ 1,000 per month for the period April – June 2020, compared to the same period last year. Income loss accounts for loss in salaries and service charge earned. Service charge substantially increases income in the resorts and comprise of more than 40 percent of the total monthly income earned by the resort employees. Estimates show that non-managerial level payroll employees were earning an average salary of US\$ 350 – US\$ 650 and an average service charge of US\$ 500 per month, with variations across luxury and other segments, and variations during the peak and off-peak seasons.

Employees in non-managerial positions who received a reduced pay are likely to earn on average approximately US\$ 325 (MVR 5,000) per month for the period April -June 2020. Some employees on reduced pay are earning as low as US\$ 130 (MVR 2,000) while some are expected to earn US\$ 500 (MVR 7,710) or more depending on specially designed pay packages offered by the resorts during this period. Thus, retained employees are expected to experience an income loss more than 60 percent of their monthly income during this period, inevitably affecting their livelihood.

Furthermore, short term employability and income opportunity within the tourism industry is uncertain for many including those in job transition.

Those in job transition phase, have lost jobs, are on no pay, are unemployed and seeking for new jobs and are new entrants to the labour market are amongst those are unlikely to secure employment or incomes in the short term, from the tourism industry. Likewise, freelance service providers and community vendors of goods and services are undergoing multiple challenges with no formal recognition and loss of income affecting their livelihood and wellbeing during this period. The short-term income opportunities for freelance workers and some vendors look unpromising with low occupancy forecasts and slow growing demand in the tourism sector.

Impact on household and family as a result of the income loss is likely to be substantial.

In-depth interviews held with resort workers registered in the online job portal indicated that most would not be able to manage household expenses beyond the first month (April) and most did not have any savings. Informants who had special needs children indicated several concerns. Some of the coping strategies stated indicated reducing household expenses such as postponing renovation planned for their house, postponing holidays, temporary relocation of family from Male' to home island due to unaffordability of rent in the Greater Male' Region, postponement of personal loan payments. Notably, the informants who had their spouse working in the government/public sector expressed less anxiety and were more accepting of the situation even when they have been forced into 3 months of no-pay leave. As for positive impacts, all informants recognized time with the family specially during Ramadan as a positive aspect of the crisis.

Perceptions on potential negative impact on the community as a result of the income loss and relocation of employees from resorts to home islands was mixed.

The in-depth interviews held with resort workers aimed to understand what impacts are felt at a community level as a result of the crisis and relocation of resort workers. When asked about this initially, majority of the informants did not foresee any impact or negative impact on the community. When informants were specifically asked what changes the influx of resort workers might bring to their community, there were some concerns that many are at a vulnerable state and there could be some negative impacts to the community. However, many respondents did not believe that there could be a negative social impact such as

increase in crime rates or rise in domestic violence. Some respondents noted that if those who returned to islands had a history of substance abuse, this could lead to rise in drug related criminal activities. If not, they do not think there could be an increase in criminal activities. Some of the concerns that could lead to community tension that were mentioned include the sense of disadvantage (some earning incomes through crisis while others have lost everything) and a large number of people idling and having nothing to do may get absorbed into existing ideological or ward clashes. Few informants highlighted that elderly who receive government elderly benefits may

be subject to theft or maybe taken advantage of in the context where many have lost incomes. One informant stated that, looking after the elderly could become a problem due to the home isolation caused by COVID-19. Overall, no respondents believed there could be a rise in domestic violence, when asked about it specifically. However, many informants acknowledged that financial pressures and mental pressures amongst them and within the family could lead to problems in their marital relationships and tensions within the family.

PHASE I RECOMMENDATIONS

Preliminary findings of the assessment provided insights and recommendations broadly for the government and for the employers in the tourism sector:

Establish dialogue between government and industry actors for joint development of a recovery plan for the tourism sector to mitigate any prolonged negative impacts on employment. The recovery plan should integrate new rules of operation, transparent and advance communication and enforcement of the rules, guidelines on staff accommodation, movement, testing, isolation and treatment along with those for guests, establishing a national standard for resort employees on occupation health and safety in the new normal operations, etc.

Identify avenues for restructuring of the resort operation model in the 'new normal' and emerging employment opportunities within this alternative model. This includes health and safety officers that would be recruited onsite/ data monitoring officials, business continuity planning advisors, and mental health counselors. Facilitating virtual operation functions of administration, finance, and other back office management along with reducing employees on-site for enhanced health and safety of resort will effectively allow commuting to work and potentially unlock employment opportunities for those with barriers to on-site resort living and increase motivation and work-life balance.

Implement consistent strategies and interventions targeted at employees during the waiting period. With indicated delay in resuming full operations and subsequent longer waiting period that could be faced by employees in the tourism sector beyond June 2020, psycho-social support (PSS) services, personal development and coaching services can be provided collaboratively to assist with coping strategies during the period. The Government can mobilize the interested in emergency response work, community-based infrastructure and resilience activities and temporary informal work during the period and promote alternative schemes and employment. Given that majority of the affected are below the age of 30, skill development training through partnerships with local and international resort operators and hospitality schools can be conducted online and short-term with apprenticeship programs and other rewards as industry recovers. The waiting period can also be utilized for upskilling Maldivians to qualify for jobs at middle management and upper management levels.

Facilitate labour governance reforms and strengthen institutional capacity and response on labour issues. This includes strengthening the monitoring capacity of Labour Relations Authority (LRA), measures to eliminate engagement of undocumented foreign migrant workers in the resorts through standardizing third party contracting

undertaken by resorts by allowing LRA to certify third party service providers and recognizing that the service providers that adhere to these standards effectively for potential contractors. This should focus on exclusive recruitment of legal migrant workers. Other measures including developing a voluntary charter of standards for treatment of migrant workers amongst employers with NGOs and business associations. These recommendations should come as part of the broader package of reforms that are needed to address the underlying labour issues including combatting trafficking and legal reforms by strengthening the employment law.

Strengthen labour market services and support systems. It is recommended that tourism statistics regulation be revised for streamlined data collection and reporting to one single agency notably LRA on a regular employment reporting related to resorts. The LRA should be capacitated to maintain employment statistics, harmonise employee data management, and provide accurate forecasting and planning for employment creation overall. Similarly, it is recommended that the online job portal services of MED be expanded to serve as a critical labour support service point and as a system for monitoring unemployment. The online job portal can also be enhanced to build awareness around contract negotiation, familiarization with employee rights, career counselling, job matching services.

Harmonize and strengthen social protection with labour market services discussed above. The Government's income support scheme to providing cash relief for those affected is a step in the right direction. The current scheme was established for 3 months. The assessment shows that the impact on employment will be prolonged, therefore it is recommended that the Government explores employment retention schemes jointly with resort employers for the period beyond the three months. Other recommendations include establishing dialogue with insurance providers to integrate COVID-19 testing, treatment, and evacuations coverage for employees. As a long term measure, it is recommended that dialogues be initiated with stakeholders for potential establishment of an contingency fund for tourism employees to mitigate similar impacts in future crises and be used in contingencies and HR development in the sector. The fund can be supplemented by monthly contribution from employers and employees as a 'health and social payment' and by annual contributions from the government.

Some of the recommendations for employers in the tourism sector are to improve employee management in the 'new normal' context when resorts reopen. The recommendations include implementing the national occupational health and safety standard for resort employees, establishing hygiene regimes for staff accommodation/canteen facilities, social distancing protocols between employees and employers, arrangements for rapid and regular testing protocols for staff, isolation and treatment services for staff, exploring options for minimising on-site employees by establishing family friendly residential campuses for staff in nearby islands, identifying the feasibility of virtual operations for non-tourist facing departments, ensure employees

restarting operations are well trained and available, explore on the job and apprenticeship programmes during the low occupancy for laid off staff and unemployed youth, train employees working in guest facing areas to answer questions by visitors and strengthen trainings by partnering with public health authorities to provide latest advice and skill certificates to employees prior to border opening, re-train all employees on guidelines required by the health authorities and tourism establishment, continuously monitor employees' mental and physical wellbeing by various layers of management and encourage to follow public health safety measures.

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