

THE GLOBAL SEAFARERS' LABOUR MARKET: PROBLEMS & SOLUTIONS

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As a matter of policy, the Seafarers' International Research Centre does not have collective views. The arguments presented in this submission are, therefore, solely those of the author.

1. Introduction

1.1 It is argued in this submission that many and perhaps even most of the problems relating to the world's seafaring labour force have their origins in the twin process of flagging out and deregulation which began in the later 1970s, gathered momentum in the 1980s and, continued through into the 1990s, albeit at a diminishing pace. After a discussion of regulatory systems in general and maritime regulation in particular, the causes and consequences of deregulation are then explored in some detail and with a focus on the development of a global labour market for seafarers and its implications for training, education, certification and employment conditions. On these issues there is some emphasis on the need to develop optimally efficient crews.

1.2 In a concluding section it is said that the labour market is in crisis because although the industry has become global, it has yet to institute a system commensurately capable of training and certifying seafarers to a uniformly high standard and providing socio-economic conditions necessary to attract and retain a committed workforce. If this highly necessary objective is to be achieved, it is argued that either a new ILO or IMO convention is needed to specify the best practice required of flag states on labour questions.

2. Regulation and Deregulation

2.1 The term 'regulation' as used here is borrowed from political science and has a particular meaning. It refers to networks of institutions and organisations which, through a common interest in some particular area of human activity, seek to negotiate in appropriate forums and in voluntary association with the state, a consensual system of law, rule,

convention and customary practice. 'Regulation' in this sense presupposes first, a state which minimally allows and maximally encourages and facilitates the formation of organised interest groups; second, an acceptance among interest groups that it is illegitimate for any one of them to resort to naked power to seek to impose its will on other interest groups; fourth the voluntary formation by interest groups of clusters of permanent rule-making forums, each cluster having a specialised remit; fifth and critically, the readiness and capacity of an administratively competent state to enact a legal framework, supervise it by professional and impartial agencies and maintain permanent and *ad hoc* consultative processes providing for the participation of representatives of all interest groups.

'Regulation' therefore means the application of law, rule, convention and custom as negotiated by the interested parties and as operated by organisations and agencies commonly accepted as legitimate. This definition of regulation does of course come close to specifying the essential conditions for a democratic society. Without a legitimate rule of law, the possibility of negotiated settlements among organised interested groups *and* the existence of rule-governed agencies empowered to operationalise those negotiated settlements, there can be little prospect of functioning democracy and every likelihood of disorder and dislocation with unpredictable outcomes.

Provided we can use these words without evoking extreme images of turmoil and disarray, 'disorder, dislocation and unpredictability' are actually quite useful words when talking about the contemporary labour market for seafarers. Perhaps the point can best be made by examining

the essential characteristics of the seafarers' labour markets of the world until the mid-1970s. Principally in Europe and Japan but similarly in those developing countries establishing new shipping industries, the national labour markets were in all major aspects consensually regulated by employers organisations, trade unions, government agencies and voluntary organisations. The pattern of regulation in the command economies of Eastern Europe and China was of course driven by the state in its various guises although the practical outcomes in terms of the management of labour supply and standards of training and education were not substantially different from those found in the 'West'. This was largely because 'western' practice was taken tacitly to be the best extant model.

By the 1970s the structures, institutions and organisations concerned with the various dimensions of the labour market looked remarkably similar in virtually all nations with a shipping industry. Legal frameworks specified and supervised seafarers' registries, standards of technical competence, shipboard safety, work discipline, minimum accommodation and victualling levels, crew engagement and discharge. Training and education was provided by state or state-supported institutions with governing bodies representative of interested parties. At the very least, employment conditions and the engagement and discharge of crews were supervised by agencies guided by law and rules and procedures agreed by joint bodies of shipowners and seafarers. In many countries health and welfare provisions were similarly organised. Taken together, these various organisational practices though different in detail and emphasis, nevertheless formed a coherent and informally unified regulatory system. Shipowners' and seafarers' representatives, examiners and surveyors, senior civil servants, nautical college principals and welfare workers

routinely interacted and routinely found ways of making consensual decisions. This 'regulatory system' was so similar and applied to such a large proportion of the world's internationally trading ships that it effectively set international standards. The great strength of the system was its ability to continuously develop best practice in one part of the system and then export it to all other parts. Regulation, far from being a dead hand, was actually a source of great dynamism.

It was not by chance that the high point of regulatory systems in the late 1960s coincided with a moment when a great deal of *collective* energy was being devoted to progressive reforms in training and education, labour-saving technology, recreational welfare and in the terms and conditions of employment. Considerable advances were made in the 1960s as the commitment to enhancing technical skills, educational regimes and conditions of employment servicing the shipping industry became steadily more sophisticated. Standards which had hitherto been effectively set by shipowners' views of what was minimally needed, were by the 1960s increasingly being modified by an informal alliance of progressive shipowners, maritime sector educationalists and trade unions. This 'alliance' was formed and driven by shared concerns at the level of labour turnover and the need for durable and constructive counter measures to build and retain a well-trained, technically proficient workforce at least comparable to other modern industries. The emphasis on comparability with shoreside was fundamental because for the first time the shipping industry found itself in serious competition with other industries for suitably qualified young people. Industry perspectives which had once been narrowly sectional began to be influenced by more general educational debates, by an awareness of standards in other

specialist technical areas and by the adoption of a broader and longer term view of the skill requirements of a modern industry.

The forward-looking approach to training and education was barely launched when it was undermined and eventually discarded by the fallout from the 1970s crises and the ensuing search for cheap offshore solutions to seafaring labour. The oil crises of the 1970s, the slump in world trade, a glut of ships and the availability of offshore flags offering the symbols but none of the substance of developed modern states, saw waves of ships moving into the unregulated space of offshore. These one-off survival strategies provided short-term economic relief. But the price was the dislocation of a regulatory system which had provided the world with a labour force of steadily improving quality. The progressive reach toward higher standards was to all intents and purposes, abandoned. The fracturing of the link of common citizenship or country of domicile between employers, seafarers and educationalists, meant that it was no longer practically feasible for them to be directly involved or influential in the training and education of the great bulk of the labour force. The significance of the breach in this especially important area of regulation was subsequently, if tacitly, recognised by the development of aid programmes from some shipowning nations (e.g. Japan and Norway) to labour supply nations (e.g. the Philippines and India), and financial assistance from some shipowners, shipmanagers and trade unions to individual and mainly private colleges.

Regulation of the kind outlined above was, workable, dynamic and transnationally influential for three main reasons:

- i** the great majority of seafarers and shipowners were citizens of the same political entities (states or coalitions of states),
- ii** these entities were at comparable levels of technical, political and administrative development,
- iii** there were well-established routes for the transnational transfer of technical, operational and socio-economic knowledge.

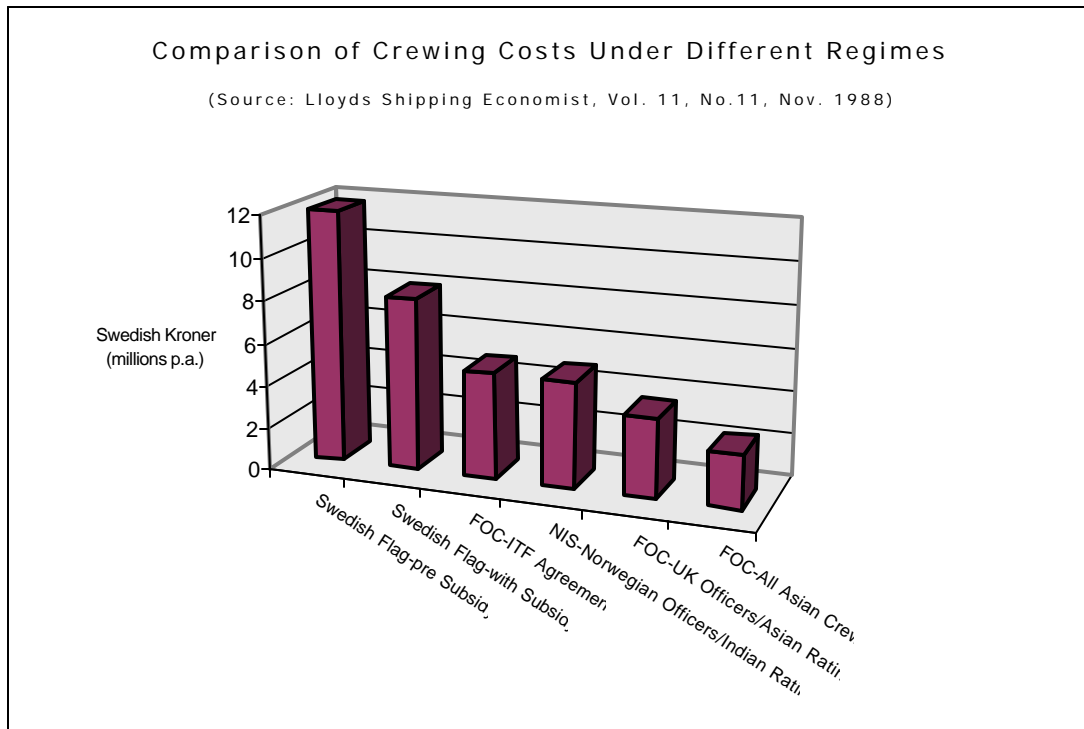
Now, in 2000, the transnational availability of relevant shipping industry knowledge has become immensely more complete. The concentration of ownership in the shipbuilding and ships' equipment industries; the growth of ship management companies with transnational portfolios of owners; a specialist press with global coverage and a seamless round of commercially organised international conferences and seminars; the development of a global labour market; the networking of Port State Control agencies; the increasingly prominent central roles of the IMO and the ILO and the rise to significance of international associations such as IACS, Intertanko, Intercargo, ITF, ISF, ICMA. These factors in combination make the industry interactively knowable to its population to an unprecedented extent. On the other hand, conditions **i** and **ii** no longer apply extensively. As we have seen, the widespread resort to flags of convenience and second registers severed the links of common citizenship between shipowners and seafarers and between training and certification and flag state. It also signalled the diminution of comparable levels of competence and remit across all flag state administrative agencies.

Under the new regime in world shipping the largest flag states, currently Panama, Liberia, Bahamas, Cyprus, Malta, neither have nor aim to provide

the all-round regulatory competencies characteristic of the embedded maritime nations (large and small alike) which, in concert, shaped world shipping until the mid-1970s. What had made regulation both possible and dynamic in these embedded maritime nations were, to repeat and summarise, the enabling agencies and legal frameworks of states with domiciled owning companies and a seafaring labour force which, given the epochal political balances of power within these states, required the development of customary practices of consultation and formal and informal negotiation. But as soon as shipowners adopted flags of foreign micro nations lacking any substantive political infrastructure and serious semblance of regulatory capacity, they unilaterally opted out of regulation.

The embedded 'western' maritime nations (sometimes misleadingly described as the 'traditional maritime nations'), whether large like Japan, the UK and Norway or smaller such as Belgium, France and Australia, were all left with considerable residues of skills and experience in seafaring and the politics and procedures of regulation, but with greatly diminished fleets and skeletal regulatory structures. In the event the accumulated skills and experience were displaced but not entirely lost. Large shipping companies, ship management firms, maritime regulatory agencies, trade unions, flag of convenience and second register administrations, religious and secular welfare bodies, educational institutions, international organisations and associations all became and still remain dependent to some degree or other on people trained in and with experience of advanced regulatory systems. There is, therefore, both a collective memory of what good regulatory practice entails and, even though diminished in number, a residual 'corps' of professional regulatory regime practitioners.

The contemporary and continuing drift to offshore registries may no longer be primarily driven by a desire to reduce labour costs but the original impetus to flagging out by the shipowners of the then-embedded maritime nations was unquestionably for that reason. It is, however, important at this point to emphasise that shipowners' were only concerned with the problems of the moment and the certain knowledge that employment costs were the only ones that could immediately be reduced.



The chart above, based on an analysis produced by Swedish shipowners in 1988, usefully illustrates this point. There were of course some ideologically driven shipowners pleased to be involved in the dismantling of regulatory systems but it does need to be emphasised that there was no organised attempt to secure deregulation. The world's shipping industry may have lost a viable and reasonably effective system for

training and employing a proficient labour force, but this was utterly unintended.. Similarly unintended was the creation of a global labour market.

The Global Labour Market

The global labour market is now a reality for most of the world's seafarers except for those working in the coastal and near-sea trades of the world's least economically developed regions. There are, of course, still a largish number of internationally trading, nationally-flagged ships crewed by nationals. But it is surely a sign of the epoch that the PRC, now the only nation with a sizeable fleet of merchant ships crewed by nationals who have been trained and certificated in a well-regulated national system of state-funded colleges and universities, also licenses manning agents to provide seafarers for foreign-flagged ships. Elsewhere in the world, the national flag flown by a ship only corresponds with the nationality of a significant proportion of the crew where employment costs are considerably lower than those aboard internationally crewed ships.. It is taken for granted and therefore passes unremarked that in the world's larger flag fleets - Panama, Bahamas, Liberia, Cyprus and Malta - nationals of these flag states do not feature in any known collections of manpower statistics. Furthermore, the second register fleets and increasingly the first register fleets in most OECD countries as well as those flagged in Hong Kong and Singapore, all have ships where dwindling numbers of crew members are nationals. These well-known and simple facts all signify enormous changes in the labour market for seafarers.

What apparently characterises the global labour market is simultaneously its global inclusiveness and its global organisation of recruitment. That is to say, that while among crew managers there is a hierarchy of preferred nationalities, all available nationalities are regarded as potentially employable and recruitment to ships (as distinct from recruitment into the industry), is organised by a dynamic system of globally trading manning companies. The eventual shipboard outcome of this activity is a rich pattern of mixed nationality crews.

Mixed nationality crews are hardly a new phenomenon but what makes the modern mixed nationality crew distinctive is the extent to which it is consciously composed by crew managers' evaluations of the level of competencies and the probity of certification procedures on a country by country basis. The *global* labour market is stratified to an extent which was unknown in the *national* labour markets of the once-established maritime nations in Europe and Japan. In the modern industry there are widely shared views among shipowners and ship managers as to which nationalities are best fitted for which ranks. Where a relatively small range of nationalities are held to be fitted for senior officer ranks, a somewhat larger range are reckoned to be suited to junior officer positions and a very large range are thought suitable as ratings. Where officers are concerned, these judgements are not primarily made on the grounds of nationality as such, but on the basis of evaluations of the training institutions and certification agencies of the officers' countries of origin. The training and certification of ratings, by contrast, is taken much less seriously and ratings are accordingly recruited from a much wider range of countries.

Some advantage of the global labour market's opportunities can in principal be taken by anyone with a good general knowledge of the industry and with funds to invest in a maritime directory, a telephone and fax machine and a computer with an internet connection. But the most effective advantage is taken by firms with large crewing requirements and who are able to afford personnel departments with a global reach. No doubt this is why growing numbers of shipowners with relatively small fleets hire ship management companies to organise their crewing for them. The scale of the crewing requirements of the larger shipmanagement companies and the range of owners' crew preferences these companies have to satisfy, inevitably leads shipmanagers into linkages into local manning agencies, local training institutions and local trade unions. Furthermore, since shipmanagement companies commonly have to hedge against the future they actually form a vanguard searching for potential new sources of seafaring labour and 'experimenting' with nationalities they have not previously employed. This process of search and experimentation establishes new linkages and connections, 'advertises' the availability of new sources and thus helps shape a labour market which always carries within itself the seeds of instability. On the other hand and paradoxically, while the larger crew managers have the resources to explore, sample and test new labour supply sources and do so, at any one moment their immediate needs are such that they are inevitably drawn into at least semi-permanent organisational arrangements in very small numbers of labour supplying nations. Crew managers with large labour requirements are at least in the short term a significant force for labour market stability. They each aim to have a portfolio of perhaps three or four large national sources with domiciled subsidiary companies as manning agencies. However, should a prolonged and all-sector slump in

freight rates develop these same crew managers will look to new and significantly cheaper labour sources for their ratings if the price of their existing labour proves inelastic. The global shortage of experienced and well-trained senior officers gives this sector of the labour market at least a medium term stability.

The calculation as to which nationalities to select involves a trade off between price and efficiency. Given the existence of a market which is stratified in each sector by the price of hire and the various competencies and conditions represented in that price, it follows that other things being equal, as price goes down so does the efficiency of labour. When crew managers speak - as they often do - of cost effective crews, they are simply referring to the fact that there are more and less efficient crews and that although sometimes 'bargains' are to be had (i.e. buyers get more than they paid for), buyers normally get what they have paid for.

The efficiency of labour has two basic dimensions: *technical competency* acquired through training, education and experience, and *effort commitment* which is primarily determined by the social and economic conditions of employment. In short, the efficiency of labour is determined by, *a)* prior investment in training, education and productive experience and *b)* current investment in conditions of employment. These various aspects of labour efficiency were exactly the issues that regulatory systems evolved to address because it was recognised that markets left to themselves were unable to satisfactorily deliver the required efficiencies. Fortunately for the future development of the shipping industry's seafaring labour market there are some indications that regulation is back on the agenda, but before we examine these developments and discuss how they

might be further advanced, it might be useful to summarise the global labour market's principal contemporary characteristics:

- seafarers of any nationality are potential employees
- efficient transnational linkages between crew managers, manning agents and national labour markets
- no formal barriers to entry beyond certification compliance
- widespread multinational crewing
- stability depends upon the extent and timing of fluctuations in world trade
- low and diminishing correspondence between flag of ship and crew nationality
- absence of *system-wide* regulation

Taken in themselves none of these characteristics are problematic except for the last two. The low level of correspondence between flag and crew nationality is a serious obstacle to maintaining high levels of training and education and credible certification. But the absence of system-wide regulation is the more serious because if this were in place it would be possible to carry through most of what is necessary to develop an optimally efficient labour force and this would include consistently high levels of training and certification credibility.

'Optimally efficient labour' is not actually a term of common currency although it could be reasonably taken as at least approximating to the implicit objectives of the most advanced of the embedded maritime nations. Similar objectives may also be inferred from those quality assurance protocols which on personnel matters speak of aiming for excellence and developing and maximising skills and potentialities. With

these considerations in mind and taking a holistic view, an optimally efficient labour force can be sensibly defined as one where *technical competency* is universally consistent with best practice and current knowledge and where socio-economic conditions elicit maximum *effort commitment*.

Some weight has been deliberately placed upon system-wide regulation. This is because market forces in the current global labour market do not go entirely unchecked. On matters of training, certification and employment conditions there is a great deal of activity. Behind the IMO's STCW95 and the ILO's conventions and minimum wage guidelines, behind Port State Control practices, the oil majors' SIRE programme, the ITF's Fair Practices Committee, the ISF's Training and Manning committee, the ICMA affiliates' reporting and referral procedures, there are conferring and interested parties concerned with setting rules and standards and devising procedures of recognition, adherence and enforcement.

Where *technical competence* are concerned there is wide agreement in the global industry that overall standards are not consistent with best practice even if the focus is overwhelmingly on officers. The same level of agreement does not exist regarding the socio-economic conditions necessary to achieve good levels of *effort achievement*. Indeed it is safe to say that apart from the ITF, welfare organisations and small numbers of progressive shipowners and ship managers, this dimension of seafaring life and labour has not been the subject of serious consideration since the shelved UK Sealife Programme of the early 1970s. It is true that Port State Control agencies, SIRE inspectors and some P&I clubs have

become readier to see compliance with ILO conventions as an indicator of proper operating standards but there is simply no doubt that questions of seafarers' well-being are not regarded as fundamental to efficiency.

Global Regulation

Despite its initial economic attractiveness to shipowners, the resort to flags of convenience and second registers as a means of avoiding labour market regulation has not delivered any long term gains. Flagging out may have provided shipowners with the opportunity to make short-term labour cost savings but these savings could only be made once. Concurrent with the flagging out process were substantial reductions in manning levels but here, too, there is no longer any scope for further savings. The longer term consequence for the shipping industry of flagging out and reduced manning levels is a manpower crisis.

The manpower crisis has several dimensions and cannot be simply reduced to a question of shortages of key officer personnel. There may be a consensus in the industry about an imminent shortage of people suitably trained and experienced for senior officer ranks but it is also becoming apparent that many ratings are poorly trained and that fraudulent certification, especially at junior officer and ratings levels, is widespread. These particular manpower problems concern technical competence. There are also important issues concerning effort motivation. Varying lengths of tours of duty by rank and nationality among members of the same crew are not conducive to teamworking even though the subjects of this inequity often tolerate it resignedly. Regarding lengthier tours themselves, especially where served aboard ships with small crews and in trades with rapid turnarounds, social isolation has become a matter

deserving serious attention.. More generally, shore-leave opportunities for the great majority of seafarers, where affordable, are typically negligible. This makes it difficult to periodically 'escape' their restricted milieu and even harder to sustain and renew family connections.

Considering in total and in the round the current problems of technical competence and effort motivation it is plain that the global shipping industry is not facing the *prospect* of a manpower crisis but is already in such a crisis. Good training, education and certification is still available for all ranks - but not everywhere and in total insufficiently. *Relatively* good socio-economic conditions can also be found but are for the most part restricted to senior ranks and even there are not sufficient to attract and then hold new entrants to the industry. The eventual solution to the manpower crisis will come with the recognition that it has as much to do with socio-economic conditions as with training and education. And the solution itself will have to be the product of a global regulatory system..

The problems briefly summarised above point to a series of remedies. And the first remedy must involve adjustments to the regulatory framework of institutions and practices. On this question we might recall that those regulatory systems based in flag states with substantial modern maritime experience, were by definition concerned with creating and sustaining continuing opportunities of linking interested parties through formal organisations. It followed from the practice of regulatory systems that decision-makers at national, regional and local levels either knew everyone who was relevant or could easily locate and secure an introduction to a relevant person. In this way, information and understanding of issues and trends could pass rapidly and efficiently

through the system. Continuous and reliable each-way feedback between employers and employees is of course fundamental to operational best practice in all industries but provides special problems in an industry obliged to employ a distant and detached labour force. The effects of distance and detachment are inevitably magnified now that the shipping industry has a global labour market where crews or crew segments, and 'owners or managers as well as ships as legal entities, are in each case attached to different sovereign states. These problems are compounded by turnaround times which, except in the general cargo and long-haul bulk trades, are typically of less than 24 hours duration and therefore allow few possibilities for interaction between seafarers, employers, trade unions and welfare organisations. In these circumstances the need to construct a workably effective international regulatory system and a set of effective instruments is urgent because there is simply no other way of ensuring that the shipping industry has a highly motivated and professional labour force.

The first priority must be to ensure the existence of an effective framework of compliance so that there can be confidence in regulatory instruments and practices. This means that ratifications of ILO and other relevant conventions must be real in the sense of being real in their consequences. In principle, the ratification of ILO and IMO Conventions must surely mean that the ratifying state has the intention of requiring compliance with the provisions of the ratified convention. In turn this must also mean that the ratifying state has the administrative capacity to monitor the extent of compliance and to require full compliance in cases where it is deficient. In respect of the maritime conventions this meaning of ratification can only be taken for granted in the cases of those embedded maritime states having both effective administrative agencies and a legal

code designed to regulate employment practices and protect persons employed aboard ships. Those states currently lacking such agencies and legal codes must therefore be expected to devise means of ensuring that their ratification entails the intent and the administrative capacity to require compliance and conforms with best practice. This logically suggests a convention (presumably ILO but possibly IMO) specifying at least a minimum of flag state administrative capacity in respect of seagoing labour. These capacities should entail:

- Seafarer death and serious accident records and investigation procedures
- Retrievable archive of articles of agreement and official logs of all registered ships
- Health screening records
- Supervision of vocational training institutions
- Supervision of compliance with ratified conventions
- Specification of rights and obligations of non-citizen seafarers
- Seafarer right of meaningful access to consular services, employers, trade unions, welfare agencies and medical care

Such a convention could usefully have a code of practice indicating in detail what should be expected of each provision and require or encourage the establishment of one or several tripartite advisory committees to help flag states manage their administrative systems in an efficient and sensitive manner.

The introduction of the sort of convention described in outline above and especially the attachment of tripartite advisory committees, would go a long way toward the creation of a global regulatory system by the simple

device of enabling the emergence of uniform transnational codes and practices . Stability in the labour market is an essential precondition for developing global standards and practices and ensuring that the commodities of world trade are moved aboard excellent ships with optimally efficient crews..