

TERMS OF REFERENCE
CONSULTANCY SERVICES FOR DEVELOPMENT OF UNEMPLOYMENT
INSURANCE BENEFIT PROGRAM

1. BACKGROUND

The Maldives has a population of around 436,000 people dispersed across 188 islands. The country has been a development success, enjoying robust growth coupled with considerable advancements in infrastructure and connectivity. GDP per capita reached \$11,890 in 2018, a remarkable 10.75% annual average growth rate since 1978. The economy continues to grow at over 6% annually, led by construction, tourism, communications, transport, and fisheries. It has also provided high quality and affordable public services for its people, resulting in impressive health and education indicators with a literacy rate approaching 100% and life expectancy of over 77 years.

Despite the country's relatively improving poverty and inequality indicators, the Maldives still faces several challenges in the social sector. Among the major challenges are the high proportion of youth who are either unemployed or discouraged from job-seeking, and the low female labor force participation rate. Labor markets in Maldives suffer from a number of structural problems. Youth unemployment is high, exacerbated by skills mismatches in the private sector. Increasing cash and in-kind subsidies may be inflating reservation wages among youth, and cultural factors may also play a role especially for young women. The lack of economic opportunities is seen as contributing to other social problems.

Significantly, a shortage of jobs commensurate with the aspirations of young jobseekers contributes to a sense of dissatisfaction and isolation, especially among youth who have invested heavily in their education and find few opportunities to use it. Job opportunities are especially limited in the atolls. The youth unemployment rate (labor force ages 15-24) is at 18.41%¹, while it is higher among males (21.25%) and lower among females (13.05%). It is this population that apart from jobs in the long run needs to be protected from shocks. The trend to resettle in greater Male is also bringing many (mainly working-age) people to urban areas, putting stress on public services, transport and utilities and driving up the cost of housing. The social pressures these conditions create may increase the susceptibility of youth to anti-social activities.

Considering the unemployment rate in Maldives and its consequent impact due to income loss, the Government of Maldives is exploring the possibility of introducing an unemployment insurance benefit scheme to protect those falling into unemployment from a sudden exposure to poverty.

2. OBJECTIVES AND SCOPE OF WORK

The purpose of this assignment is to design and implement a fiscally sustainable unemployment insurance benefit program. This would involve two tasks, firstly, to undertake an all-encompassing assessment based on secondary information, international experience as well as key informant interviews, workshops, FGDs with relevant stakeholders on the issues pertaining to unemployment, need for an insurance, legal space, adequacy, fiscal, etc. Secondly, advise the

¹ Source: <https://data.worldbank.org/indicator/SL.UEM.1524.FE.ZS?locations=MV>; modeled ILO Estimate retrieved from International Labour Organization, ILOSTAT database.

government on appropriate design options and support design an unemployment insurance benefit program.

Within the initial six weeks of the assignment, the consultant will submit a detailed inception report that will outline the process, schedule, and the requirements for undertaking the tasks. Further, the consultant is required to undertake the above tasks as per the following:

A. Situation Assessment Report

In order to do the assessment, the consultant will undertake a policy needs assessment that should include a review of the existing legal and policy framework. Such a review should also throw light on the need for any possible changes that may be required in order to introduce and implement an unemployment insurance benefit program.

The consultant will study the overall economic situation both past and present and its impact on the labor market. This should also help in understanding the drivers of the job market both in the formal and the informal sectors. Co-relating this with in-migration and out-migration data will help understand the trends and predict future requirements. An assessment of existing social protection programs, active labor market policies, existing skill development programs and their implementation mechanisms will be a critical part of this report.

This assessment should also study the current employment environment both in the formal and informal sectors. It would also assess the challenges of unemployment and its related impact on citizens and their vulnerabilities, the reasons for triggering unemployment, including possible factors such as skill gap analysis that may help prevent unemployment in the future.

This assessment will require a thorough analysis of the Labor Force Surveys in order to understand the reasons why people become unemployed in Maldives, how many people are victims of involuntary unemployment, as well as to appreciate the structure of the unemployed (i.e. long-term unemployed, discouraged, first time job seekers, etc). The assessment should inform measures that the government could take towards prevention of unemployment. This implies an assessment on what role can the proposed scheme play in unemployment prevention, i.e. the role of unemployment insurance instrument in the overall national objective of combating unemployment.

Once the draft of this assessment report is prepared, the Consultant will facilitate one or more validation workshops (organized and financed by the government) with stakeholders to present the findings and incorporate any feedback into the final version.

B. Report of Simulations and Design Options

Based on historical information generated from secondary sources, the consultant is expected undertake fiscal sustainability simulations that analyze the introduction of the scheme and suggest a) appropriate fiscal projections to cater for counter-cyclical effects of any significant growth and slumps, b) long and short term costs associated with the scheme, c) how the demographic

configurations will influence the intervention (declining fertility ratio, (youth) dependency ratio, net migration, etc.).

Based on the analysis, the consultant is expected to make proposals with regard to the benefits to be offered both in cash and in kind (if any) with due consideration to the rules of entitlement, duration of the benefits and the sustainability.

In terms of coverage, the consultant should provide proposals for coverage of a wide range of beneficiaries including those working in the informal sector, self-employed, contract and seasonal workers.

This report will also delve into the international experience on unemployment insurance and analyze the same in the context of Maldives.

It is also expected that this document would include possible design options for the proposed unemployment insurance program along with the cost implications. Apart from cash transfers, design options should include complementary actions that work towards reintegration of the unemployed into the labor market and the re-employment disincentive effects of program. These options should adequately cover issues around time limits, conditionality of the benefits, required legal and policy framework etc.

As part of the design options, the consultant should make proposals in regard to administrative and institutional arrangements including human resource considerations, cost of implementation, possible financing mechanism and the ICT requirements for operating the program. This should include a last mile delivery mechanism that is relevant in the context of the Maldives.

Once the draft of this report is prepared, the Consultant will facilitate workshops (organized and financed by the government) with relevant stakeholders to present the content and incorporate any feedback into the final version.

C. Draft Unemployment Insurance Benefit Program

Based on the tasks envisaged above, the consultant will draft an unemployment insurance benefit program for the consideration of the Government of Maldives. This draft should contain the program design, its components, financial requirement, implementing arrangements, monitoring and evaluation structure and plan, staffing requirements, risks and its mitigation strategy etc.

3. DELIVERABLES

1. A detailed inception report including a stakeholder engagement plan that will guide and facilitate the process of obtaining buy-in from relevant stakeholders (6 weeks).
2. Situation assessment report (12 weeks).
3. Report of simulations and design options (12 weeks).
4. Draft unemployment insurance benefit program (12 weeks).

4. DURATION OF THE CONSULTANCY

The consultant is expected to complete this assignment in a period of 42 weeks including time for feedback from the government.

| Sno. | Deliverable | Timeline |
|-------------|--|-----------------|
| 1. | Inception Report | 6 Weeks |
| 2. | Situation assessment report | 12 Weeks |
| 3. | Report of simulations and design options | 12 Weeks |
| 4. | Draft unemployment insurance benefit program | 12 Weeks |

5. INPUTS PROVIDED TO THE CONSULTANTS

All expenses related to the workshops and their planning will be covered by the government. In addition, the government will facilitate domestic travel required for the Consultant to visit a representative set of atolls for data gathering and validation.

Data required for the diagnostics will be provided by the government to the Consultant where possible, or summaries of data prepared by the government for the Consultant in the case that raw data cannot be shared.

6. QUALIFICATIONS

The Government of Maldives aims to obtain the services of a consultant, with appropriate and relevant expertise and experience in the field of social policy and social protection especially those having the experience of having worked in small island states. The consultant should have adequate experience of assessment relevant country systems and should have formulated relevant programs for countries.

Qualifications at a minimum should include:

- i. Post-Graduate Degree in Public Policy, Development Policy, Economics, or other relevant field in the social sciences.
- ii. At least fifteen years of progressively responsible professional work experience in the development, implementation, supervision, research, analysis and evaluation of social protection programs in developing countries.
- iii. Experience in social protection policy development and advocacy.
- iv. Experience in small island states would be a plus.
- v. Fluency in English.

vi. Demonstrated ability to deal sensitively in multi-cultural environments.

vii. Excellent diplomacy and demonstrated political acumen.