HUMAN RESOURCE DEVELOPMENT IN SMALL ISLAND SETTING:

THE CASE OF THE MALDIVIAN TOURISM AND HOSPITALITY INDUSTRY

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Abstract

The concept of sustainable tourism has been advocated as a means of maximising tourism’s benefits while minimising some of the negative impacts associated with tourism development. However, in many Small Island Developing States (SIDS), such as in the Maldives, the focus of sustainable tourism development usually only extends to tourism policy, planning and infrastructural development, and in many cases, the vital core of the industry – the human resource – is either ignored or is not given sufficient emphasis at the policy level. The extent to which human resource development is incorporated at the tourism policy and planning stage could be crucial in achieving sustainable development outcomes, as well as improving the overall human development status of many SIDS. This paper analyses the conception of expatriate employment in the Maldives and the current status of expatriate employment. It further discusses the challenges facing human resource development in the Maldives highlighting the sustainable development issues facing the government, the tourism industry, and local residents.

Keywords: Maldives, Human Resource Development, Expatriate Employment, Tourism and Hospitality Industry, Sustainable Tourism

Introduction

Few industries have as strong an impact on the global community as the tourism industry. According to the World Tourism Organization (WTO) the number of international arrivals shows an evolution from a mere 25 million international arrivals in 1950 to a record 842 million in 2006 generating an estimated worldwide receipts of US$736 billion (WTO, 2007a; 2007b). The WTO’s Tourism 2020 Vision forecasts that the number of international arrivals worldwide will increase to almost 1.6 billion, and receipts from tourism (excluding transport) are projected to reach US $2 trillion by 2020 (WTO, 2001). Such figures highlight that tourism is arguably the world’s largest and fastest growing industry and Goeldner and Ritchie (2006) have claimed that tourism has virtually embraced all aspects of human society. Not surprisingly, the industry employs in excess of 234.3 million people worldwide (WTTC, 2006), representing some 8.7 percent of the total global workforce.
Whether measured in terms of tourism’s contribution to gross domestic product, foreign exchange earnings, capital investment, or tax contributions, it is the job-creation capacity of the tourism industry that is its most significant feature (Baum, 2006a; Conlin & Baum, 2003; Sharpley, 2002; WTO, 2002; WTTC, 2002). As Liu and Wall (2006) state, in order for economic benefits of tourism to be realised and retained locally, the nurturing of local capacity is indispensable.

**Geographic Profile of the Maldives**

The Republic of Maldives is an archipelagic nation located south of the Indian sub-continent, across the equator on the Indian Ocean, located about 300 miles southwest of the southern tip of India and 450 miles southeast of Sri Lanka. The archipelago consists of about 1,190 coral islands, dispersed on an exclusive economic zone of 859,000 square kilometres, over a stretch of 820 kilometres from north to south, and 130 kilometres from east to west at its widest point is on average less than 3 metres above sea level. 99 percent of the area of 859,000 square kilometres is covered by the sea (MPND, 2007). The islands of the Maldives are geographically formed as 26 natural atolls, but administered as 20 atolls. The atolls are in fact part of a greater structure known as the Laccadives-Chagos Ridge, which stretches over 2,000 kilometres.

Of these islands, only about 194 are inhabited, and of the remaining 996 islands, 88 are exclusively developed as individual self-contained resorts on a one island-one hotel basis and 1 is developed as a yacht marina resort. 122 islands are leased for agricultural and industrial purposes. The smallest inhabited island is 3.4 hectares while the largest inhabited island is 516.59 hectares. Out of the remaining 786 islands, some 35 have been allocated for further expansion of tourism zones, and the remaining islands are uninhabited. All the islands belong to the government, who lease the islands either for agricultural, industrial purposes or for resort development. Islands leased for resort development are leased for a period of 25-35 years and the developer pay an annual rent to the government.

**Tourism in the Maldives**

The Maldives started tourism in 1972 with the opening of 2 resorts with 280 beds. It is seen as an example of successful sustainable tourism development with a sophisticated tourism industry,

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1 Three islands were completely destroyed in the Asian tsunami 2004 and are now uninhabited. Under a ‘Population Relocation and Centralisation’ scheme, small numbers of people living in some islands are being relocated to bigger islands, thus the number of inhabited islands is not specific.
primarily based on the ‘one island one resort’ policy (Domroes, 2001; Vellas & Bécherel, 1995). Currently the Maldives has a total bed capacity of 17,333 with an average annual occupancy rate of 81.8% (MPND, 2007). The Maldivian tourism industry has strengths in its application of strict infrastructural development, operating standards, resolution of carrying capacity, understanding of marketing an isolated destination, and marine ecotourism expertise (Dowling & Wood, 2003). Renowned for its white sandy beaches and diving, the Maldives is currently going through a physical expansion to meet the increased demand of the Maldives as a world class tourist destination. According to the Ministry of Tourism and Civil Aviation (MTCA) “the additional 35 islands proposed for tourism is expected to add the much needed 5000 to 7000 beds over the next two to five year period, which will facilitate sustainable expansion of the Maldivian tourism industry” (MTCA, 2006, p.1).

Without doubt the expansion of the Maldivian tourism industry means creation of new employment. Whether the required skilled employees are available or the required infrastructure to train them is in place is another question. Out of the current total Maldivian population of just over 300,000, over 39 percent is under the age of 18. The economically active population is 129,000 (MPND, 2007). Given this high percentage of youth population, tourism and hospitality could be considered as one of the most promising sectors to provide gainful employment for the growing young population. Employment generation is usually considered to be the most direct and beneficial impact of tourism to the host population (Liu & Wall, 2005). However, the local share of tourism and hospitality jobs in the Maldives is relatively low for various reasons. The projection that by 2010, the tourism accommodation sector alone will require 29,000 employees (MTCA, 2007), magnifies the challenges that face the industry in terms of labour needs.

**Tourism and Hospitality Employment – the Past**

In the Maldives the predominant tourism products are resorts and floating beds. For this reason jobs which are considered as indirect employment in the tourism and hospitality industry elsewhere in the world, are considered as direct employment. This is due to the fact that resorts in the Maldives are autonomous units which generate its own power, water supply and have arrangements for waste disposal. People who work in these operations are therefore included as direct industry employees.

In the early years of tourism, except for tour guides and diving instructors, other operational employees were Maldivians. The designing and construction of the resorts were also entirely
carried out by the local employees. The period of commencement of the Maldivian tourism industry coincided with the evacuation of the British Naval Base in Gan. As a result, a large labour force estimated to be about 3,000 people were available for employment in the tourism and hospitality industry (Niyaz, 2002). The labour force was semi-skilled to participate in tourism and hospitality related jobs which included administration, boating, food and beverage, housekeeping, masonry, carpentry, engineering, refrigeration and electrical skills. In addition, as Maldivian men were working on ocean going vessels for years, the former sailors also contributed to the labour requirement of the industry.

In the early years of tourism the average wage for a labourer ranged from US$ 9-12, excluding food and accommodation. Chefs and engineers were the highest paid employees whose salary ranged from US$ 100-140 and resort managers on an average received US$ 80-100 per month. Front line employees in closer contact with the guests supplemented their salary through tips received from tourists. There were no formal training programs and employees learnt the skills on the job. However, during the late 1970’s under a UNDP hotel trainee programme, employees of 15 resorts were sent to Sri Lanka for hospitality training (Niyaz, 2002).

In the early years of tourism very basic facilities were provided for the employees. In some resorts employee quarters were temporary structures made of thatch, which were used as dormitories accommodating over 20 employees. In some resorts only the senior employees were given permanent dormitories while others were given a “faa'yehi edhu” (a folding bed similar to a hammock) and expected to find a place to sleep. Dining facilities provided were also in such temporary structures. Meals provided for employee were also very basic.

However, as the industry progressed in 1982 government regulations were formulated to ensure that employees were provided with adequate facilities in the resorts. Building codes were also formulated for construction in the resorts which included employee accommodation as well. The other requirements under these regulations included the provision of adequate sleeping space with beds and mattresses, lockable storage space, toilet and shower facilities and provision of recreation facilities. Consequently resorts were compelled to adhere to these requirements and by mid 1980s all resorts had met the government requirement for provision of facilities for employees. In some cases the facilities were better than the standards specified under the government regulations. However, in spite of the improved resort facilities, many Maldivians
found living conditions in the resorts difficult for numerous reasons which compelled the industry entrepreneurs to employ a high percentage of expatriates.

**Conception of the Expatriate Labour Force**

Although expatriate employees were used in the construction of resorts of the first generation resorts, the influx of expatriate employees started with the commencement of the construction of the islands selected under the First Tourism Master Plan (FTMP) in 1983. This was largely because when leasing these resorts, the government gave fixed construction periods which were rent-free. As a result of this, coupled with the strong demand for resort beds, increased the opportunity costs of construction delays which economically justified hiring of expatriate employees.

On completion of the resorts leased under the FTMP many construction workers remained in the resort to occupy many jobs in the area of resort operations as previously it was not mandatory to repatriate expatriates after completion of a project. Parallel to this, the first generation resorts also commenced hiring expatriates both for construction work of the upgrading projects and to the services sector of the resorts. According to an ESCAP study, during the mid 1980s there were only 9 percent expatriates working in the tourism industry. In the mid 1990s this scenario of expatriate employment changed as the percentage of expatriate employees in the labour force increased due to the many up-grading projects of the first generation resorts and continued construction of some resorts allocated under the FTMP.

Although the rate of increase of expatriate employment is associated with construction and upgrading of resorts, the absolute number of expatriates employed in the tourism and hospitality industry does not decline after completion of the resort development projects. This is because manpower is also required for daily resort operations and hence even though the rate of increase of imported labour declines periodically the overall situation in terms of numbers does not decline.

**Current Scenario of Tourism and Hospitality Employment**

In 2006 approximately 54,000 expatriate employees were working in the Maldives, with over 11,000 employed directly in tourism (MHEESS, 2007b; MPND, 2007). However, during this same period only 12,000 locals were employed in the sector (MHEESS, 2007b; MPND, 2007). Under the Maldivian government employment regulation, individual resort operations are
required to employ a minimum of 50 percent local workforce where available. However, some resorts do not reach this level of local employment on the basis that there is no locally available skilled labour. This pattern of expatriate employment is not only limited to the tourism and hospitality sector as demonstrated in Figure 1.

![Figure 1](image1.png)

**Figure 1:** Comparison of Expatriate and Local Employment by Industry (March, 2006), Source: (MHEESS, 2007b)

The reconstruction of both inhabited islands and the resorts following the Asian tsunami 2004, as well as the current tourism industry expansion has increased the expatriate employment in the construction sector. The expatriate employment in various sectors has increased tremendously during the past years as indicated in Figure 2 below.

![Figure 2](image2.png)

**Figure 2:** Expatriate Employment Growth Rate by Industry (2005-2006), Source: (MHEESS, 2007b)
The total expatriate workforce in the Maldives has increased from 27,750 in 2000 to 53,901 in 2006, a 94% increase in six years as seen in Figure 3.

**Figure 3:** Expatriate Employment (2000-2006), Source: (MHEESS, 2007b)

As shown in Figure 4 above, the Maldives has a very high percentage of expatriate employment in various skill levels. Expatriate employees play a key role in professional categories as financial
managers and administrators as well as in semi-skilled and unskilled occupations such as domestic helpers and cleaners. The labour category and top level technical categories in a resort such as Chefs, Accountants and Dive Instructors are mainly dominated by expatriates. On the other hand, there are very few Maldivians trained as Chefs, Dive Instructors, Accountants, and for many other technical jobs. As a result, expatriates dominate these highly paid employment categories. Almost 100 percent locals are employed as room boys and waiters while almost the same is representative of expatriates employed as cleaners or labourers. This may be because the income and the type of work. The job of a room boy and a waiter is appealing to Maldivians because in many situations they get more tips than their salaries.

The high percentage of expatriate employment has also increased the economic leakage reducing the net benefit of tourism. According to Athukorala (2004) the total unrequited outward transfers, which reflect predominantly outward remittances by expatriate employees in the Maldives increased persistently from around US$5 million (1 percent of GDP) in the early 1990s to over US$30 million in 2001 (5 per cent of GDP).

**Reasons for the Existence of a Large Expatriate Labour Force**

When compared with many other industries, tourism and hospitality industry requires employees with relatively low levels of job specialisation. Thus, it may be possible to absorb a large proportion of the work-force from traditional sectors of the economy with a minimum of training. However, the ability of tourism and hospitality to use large amounts of unskilled labour is only a temporary phase in the development of the industry. The design and delivery of quality tourist experiences remains the key task for tourism professionals working in competitive markets. This need becomes increasingly important because tourists, as experienced consumers, expect the standards of tourism services maintained or increased (Morgan, 2003). However, in many developing countries a chronic shortage of trained local individuals has often led to an unfavourable situation for both the industry and local people, creating a situation where the managerial and other senior positions are filled by expatriates and the unskilled and correspondingly lower paying jobs left to the locals (Liu & Wall, 2005). The use of expatriate labour has been identified as one of the factors which mitigates against significant economic impact by tourism on small islands (Fletcher, 1989). As tourists consist of diverse nationalities and ethnic groups, expatriate employees cannot be eliminated entirely. However, in the Maldivian situation the expatriate labour force is not a consequence of the demands of the tourists, as nationalities and ethnic backgrounds of most expatriate employees are not that of the tourists. The
narrow population base, coupled with the low skilled level of the domestic labour force has also contributed to the high proportion of expatriate employment. The main reasons for the existence of such a large expatriate labour force in the Maldivian tourism and hospitality industry are discussed below.

**Economical Factors**

The most obvious factor for high expatriate employment is economical. To reduce the foreign labour force employers will have to pay wages attractive enough for trained local people to enter the tourism and hospitality industry. However, the industry does not offer attractive remuneration packages to compensate the full costs of Maldivians staying away from the family and in social isolation, but make a partial payment, which is equal to such costs of an expatriate employee. The experience of the Maldivian tourism industry is that the demands of expatriate employees are lower. This is perhaps because of the lower living standards and limited economic opportunities in their home country. Therefore wages in resorts which are attractive to expatriate employees is unattractive for a Maldivian. Many Maldivians complain that expatriates are paid higher salaries in jobs dominated by expatriate employment such as Chefs and Dive Instructors. Low real wages and non-existing of a government law requiring minimum base wage is one of the economic reasons why Maldivians are reluctant to work in the tourism and hospitality industry. Consequently, expatriates are hired to fill the gap resulting in high leakages of tourism revenue.

**Cultural Factors**

Traditionally Maldivians were always self-employed. The men folk were employed in the then main economic activity of fishing, while the women were in charge of running the household and preparing the catch the fishermen brings for sale. There were very few wage earning employment opportunities in the Maldives prior to tourism. These jobs were limited to public sector and the rarer private sector jobs. Hence, Maldivians were never used to wage earning jobs for which they have no control. Furthermore, salaries offered in the resorts do not compensate for formalities and rigid requirements of these jobs and are below the price of labour demanded by many Maldivians. Therefore the opportunity cost of losing a job is very low for Maldivians and as a result the turnover among Maldivian employees is very high making Maldivians very unreliable employees. This is often associated with culture although economic factors justify such behaviour.
Major obstacles have remained in the Maldivian tourism industry in effectively addressing employment opportunities for local women. Even though the tourism industry is one of the world’s most labour intensive industries, providing an effective source of income and employment, especially to women (Boniface & Cooper, 2005), a key factor that adversely contributes to the problem of tourism related human resources is the socio-cultural environment of the Maldives. Although it is recognised that the women of the Maldives are among the most emancipated in the Islamic world (Dayal & Didi, 2001), even today, a woman working in the tourism industry is regarded with less dignity than one working at a desk job. Currently only 7 percent of resort employees are females out of which only 2 percent are local women (MTCA, 2007). The isolated nature of the ‘one resort one island’ status and the limited facilities the resorts are able to offer as well as cultural influences and the negative image of the industry, have discouraged female participation in tourism. Most of the women employed in tourist resorts prefer the option to commute daily to work accounting for the fact that fewer women consider employment in tourist resorts.

However, the financial returns and increases in living standards that tourism has brought to the local community appealed to some local men. For example, unlike the general tourism and hospitality industry where women work in the housekeeping department as ‘room maids’, in the Maldivian tourism industry, men work as ‘room boys’. Another key impediment to increasing Maldivian employment in the industry has been school leavers’ attitude towards resort-based jobs. The tourism and hospitality industry is not considered to be a mainstream career opportunity, and many are also unaware of the job opportunities that the industry offers and perceive jobs in the industry as low grade. Additionally locals are also not interested in being employed in certain categories of tourism and hospitality related jobs.

**Institutional Factors**

Although there are remarkable entrepreneurial skills in the Maldivian tourism industry, it is deficient in management skills. Furthermore because of the slow level of development of commercial institutions in the Maldives, management and ownership of resorts are still not separated. As a result, resorts which are multi-million dollar investments with over hundreds of employees are also sometimes managed without professional ethics. Some resorts even today does not have functional management procedures like staff orientation, performance appraisal systems, grievance handling procedures and even a clearly defined reporting procedure or chain of command. Personnel management in some resorts are still handled by the resort owners and
not by the resort managers. Furthermore because of the nature of the ‘one island one resort’ tourism industry of the Maldives, people work and live in the same place, making the separation of personnel life and formal duties difficult.

As a result of the Maldivian tourism and hospitality industry having a deficit in managerial skills, professional human resource managers do not manage many of these resort operations. Hence, the inadequately qualified manager without proper managerial skills is often seemed to prefer employees who are easier to control. The existence of a large expatriate labour force also triggers other problems which discourage locals from working in the resorts. Discrimination and unfair dismissal by large resort operations such as Reethi Rah, dismissing 12 local employees in a single day (Saeed, 2006a) as well as the unfair dismissal of local employees due to a top management change at Lhohifushi Island Resort (Waheed, 2006) have highlighted such critical issues in the industry.

**Current Human Resource Development Initiatives**

The tourism and hospitality sector has been short of skilled employees even from the inception of the industry in the Maldives (Shakeela, 2001). A shortage of qualified employees, both at skilled and semi-skilled level has always been a problem, but prior to the 1990s, formal in-house training was undertaken by only a few resorts. Additionally one of the first key policy documents developed for the tourism industry, the FTMP called for placing the responsibility of training employees with the resort operators (Dangroup, 1983). However, this has not been successful as operators view training and education as a recurring cost rather than an investment.

Also due to a lack of response from the private sector, the most significant in-house vocational training programme initiated by the government has virtually ceased. It seems that the first major imitative addressing the human resource development for the Maldivian tourism and hospitality industry, the South Asian Integrated Tourism Human Resources Development Programme (SAITHRDP)\(^2\) which commenced in 1995 was implemented only up to the stage of training the trainers and publishing standardised Entry Level programmes and training manuals. These programmes, which were designed to be conducted in the resorts by the ‘in-house trainers’ trained by SAITHRDP and the trainees to be eventually certified by Institute of Hotel and Catering Services (now named Faculty of Hospitality of Tourism Studies (FHTS)) were not successful as

\(^2\) A US $ 10 million project funded by the European Union targeted at the South Asian countries. The vocational qualifications were developed by the local experts in consultations with the EU consultants.
the programmes are now conducted by FHTS as Entry Level programmes, making the SAITHDRP redundant.

Faculty of Hospitality and Tourism Studies under the management of the Maldives College of Higher Education (MCHE) is the only government institution currently offering courses and training for the tourism industry. FHTS has campuses in the capital island Malé and Addu Atoll (opened in 2006). FHTS under a private-public partnership with Adaaran Resort at Hudhuranfushi also opened a training campus at the resort in December 2006 (Saeed, 2006b).

However, the enrolment figures and graduate figures at FHTS have been declining at a time when the need is increasing. As demonstrated in Figure 5, although there was an increase in enrolment figure from 2003 to 2004, the figures have dropped from 899 in 2004 to 392 in 2006.

![Figure 5: FHTS Enrolments and Graduates (2003-2006), Source: (MCHE, 2007)](image)

With very limited availability of resources, FHTS has been unable to meet the demands of the Maldivian tourism industry. As FHTS alone cannot meet the training requirements, the MTCA in its Third Tourism Master Plan (TTMP) advocates that FHTS concentrate on diploma, and degree level programmes, while other training institutes conduct accredited short entry level courses as a first step towards a career path (MTCA, 2007). It is recognised that the government would complement the FHTS programmes with the creation of further training opportunities through the development of ‘training resorts’ (i.e. resorts that require training of a certain number of students each year). Some resorts have also started offering their own apprenticeship programmes and some of them are getting good responses.
Over the last few years, the importance the private sector has given to local human resources development appears to have increased. The private sector actively supports and financially contributes to the government-subsidised courses run by FHTS. At the same time, the Maldives Association of Tourism Industries (MATI) also conducts training programmes in the outer atolls. Additionally, the Ministry of Higher Education, Employment and Social Security (MHEESS) under a loan agreement with the Asian Development Bank (ADB) in 2004 started the Integrated Human Resource Development Project, a programme aimed at out-of-school youth. The mandate of the programme is to increase the local semi-skilled level in five key sectors: tourism, fisheries and agriculture, transport, and the social sectors. The key goal of the programme is to increase skilled local participation by 57 percent by 2009 in the selected sectors (MHEESS, 2007a). These programmes are conducted in three geographic regions of the country, which include Malé and adjacent atolls, the Northern Development Region, and the Southern Development Region. In addition to the skills development programmes the project is also to produce course material that can be used by any institution or trainer. This is an initiative to encourage resorts and private sector institutions to begin training and to develop a vocational qualification framework for the industry. Additionally, MTCA is seeking the technical assistance of the UNWTO to implement a Human Resource Development Plan (WTO, 2005) in the Maldivian tourism industry.

Conclusions and Implications

Sustainability, to be effective needs to consider the overall ‘environment’ in which tourism development takes place, not just the physical environment. Human resource development and management are one area of the overall ‘environment’ which is critical for successful tourism development (Conlin & Baum, 2003). The analysis on human resources situation in the Maldives shows that the supply of labour is short of the demand of the industry. And the prediction is that the situation will worsen in the next 2-4 years unless immediate attention is given to human resource development. As happens in many developing countries, the focus in the Maldives has remained on developing infrastructure while neglecting the vital core of the industry, the skilled and educated labour force.

The recommendation by MTCA in its TTMP calling for FHTS to concentrate on diploma, and degree level programmes, while MTCA focuses on developing ‘training resorts’, is perhaps too

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3 This is a US $ 7.5 million project with ADB contributing 80 percent to the total project and the rest financed by the government of Maldives.
little too late for an industry starving for skilled labour. However, this is a positive first step at policy level to address the human resource issues of a multi-million dollar industry. Although training programmes conducted by the ‘training resorts’, FHTS, MATI as well as MHEESS will undoubtedly benefit the tourism industry, questions arise with regard to duplication of resources as well as the quality and consistency of these programmes. Baum’s (2006b) recommendation of implementing tourism education at secondary school level and within mainstream curricula could make a significant long-term contribution to enhance the tourism industry’s image in the Maldives and provide for its future employment needs. Raising awareness levels about job opportunities and locating resorts close to communities or, placing resorts and hotels on inhabited islands, would go a long way in increasing Maldivian employment in the tourism sector.

While tourism is geared to create new employment opportunities, the concern over the growing share of expatriate workforce in the tourism industry remains to be addressed. Reducing expatriate employment as a policy imperative has its limitations in that simply adequate numbers of Maldivians are not available to meet the demands of the tourism and hospitality industry. The limited supply of local labour is also likely to hamper the current efforts towards greater localisation of the work force in tourism and hospitality industry. An effective Law and regulations needs to be developed and implemented to protect both employee’s and employer’s rights. Careful monitoring whether the employment regulations are adhered to by the tourism and hospitality sector is also required. The superior remuneration and incentive packages offered by the new resort developments could cause to increase the real wage of the industry in the future.

A strategic vision and proper planning by the government for human resource development is needed for the sustainable development of the Maldivian tourism and hospitality industry. Ignoring comprehensive planning for human resources in the island setting will have profound consequences not only for the local tourism industry but also for the island communities (Conlin & Baum, 2003). Comprehensive human resource development is therefore vital for the sustainable development of the Maldivian tourism and hospitality industry as it will contribute to a higher degree of awareness and acceptance of the tourism industry on the part of the local population.
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