

COVID-19 and social protection in South Asia: Maldives¹

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COVID-19 is posing an unprecedented challenge to countries' social protection systems. Informal workers are particularly at risk, as they often represent the 'missing middle', covered by neither social assistance nor social insurance. In a recent research report, the International Policy Centre for Inclusive Growth and the United Nations Children's Fund Regional Office for South Asia (IPC-IG and UNICEF ROSA 2020) analyse the economic fallout from the crisis and the policy measures taken in eight South Asian countries, and advocate for the inclusion of the missing middle in mainstream social protection. This One Pager summarises the study's findings for Maldives.

Maldives has the highest rate of confirmed cases relative to the population in South Asia. Migrant workers have been disproportionately affected, representing 65 per cent of the cases. The country's real gross domestic product (GDP) is predicted to contract by 13 per cent in 2020, the worst forecast in South Asia. This dire prospect is largely due to the tourism sector, which accounts for 60 per cent of the GDP. The sector has been drastically affected by the containment measures, including the suspension of on-arrival tourist visas and closure of resorts for over four months.

A rapid assessment by the United Nations Development Programme found that 45,000 resort employees, 23,000 of whom are foreigners, were directly impacted by the pandemic. Informal labour constitutes about 50 per cent of total employment. According to the International Labour Organization, at least 90 per cent of informal workers are expected to be significantly affected by COVID-19. The World Bank projects that an additional 1,600 people in Maldives will fall into poverty at the lower middle-income (USD3.20) and a further 20,000 at the upper middle-income (USD5.50) poverty lines.

Yet, Maldives has a slightly lower proportion of significantly affected workers than other countries in the region, as informal workers tend to work in larger enterprises in the tourism sector (e.g. resorts) that can benefit from the government's labour retention measures, such as the SME Development Finance Corporation (SDFC) loan capped at 6 per cent interest rate to pay the payroll and current expenses of large businesses.

Another SDFC loan (Viyafaari Ehee) has been provided to freelancers/self-employed people and small and medium-sized enterprises to meet their current operational costs. Furthermore, universal subsidies on fuel and food, and discounts of 40 per cent on electricity and 30 per cent on water bills have been provided.

A three-month Income Support Allowance dedicated to individuals laid off, forced to take unpaid leave or subjected to salary reductions due to COVID-19 is also available for freelancers, all of whom can apply for it on the new JobCenter website. As of 27 July, 6,638 people had received the allowance. Overall, the Maldives Economic Recovery Plan has channelled MVR2.5 billion (2.8 per cent of GDP) to combat the negative fallout of the pandemic.

Before COVID-19, social protection in Maldives included the Single Parent Allowance (5,062 children); Foster Parent Allowance (147 households); disability allowance (6,696 beneficiaries); universal non-contributory health insurance Husnuvaa Aasandha (325,387 Maldivian citizens); non-contributory social pension called Old Age Basic Pension (BP) (17,453 beneficiaries) and State Other Pension (7,192) to those not receiving the BP. The contributory Maldives Retirement Pension Scheme (MRPS) had 100,225 contributing members in 2019. Although open for voluntary contributions from the self-employed and fishermen, they must pay the 7 per cent of employer and 7 per cent of employee contribution. Furthermore, pension contributions are strongly correlated with the estimated share of formal employment in the country, employers are no longer required to enrol migrant workers in the MRPS and although migrant workers must enrol in mandatory health insurance, the undocumented workers (about 63,000) lack access to it.

As post-COVID-19 measures, Maldives could consider further transforming its social protection system to guarantee adequate coverage for informal workers and improve its shock-responsiveness as follows:

- To improve the shock-responsiveness of social protection mechanisms through the merging of registries and adaptation of shock-insensitive proxy means testing.
- Larger public contributions could be provided in the MRPS framework for the self-employed to incentivise voluntary contributions. Also, a contributory unemployment insurance scheme should be considered.
- Macroeconomic policies to protect jobs and incomes in the event of shocks should also cover informal workers.
- JobCenter digital registration efforts demonstrated the feasibility of on-demand processes to quickly expand social assistance coverage, but inclusive outreach strategies are required.
- Undocumented migrant workers stranded in Maldives require not only regulated repatriation procedures but also direct assistance and loosened eligibility criteria to benefit from the Income Support Allowance.
- Subsidies can benefit informal workers, but given their regressive nature, the resources could be spent on broader social assistance programmes, such as a universal child grant, covering the 'missing middle', providing an income to poor households while maximising the benefit to those in need.

Reference:

IPC-IG and UNICEF ROSA. 2020 (forthcoming). *Socio-economic impacts of COVID-19, policy responses and the missing middle in South Asia*. Research Report. Brasilia: International Policy Centre for Inclusive Growth.

Note:

1. The author gratefully acknowledges the support and comments received from Munir Safeldin, Ibrahim Naseem and Yosi Echeverry Burckhardt (UNICEF Country Office for Maldives). Full references for the data cited in this One Pager can be found in the full report (IPC-IG and UNICEF ROSA 2020).