Regional Maritime Conference
in the Asia/Pacific Region

Report II

Singapore, 2002
Report II

Report on an ILO investigation into the living and working conditions of seafarers in the Asia/Pacific region

Report for discussion at the Regional Maritime Conference in the Asia/Pacific Region

Singapore, 2002
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<td>Philippines</td>
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Preface

In November 2001, the Sectoral Activities Department of the ILO commissioned Dr. Heather Leggate and Professor James McConville of the Centre for International Transport Management, London Guildhall University, to write case studies on marine registers in, inter alia, China, India and the Philippines. The three case studies are contained in this report – which is designed to supplement the report on an ILO investigation into the living and working conditions of seafarers in the Asia/Pacific region. Both reports are to be submitted for discussion at the Regional Maritime Conference in the Asia/Pacific Region.
China

Dr. Heather Leggate
Professor James McConville
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1. Introduction

China has experienced spectacular economic growth over recent decades with the opening up of the economy to international trade in the late 1970s. The country has succeeded in developing its economy to a level considerably higher than was originally anticipated. Much of the growth is related to fundamental changes in government policy. This was based on the introduction of an increasingly market-orientated economy and the adoption of what is termed an “open door” policy to respond to the huge consumer market embracing a population of approximately 1.2 billion people, all of which has led to increased volumes of international seaborne trade, both in primary and manufactured product. These policies and trends have created an accelerated long-term expansion in the Chinese-owned shipping industry, both in terms of number of vessels and total tonnage. The latter expansion has been an essential element in the progressive development of the seafaring labour force and the institutional framework necessary to underpin such a force.

This paper explores the question of labour issues through discussion with government departments, unions and shipowners, together with analysis of relevant published material. Section 2 puts the subject matter into context by examining the importance of seafaring in China and presents a number of relevant statistics to demonstrate the growth of the industry over recent decades. Section 3 analyses the quality and quantity of seafarers before considering issues related to education and training in section 4. Sections 5 and 6 deal with recruitment and employment, with details of conditions of living and working in particular. Finally policy issues and conclusions are drawn in section 7.
2. **Importance of seafaring in China**

Since the opening up of China from 1978, there have been substantial reforms of the state-owned shipping companies. Market access is a major component of this policy. By 1985, foreign capital could access the market of Chinese international transport in the form of joint ventures. Since then greater liberalization has taken place with foreign shipping companies able to establish independent enterprises in China to engage in normal business activities for their own vessels or joint ventures through bilateral agreements. ¹

The development of Chinese shipping was, until the late 1970s, concentrated on inland waterways and coastal transport. The waterways system was based particularly on rivers – particularly Yangtse (Zhangjiang) and the Yellow (Huanghe) rivers – and coastal region movements. It has been estimated that waterborne cargoes were approximately 254.4 million tons, of which 249.4 million tons, or 98 per cent, was conveyed by river or coastal capacity, with a mere 5 million tons (2 per cent) moved by ocean-going tonnage.

Volumes of trade have continued to grow, together with the capacity for handling such an increase. In 2000, container box throughput of ports rose by 37 per cent to 22.68 million TEU, 20.5 million handled at sea ports and 2.1 million at river ports. International traffic reached 360 million tons of which 330 million were moved through main coastal ports. China has adopted a policy of encouraging direct call of mainline containerships to reduce transhipment in foreign ports and this strategy has worked, with volumes of transhipment in China increasing. ² The handling capacity of its ports has increased to 2.35 billion tons annually and that of containers at ports is 25 million TEU. ³

Over the last 20 years the volume of both internal and ocean-going trade consistently expanded. It has been estimated that between 1980 and 1993 waterborne cargoes increased to some 979.4 million tons in 1993, of which ocean-going vessels conveyed 140 million tons or 40 per cent of the total volume. In the same period the annual average growth rate of whole waterborne cargoes was 6 per cent, but in terms of ocean-going tonnage the average annual rate was substantially higher at 16 per cent. ⁴ China’s present total carrying capacity is more than 50 million deadweight tons.

According to a recent government report, by the end of 2000, China owned a fleet of 2,525 vessels for international shipping with 37 million deadweight tons. Within the figure 1,986 are Chinese-registered vessels with 17 million deadweight tons, making up 46.3 per cent of the aggregate international shipping fleets. An additional 539 ships are registered in open registers, with a deadweight of 19.9 million tons, totalling 53.7 per cent of the total capacity. In 2000, China’s international shipping fleet made up 5.3 per cent of the total

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³ Information from the Chinese Seamen’s Union.

carrying capacity of the world fleet, and container slots accounted for 5 per cent of the aggregate world slot capacity. China holds the fifth place in the world shipping fleet.  

The growth of the Chinese-registered fleet is illustrated in table 1.

### Table 1. Chinese merchant fleets, 1950-2000
(ships of 100 GT and over)

<table>
<thead>
<tr>
<th>Year/Age</th>
<th>Number</th>
<th>Tonnage</th>
<th>Average age</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td>Age</td>
<td>World</td>
</tr>
<tr>
<td>1950</td>
<td>405</td>
<td>816 065</td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>283</td>
<td>567 283</td>
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<tr>
<td>1960</td>
<td>201</td>
<td>402 417</td>
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<tr>
<td>1965</td>
<td>231</td>
<td>511 143</td>
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<tr>
<td>1970</td>
<td>248</td>
<td>867 994</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>466</td>
<td>2 828 290</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>955</td>
<td>6 837 608</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>1 408</td>
<td>10 568 236</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>1 827</td>
<td>12 891 825</td>
<td>17</td>
</tr>
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<td>1989</td>
<td>1 887</td>
<td>13 466 553</td>
<td>18</td>
</tr>
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<td>1990</td>
<td>2 382</td>
<td>14 530 233</td>
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<td>1991</td>
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<td>13 778 233</td>
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<td>1992</td>
<td>2 346</td>
<td>13 899 468</td>
<td>15</td>
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<td>1993</td>
<td>2 510</td>
<td>14 944 999</td>
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<td>1994</td>
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<td>15 826 688</td>
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<td>16 943 220</td>
<td>17</td>
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<tr>
<td>1996</td>
<td>3 121</td>
<td>16 992 863</td>
<td>17</td>
</tr>
<tr>
<td>1997</td>
<td>3 175</td>
<td>16 338 610</td>
<td>18</td>
</tr>
<tr>
<td>1998</td>
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<td>16 503 355</td>
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</tr>
<tr>
<td>1999</td>
<td>2 285</td>
<td>16 314 512</td>
<td>19</td>
</tr>
<tr>
<td>2000</td>
<td>3 319</td>
<td>16 498 790</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Lloyd's Register statistics

In the last half-century the fleet has expanded enormously on both measures, that is in terms of total number of vessels and tonnage. This expansion has been concentrated solely on the later quarter of the century, that is, since 1975. The earlier period witnessed both a decline in the number of vessels and a similar fall in tonnage. Since then these totals have, in the long term, experienced a steady expansion, despite a marginal interruption in 1991 and again more strongly in 1999. As regards average age, over the last decade or more, the fleet has remained very close to the world average. In other words, the fleet is an ageing one, a fact particularly noticeable in the last half-decade, where both the Chinese and the world fleets have shown a gradual increase in average age to 20 years by 2000.

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Table 2. Chinese merchant fleet, 1995-2001
(ships of 300 GT and over)

<table>
<thead>
<tr>
<th></th>
<th>Tankers</th>
<th>Bulk carriers</th>
<th>Container ships</th>
<th>General cargo ships</th>
<th>Passenger ships</th>
<th>Total</th>
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<tr>
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<td></td>
<td></td>
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<td>1995</td>
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<td>318</td>
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<td>966</td>
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<td>1997</td>
<td>424</td>
<td>347</td>
<td>97</td>
<td>1 033</td>
<td>160</td>
<td>2 061</td>
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<tr>
<td>2001</td>
<td>513</td>
<td>333</td>
<td>103</td>
<td>978</td>
<td>180</td>
<td>2 107</td>
</tr>
<tr>
<td>DWT: (‘000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>3 846</td>
<td>9 950</td>
<td>1 653</td>
<td>6 941</td>
<td>173</td>
<td>22 564</td>
</tr>
<tr>
<td>1997</td>
<td>3 778</td>
<td>10 974</td>
<td>1 703</td>
<td>7 096</td>
<td>188</td>
<td>23 739</td>
</tr>
<tr>
<td>2001</td>
<td>3 926</td>
<td>10 839</td>
<td>1 761</td>
<td>6 135</td>
<td>218</td>
<td>22 879</td>
</tr>
<tr>
<td>% DWT world fleet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>1.4</td>
<td>4.5</td>
<td>4.3</td>
<td>6.9</td>
<td>4.0</td>
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<td>3.5</td>
<td>7.1</td>
<td>3.9</td>
<td>3.3</td>
</tr>
<tr>
<td>2001</td>
<td>1.1</td>
<td>4.2</td>
<td>2.6</td>
<td>6.2</td>
<td>4.0</td>
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<td>Average age</td>
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<tr>
<td>1995</td>
<td>17.4</td>
<td>17.6</td>
<td>11.8</td>
<td>19.5</td>
<td>15.0</td>
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<tr>
<td>1997</td>
<td>18.2</td>
<td>18.1</td>
<td>12.1</td>
<td>20.4</td>
<td>16.5</td>
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<td>22.0</td>
<td>13.7</td>
<td>23.7</td>
<td>20.1</td>
<td>22.1</td>
</tr>
</tbody>
</table>

1 Average age of the world fleet: 1995: 17.3 years; 1997: 17.8 years; 2001: 18.4 years.

Table 2 shows the contemporary fleet in more detail over the last five years, and includes vessels over 300 GRT. In terms of the number of vessels, general cargo ships comprise approximately 50 per cent of the total. These are obviously small-sized vessels because in tonnage terms the tanker and bulk carriers constitute, throughout the period, 60 per cent of the total tonnage. As a percentage of the world fleet, Chinese vessels comprise some 3 per cent, but within some sectors the proportion is considerably higher, the obvious example being general cargo ships. Given the dominance that China now has as a world trader, the fleet is expected to double its present foreign ocean-going fleet by 2007 or increase by 10 per cent per year.6

As shown in the previous table, there can be little doubt that the fleet is ageing throughout the period, further it has always been in excess of the world average. Only container vessels come into the category of comparatively young tonnage, with general cargo ships being substantially older. This sudden increase in the average age experienced in 2000 may be due to the lack of investment and contraction in 1999 noted in the previous table.

The fleet is currently dominated by two major shipping companies, China Ocean Shipping Company (COSCO) and the China Shipping Group (CSG). COSCO currently operates some 600 vessels, of which 160 fly the flag of an open register, mainly Panama. The reasons for the use of foreign flags are both financial and political. COSCO receives

substantial amounts of foreign investment for some of their new buildings projects, subject to the condition that they will be registered in a particular country. Politically, some of the vessels have to be non-Chinese registered because of trading with Taiwan, (China). The other major company is the CSG which has a fleet of 400 vessels, with a small percentage which fly a foreign flag.

Characteristics and trends of the fleet observed in the previous analysis appear to lay the foundations for the ninth five-year plan 2000-01. Its core statement for shipping is “to be developed into one with large-size ships as the main feature and gradually form a fleet for international shipping of fairly powerful competitive capacity with rational allocation of large-, medium- and small-sized tonnage structure which may satisfy the market demand”. The plan cites five basic criteria in what is termed the “development orientation of planning capacity for international shipping”. The first criteria marginally repeats in more detail the core criteria.

The five criteria are as follows:

(1) to keep the advantages of the bulk carrier scale of China, develop appropriately large-size bulk carriers, strengthen cooperation with cargo owners, occupy the market and improve market competitive capability through alliance of shipping enterprises and relevant specialized enterprises;

(2) to develop oil-tanker fleets and expand oil-cargo-carrying capacity, and on the basis of increase of contractual cargo volume, to develop 200,000-300,000 tonnage large oil-tankers so as to speed up the improvement of oil-tanker scale structure;

(3) to form some international container transport fleets with international competitive capability and their matching near-ocean feeder fleets, and develop some large container vessels with the carrying capacity of 4,000-6,000 TEUs;

(4) to establish an LPG ship fleet of appropriate scale and speed up founding of an LNG ship fleet on a scale appropriate to the volume of imported LNG; to establish long-term co-operation with cargo owners; and

(5) to improve gradually the ship age structure of the fleet and raise the carrying capacity scale level of shipping companies; encourage ship replacement, eliminate over age ships. 

The important role of seafaring is clear from the above analysis with trading patterns necessitating increasing amounts of tonnage. Furthermore, China is committed to improving its tonnage by investing in newer and more specialized vessels.

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3. An analysis of seafarers

In 1989 the Chinese Maritime Authorities stated that:

- there is a total of 280,000 Chinese seafarers, mainly serving on board more than 1,300 national ships totalling 12 million gross tons. Accumulatively, 20,000 Chinese seafarers have been employed on board foreign ships since China began to carry out her reforms and open policy in 1979. We have established comparatively steady and amicable business relations with more than 80 shipping companies from developed shipping countries. Presently, some 4,000 Chinese seafarers are serving on board foreign ships.

Twelve years on, the Ministry of Communications estimated that there are currently some 500,000 seafarers in China, an increase of nearly 80 per cent, with 340,000 (68 per cent) engaged on domestic shipping and 160,000 (32 per cent) on foreign-going ships. Of these, 40,000 are employed on foreign-flagged vessels which represents a tenfold increase on the 1989 figure.

The COSCO group estimate their split between ratings and officers as 46 per cent ratings, 54 per cent officers. CSG put the ratio at 50:50. They both agree that seafaring in China is very much a young man’s occupation. The average age of ratings is thought to be 41 years and that of officers 39 years, with very few over 50 years of age. Male domination is such that the only women employed are stewardesses on cruise vessels but this is not due to any form of discrimination. Indeed, universities are eager to promote women seafarers. Shanghai University, for example, offers classes especially for women in the hope that their recruitment will encourage recruitment of men. There are currently around 24 women taking maritime courses at the university.

One of the problems for the industry is the relatively short-lived career of many seafarers, with an increasing preference for land-based occupations. Approximately 20 per cent of maritime graduates are employed by land-based industries, and many officers go ashore after five to eight years at sea. Consequently it is a profession no longer confined to those from coastal towns and cities but inland agricultural areas, particularly in the case of ratings.

Both COSCO and CSG operate their own manning agencies which specialize in crewing issues. In COSCO this is split into four sections: the crew department making policy regarding safety and development strategy; the salary standards department; the education section involved with training schedules for COSCO seafarers; and the senior talent section for senior management training (masters and chief engineers). The company handles a total of 42,000 seafarers, 26,000 (62 per cent) connected with the COSCO fleet and a further 16,000 (38 per cent) with foreign shipowners. These numbers represent seafarers available for work on board. At any one time there would be 18,000 (43 per cent) on board vessels, consisting of 10,000 on COSCO ships and 8,000 on foreign-owned vessels.

The China Marine and Seamen Service Corporation (MASES) is the manning section of CSG and deals with some 20,000 seafarers, of which 4,000 are employed on foreign-flagged vessels. It now deals with over 80 shipping companies in nearly 20 countries and regions in Asia, Europe and North America providing seamen of various ranks for all types of vessels.

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The majority of seafarers belong to the Chinese Seamen’s Union, which estimates their membership at 400,000 (excluding river workers). This also includes some 40,000 workers on foreign-flagged vessels employed by the large manning corporations. The union estimates the seafaring workforce as 88 per cent unionized.

The statistics show a marked increase in the numbers of seafarers over the last decade. This trend will continue with the expansion of the national fleet, and raises some questions concerning recruitment, which are discussed further in section 5.
4. **Education and training**

China is committed to education and training, and makes available substantial resources for this purpose. Some 4,000 staff specialize in the field of maritime education and 60 per cent of these have both teaching and maritime qualifications. There are seven schools of higher education which have a specialist maritime department, the two major schools being Dalian and Shanghai Maritime Universities. Both these institutions take students from a wide geographical area and, such is their popularity all courses are oversubscribed. Students are only admitted to university on successful completion of an entrance examination. Those accepted are thus very committed and failure rate is low. In addition there are 18 intermediate schools specializing in maritime education, and a further 43 specialized training centres. Some 5,000 students graduate from all these centres each year, the majority of whom become officers on board ships.

The structure of education is laid out in the appendix. There are basically three types of training. The first is a general training scheme which involves four years of college as laid down by the educational committee of China. The initial 18 months is spent in the classroom concentrating on core subjects such as maths and physics. This is followed by six months of on-board training. Specialized courses are then provided for the next 18 months before the final six months on board a vessel.

The second type is occupational education offered by the shipping companies themselves, of which COSCO is the main supplier. Such specific training takes up to three years. COSCO has an education department in the group and branch companies where 9,000 COSCO seamen receive training annually and there are 900 cadets (deck and engine). The drop-out rate for cadets is very low at only 3-4 per cent. CSG runs the China-Norway Seafarer Joint Training Centre, Shanghai, in cooperation with the Norwegian Shipowners Association to train ships officers. On graduation the officers serve on board Norwegian vessels. Finally there is adult training which is focused on ratings who wish to become officers and which takes two years.

The Maritime Safety Administration (MSA) is directly responsible for the quality of education and training and sets the examinations. However, the Ministry of Communications, through a national committee, also oversees the general quality of education in universities and schools. One of the areas they are currently examining is the teaching of English. The Chinese are committed to improving the standard of English due to the deepening reforms and opening up of China to the rest of the world, the requirement of seafarers on foreign-going vessels, and as essential education for shore-based employment. “Incompetency in English communication has always been recognized as a barrier for integrating Chinese seafarers into international crews, which appears to be breaking down as education and training in China have been improved.”

The Ministry therefore requires universities to give specialist courses in English and there is a requirement for 20 per cent of courses to be conducted in that language. They recognize that students have the reading skills but are deficient in oral and aural communication. In addition, Dalian University is working in cooperation with Maersk to provide intensive English courses. The students are then sent to Maersk ships in Singapore, an initiative which has produced 20 cadets on board Maersk vessels. The universities also operate a scheme with the Norwegian Shipowners’ Association which has led to the

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employment of 300 cadets on Norwegian vessels. Other forms of collaboration have also been established with companies operating specialized ships.

The International Maritime Organization (IMO) has recently sent in four maritime experts to assess the English training programmes through on-site evaluation. The report is pending, but it is felt that educational institutions needed to re-examine teaching methods in order to improve effectiveness.
5. Recruitment and employment

There is a general principle of recruiting according to the needs of the Chinese industry. However, seafaring appears not as attractive a career as previously. Consequently there appears to be a shortage of officers at junior level and this presents a recruitment problem, particularly for the smaller shipping companies. Whilst it is still possible to recruit officers from the coastal regions, many ratings now originate from inland agricultural regions where there are high levels of unemployment.

The MSA is responsible for all certificates in China (ISO 97). A seafarer requires a Chinese certificate to sail on a national vessel unless in possession of a certificate from another recognized authority (IMO White List). No foreigners can work on Chinese-registered vessels without approval from the authorities. Such authorization is very rare in practice.

Recruitment of seafarers is carried out through the manning agencies of the large companies such as COSCO and CSG, as discussed in the previous section. There are a small number of other manning agencies for recruitment to foreign-flagged vessels and these have to be authorized by the Government.

An increasing number of Chinese seafarers are developing a preference for working on foreign-owned vessels, the primary reason being because of the more attractive wage levels (often 50 per cent higher) which are free of tax. The employment of these overseas workers is supervised by the China Coordination Council for Overseas Seamen Employment (COSE) established in 1989 with the approval of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). This is a branch of the China International Contractors’ Association (CHINCA). They are responsible for the annual deployment, approved by the Chinese Government, of 40,000 seafarers to 54 companies with vessels on registers based in Greece, Hong Kong (China), Japan, North America, Norway, Singapore, Taiwan (China), and the Republic of Korea.

COSE was founded in 1989 as a legal and voluntary trade organization composed of corporations and enterprises engaging in the activities of providing overseas seafarer. It has a coordination, guidance and consultation function to assist the relevant government institutions in coordinating and monitoring the activity of overseas seamen employment. The guidance that they provide includes technical training, knowledge of the country, specific operational standards and requirements of the company. It handles matters of international concern on behalf if its members and is concerned with the legitimate interests of the seafarers. As part of the process, it actively establishes and strengthens business links with its counterparts at home and abroad and promotes cooperation between its members and foreign shipowners.

The foreign shipowners contact COSE directly and the rules are established. The seafarers themselves are employed through the manning agents who are members of COSE for which the manning agent receives up to 12.5 per cent of the salary.

Both COSCO and CSG are aware of the attraction of employment on foreign-flagged vessels because of higher wages. Foreign owners expect high standards of English and even like to interview crew before taking them on, to ensure that the level of English is acceptable. Approximately 10 per cent of seafarers on the books of COSCO work on both Chinese-owned and foreign-owned vessels but the foreign owners are trying to develop a pool of workers for their own ships. Agreements have been set up with shipowners’ associations of Singapore and Norway and shipping companies with ships registered in Panama, Hong Kong (China), Malaysia, Malta and Gibraltar. CSG estimate an annual
increase of 5 per cent Chinese seafarers working on foreign vessels. One authority confirms this trend arguing “that Chinese seafarers are the obvious long-term alternative to those from the Philippines. Actually, according to a latest study done by the Chinese Government, it is forecasted that, by the year 2010, the supply of Chinese seafarers to foreign ships will rise to 60,000, of whom 32,000 will hold officer qualifications”. 10

Although problems have been encountered for these overseas workers, particularly regarding non-payment of wages, COSE requires that dispatching companies make all efforts to settle disputes. They seldom encounter other problems with living and working conditions, since they do preliminary research before accepting the shipowners as a partner.

Given the predicted expansion in the Chinese fleet, the number of seafarers should, by definition increase. This presents a recruitment problem given the preference for land-based employment, on the one hand, and for employment on foreign-flagged vessels, on the other. Although this problem is by no means acute, the trend is already in evidence and raises some interesting policy implications for the Ministry.

10 ibid., p. 297.
6. **Contracts and conditions of employment**

There are a number of statutory standards for contracts of employment under the Labour Law, 1995. Within this there are specific regulations relating to the contract of employment for Chinese seafarers on Chinese-registered vessels which are detailed as follows:

- 111 days rest per year (five working days, plus two days per week, plus statutory holidays);
- time limit on watchkeeping hours to prevent fatigue;
- within a 24-hour period, there should be at least ten hours of rest, at least six of which should be consecutive;
- average working hours in one day should be a maximum of 12 (STCW Conventions);
- double pay if having to work during a holiday;
- there is supervision of the shipping companies to make sure these regulations are enforced;
- complaints go through the trade unions; and
- local government in charge of labour affairs is responsible for inspection of the companies. They would do an annual inspection, including an examination of records of hours.

The Chinese shipping companies themselves ensure compliance with these minimum standards and often provide better terms and conditions. COSCO has a standard contract for fleets which is monitored by the Government but offers more favourable conditions than the minimum laid down by the authorities in terms of standards of safety, compensation, working conditions and leave. COSCO employees receive an employment contract with the COSCO group, which is for eight years, ensuring continuity of employment. Under this contract, seafarers continue to receive pay and benefits through the welfare system during the time away from the vessel, but obviously receive a higher wage when actively employed on the vessel and a minimum when on leave.

CSG seafarers have permanent contacts with the corporation which are valid until retirement. This means a continuous enjoyment of welfare benefits, housing benefit, education and training even if not on board.

Chinese seafarers working on foreign vessels receive a separate service contract which covers the period of work for the foreign company. Workers on CSG vessels are not paid the same amounts as those on foreign vessels but are entitled to additional benefits.

Before 1990, the Government set the wage scales. Since then the company sets them according to government guidelines, with allowances for different types of vessel. It was difficult to ascertain the actual levels but it appears that they are not on a par with rates on foreign vessels. The benefits, however, are attractive, including a special pension scheme for seafarers. Seafarers make the same contributions as everyone else but get a 40 per cent higher benefit than land-based workers (if employed on international vessels) or 20 per cent higher (if employed on coastal or inland waterways vessels). To benefit from the scheme the seafarers must work on board for 15 consecutive years or 20 years non-consecutive. The pension provisions also apply to seafarers on foreign-flagged vessels.
As a result of their commitment to quality working conditions, the Ministry in 1991 published regulations relating to the protection of seafarers, which are primarily safety related. There are no specific regulations on food and accommodation, but the Ministry specify that US$10 per day per person is the usual quota allowed for a seafarer. The newer ships have better living conditions and deep-sea vessels have better facilities particularly for entertainment and leisure. The contract with the shipping company itself often regulates food, accommodation and living conditions. In addition, collective bargaining agreements (CBAs) cover hours of work, wages, responsibilities and leave and are signed by 90 per cent of companies.

Inspection of living and working conditions is carried out by the shipping companies themselves and the trade unions. The Chinese Seamen’s Union sends out regular teams to assess living conditions and will inspect in the event of a complaint. The CSG have random inspections of vessels, especially in Chinese ports, and there is an established complaints procedure which allows the seafarers to make representation about any issues of concern. Interestingly, the majority of such complaints are about food.

COSCO operates a comprehensive quality assurance procedure for the group and branch operations. Scheduled inspections take place both on board ship and in ports. Reports of inspections are monitored through the officers and expert inspectors monitor safety and living and working conditions. Complaints are dealt with by the trade union representative on board. If the seafarer is still not satisfied he can submit a report to the branch company.

Conditions on foreign vessels are more difficult to control and monitor. Living and working conditions will vary from company to company. The manning agencies, through the COSE, insist on basic conditions for safety and living conditions. As previously discussed, the companies are surveyed and researched by COSE before establishing agreements with the companies. If the ship calls at a Chinese port, inspection of the living conditions may take place.
7. **Policy issues and conclusion**

The study has sought to examine the development of seafaring in China; an aim achieved by analysing the issues reflected in the institutional arrangements in both the indigenous and the international industry operators. The Chinese maritime industry is energetically engaged in reshaping itself in response to the new economic reality, rapid changes in trade patterns and technology, which have been superimposed on its contemporary shipping aspirations.

There is commitment by all parties to high standards for their seafarers and China is anxious to promote this quality in the international arena. In the latter respect, concerns have been expressed about language skills and the need for improvement in this area is firmly recognized. Another issue is the short careers of many seafarers. The majority are only at sea for up to eight years and, given the investment in education and training, the return may well fall short of expectations.

The question of competition evoked a mixed response. The Ministry of Communications and the major shipping companies did not consider Chinese seafarers as a potential major supplier to the world fleets because of its own substantial fleet requirements. This opinion was not shared by COSE which actively promoted Chinese seafarers on foreign-flagged vessels and saw the numbers as increasing substantially. As the economy opens its borders, wage levels will theoretically equalize and the attraction of foreign-flagged vessels may eventually lessen.

China’s position as a major international maritime nation has been gradually secured over recent decades. It further aspires to increasing the quantity and quality of both its fleet and seafarers. These aspirations have been made explicit by the inclusion of the new five-year plan combined with additional long-run commitments, all of which recognize the essential international characteristics and potential opportunities offered by the industry and to its primary factor, labour.
Appendix

Services on Board

18 Months

- OS 6 months
- AB 12 months
- Cadet 18 months
- 3/0, 4E 18 months
- 2/0, 3E 12 months
- C/O, 2E 3 months
- Master C/E
- C/O, 2/E 12 months
- C/O, 3E 18 months
- 3/O, 4/E 12 months
- Cadet

National Examination for Certification of Competency for Seafarers

- 2 years Professional

Training Courses

- 2 years
- Higher Learning Courses
- 4 years
- 5 years

3 years Courses

4 years Courses

High School

9 years Compulsory Education
India

Dr. Heather Leggate
Professor James McConville
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1. Introduction

The purpose of this study is to identify, describe and analyse current and prospective issues for the Indian seafaring labour force and its allied organizations. This has been achieved with the use of both qualitative and quantitative techniques to assist in classifying the relationships within this important field of activity.

India is both a traditional flag State and major supplier of labour, specifically officers, to the world fleet. The Indian register in 2000 consisted of 392 vessels totalling over 6.4 million GRT or 10.8 million DWT \(^1\) (see table 1), with a recent market capitalization of Rs15 billion comprising approximately 20 companies. The state-owned Shipping Corporation of India is by far the largest, accounting for almost half the value of the sector. The other major companies are Great Eastern Shipping and Essar Shipping. Some 87 per cent of Indian-owned vessels are registered under the home flag, which is divided into domestic or home trade and deep-sea trade. Indian-registered vessels employ strictly Indian nationals as both officers and ratings. However, a considerable number of seafarers, particularly officers, are employed in foreign-flagged vessels on various international registers. This preference for working on board foreign-flagged vessels results ostensibly from the tax benefits afforded to Indians claiming non-residency.

Table 1. Indian fleet profile (ships of 150 GRT and above)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of ships</th>
<th>GRT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>59</td>
<td>192 000</td>
</tr>
<tr>
<td>1951</td>
<td>94</td>
<td>372 378</td>
</tr>
<tr>
<td>1956</td>
<td>126</td>
<td>479 880</td>
</tr>
<tr>
<td>1961</td>
<td>172</td>
<td>857 833</td>
</tr>
<tr>
<td>1969</td>
<td>221</td>
<td>1 540 476</td>
</tr>
<tr>
<td>1974</td>
<td>274</td>
<td>3 090 236</td>
</tr>
<tr>
<td>1980</td>
<td>375</td>
<td>5 544 000</td>
</tr>
<tr>
<td>1984</td>
<td>428</td>
<td>6 318 529</td>
</tr>
<tr>
<td>1992</td>
<td>412</td>
<td>5 906 979</td>
</tr>
<tr>
<td>1993</td>
<td>440</td>
<td>6 276 618</td>
</tr>
<tr>
<td>1994</td>
<td>442</td>
<td>6 279 386</td>
</tr>
<tr>
<td>1995</td>
<td>451</td>
<td>6 555 149</td>
</tr>
<tr>
<td>1996</td>
<td>479</td>
<td>7 100 025</td>
</tr>
<tr>
<td>1997</td>
<td>481</td>
<td>6 915 564</td>
</tr>
<tr>
<td>1998</td>
<td>480</td>
<td>6 787 823</td>
</tr>
</tbody>
</table>

Source: Ministry of Shipping.

This paper explores the question of labour issues through discussion with government departments, unions, and shipowners, together with analysis of relevant published material. For those not acquainted with the complexities of Indian seafaring it is important to distinguish between these various elements and to examine the organizational and behavioural characteristics of each. Hence, section 2 examines the maritime institutions,

which have responsibility for labour issues. A quantitative analysis is presented in section 3 with an examination of the numbers and implications for demand and supply of both ratings and officers. Sections 4 and 5 consider the qualitative aspects of age, training and qualifications and sections 6 and 7 examine the occupational factors of wages and methods of employment. The various common factors which underlie these areas of discussion have important policy implications which are presented in section 8. Conclusions are then drawn in the final section.
2. Maritime institutions

Effective legislation and collective agreements for seafarers working on Indian vessels has been established through the cooperation of major players: the Government (Ministry of Shipping and Director-General of Shipping); the Indian National Shipowners’ Association (INSA); the National Union of Seafarers of India (NUSI); the Forward Union of Seafarers of India (FUSI); and the Maritime Union of India (MUI).

The **Directorate General of Shipping (DG Shipping)** is a statutory authority appointed under the Merchant Shipping Act, 1958 and is responsible for implementing the provisions of the Act. The structure of the Directorate is shown in box 1. As may be seen, the mercantile marine departments, shipping offices in Mumbai and Kolkata, and certain training institutes² come under the aegis of the department. The shipping offices are responsible for supervising the engagement and discharge of seafarers and the issue of continuous discharge certificates (CDCs) for those persons eligible under the Act.

![Diagram of the Director-General of Shipping](source: Directorate General of Shipping)

The **National Maritime Board** exists for ratings –

to secure closer cooperation and providing joint negotiating machinery between shipowners/employers and union(s) representing Indian ratings holding CDCs and/or registered with the Seamen’s Employment Offices and engaged on Indian Foreign Going Articles of Agreement or other Indian Government-approved crew agreement. Its objective is the:

(a) prevention and adjustment of differences between shipowners/employers and ratings;

² Lai Bhadur Shastri College of Advanced Maritime Studies and Research, Mumbia, Marine Engineering and Research Institutes at Kilkota and Mumbai, and Training Ship “Chanakya” Mumbai.
(b) establishment and revision of rates of wages and other conditions of service and maintenance thereof;

(c) consideration of such other matters of common interest as may be mutually agreed upon from time to time; and

(d) maintenance of harmonious industrial relations. ³

The Board consists of an equal number of members representing shipowners/employers and ratings’ unions. The Indian National Shipowners’ Association nominates nine members of which three are representatives of foreign shipowners/employers using Indian ratings. These are determined in consultation with the Maritime Association of Shipowners, Shipmanagers and Agents (MASSA). The shipowners/employers’ side decides periodically which union is most representative of Indian ratings for the purposes of collective bargaining. Currently, the nine members on the seafarers’ side consists of six from the National Union of Seafarers of India (NUSI) and three from the Forward Union of Seafarers of India (FUSI).

The decisions made by the Board cover all areas of living and working conditions such as safety, accommodation, food, wages, overtime, leave, all of which are included in their summary of agreements. ⁴

The Indian National Shipowners’ Association represents 70 per cent of total Indian shipowners and 85 per cent of deep-sea shipowners. The president is chosen from the body of the membership to serve for two to three years, and is currently Mr. S.J. Mulji of the Great Eastern Shipping Company Limited.

The National Union of Seafarers of India (NUSI) and the Forward Union of Seafarers (FUSI) are the two ratings’ unions in India. NUSI, which was established in 1896, have the majority membership in Mumbai and FUSI the majority in Kolkota. NUSI has no political affiliations and a membership of 52,207. Its membership structure is shown in table 2.

<table>
<thead>
<tr>
<th>Table 2. Membership structure of NUSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty officers 3 500</td>
</tr>
<tr>
<td>Deck 14 115</td>
</tr>
<tr>
<td>Engine-room 6 869</td>
</tr>
<tr>
<td>Catering 7 428</td>
</tr>
<tr>
<td>Others 19 295*</td>
</tr>
<tr>
<td>Total 51 207</td>
</tr>
</tbody>
</table>

* Young recruits not allocated.
Source: NUSI head office.

Members of the union pay subscriptions per voyage, $8 for Indian-flagged vessels and $15 for foreign-flagged vessels. The Union has considerable funds, which enabled it to establish its own substantial maritime training centre. The NUSI Maritime Academy based in Goa functions under the auspices of the ITF/NUSI Welfare Trust for Indian Seafarers. The Academy is designed to provide pre- and post-sea training course in all areas including those mandatory units required by the Standard of Training, Certification and


⁴ ibid.
Watchkeeping (STCW) 95 Convention of the International Maritime Organization (IMO). It has a capacity to train 400 seafarers per intake which, given the four-month duration of the course, means that 1,200, can be trained annually. It should be stressed that the Academy does not currently recruit to its full capacity because NUSI is conscious of the oversupply situation in the ratings market (see section 3).

FUSI represents approximately 80,000 ratings holding Indian CDCs, and is considered the more radical of the ratings’ unions. The distribution of its membership is shown in table 3.

**Table 3. Membership of FUSI**

<table>
<thead>
<tr>
<th>Category</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty officers</td>
<td>6,000</td>
</tr>
<tr>
<td>Deck</td>
<td>30,000</td>
</tr>
<tr>
<td>Engine-room</td>
<td>18,000</td>
</tr>
<tr>
<td>Saloon (catering)</td>
<td>26,000</td>
</tr>
<tr>
<td>Total</td>
<td>80,000</td>
</tr>
</tbody>
</table>

Source: FUSI executive in Mumbai.

The union estimates that there are currently around 32,000 jobs available for these ratings, mostly based in Mumbai and Kolkata, with a smaller number in Chennai.

The union is in the process of establishing a code of conduct for its membership to maintain discipline on board. The standard set of requirements of the individual member covers:

(1) being under the influence of alcohol on board (drink is prohibited on board except with the permission of the master);
(2) manhandling;
(3) incapable of giving output; and
(4) indulging in thieving or smuggling.

If the code were broken by any member, collective support would be withdrawn, but no disciplinary action would be taken.

The *Maritime Union of India* (MUI) established around 60 years ago is the only union representing officers in India. It is a democratic organization with all union officials elected every two to four years. Members pay a subscription of $12 per year. Its membership consists of 8,000 officers on foreign-flagged and 4,000 on Indian-registered vessels. The split between junior and senior officers may be seen in table 4.

**Table 4. Junior and senior officer distribution**

<table>
<thead>
<tr>
<th>Category</th>
<th>Indian flag</th>
<th>Foreign flag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior officers</td>
<td>1,500</td>
<td>3,500</td>
</tr>
<tr>
<td>Junior officers</td>
<td>2,500</td>
<td>4,500</td>
</tr>
<tr>
<td>Total</td>
<td>4,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Source: MUI estimates.
There are three types of agreement covering foreign, “home trade” and deep sea (Indian flag). Home trade officers may have a certificate only for home trade but these are now being phased out and replaced by a new system of near coastal voyage certificates (NCVs) which appears to be broadly defined.

Other Indian officers may be members of other unions such as the United Kingdom-based National Union of Marine, Aviation, Shipping and Transport (NUMAST). The MUI estimated that there are some 2,500 Indian seafarers on Indian-flagged vessels who are members of these other unions.

This is a broad description of the actors and organizational structures, which underpin labour negotiations and policy. Later sections of this report discuss the role that they play in the broader employment arena.
3. **Numbers of seafarers: Demand and supply**

There is currently no accurate published assessment of the numbers of Indian seafarers deployed or active within the industry. A register of ratings was previously maintained by the Seamen’s Employment Office (SEO) but ceased to operate in 1997 as a result of structural changes. Two different estimates were provided by the Directorate General of Shipping and Shipowners’ Association (INSA) which is compared with the various union memberships. These are shown in table 5.

**Table 5. Numbers of Indian seafarers by source**

<table>
<thead>
<tr>
<th>Officers</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>DG shipping</td>
<td>24 000</td>
</tr>
<tr>
<td>INSA</td>
<td>21 000</td>
</tr>
<tr>
<td>MUI</td>
<td>12 000</td>
</tr>
<tr>
<td>NUSI</td>
<td>51 207</td>
</tr>
<tr>
<td>FUSI</td>
<td>80 000</td>
</tr>
</tbody>
</table>

The Directorate General of Shipping estimates that there are 24,000 officers, comprising 13,000 deck and 11,000 engine officers. Only 12,000 are members of the Maritime Union of India but as previously discussed other unions are used. The Shipowners’ Association (INSA) put the total officers at 21,000. There is a consensus however, between the Government, unions and shipowners that 70 per cent of officers are employed on foreign-flagged and 30 per cent on Indian-flagged vessels.

The number of ratings who are members of the Indian unions is expected to be high because of the key role played by them in collective bargaining. Table 5 shows 51,207 members of NUSI and approximately 80,000 members of FUSI but it is not known how many seafarers have dual membership. Thus, it can be assumed that the ratings figure must be at approximately 80,000 or more.

In order to obtain a more accurate assessment of numbers, the Directorate General of Shipping is about to introduce a database of seafarers built on training certificates. Any Indian citizen who has obtained a certificate from an Indian college will be given an “INDOS” number (Indian database on seafarers). However, as there is no means of eliminating seafarers who are no longer active from the database, it will merely represent a cumulative total of all those who, at some time in their lives, have received seafarer training in India.

3.1. **Demand and supply**

With, as assumed, over 80,000 ratings attempting to secure one of the estimated 32,000 jobs, there is a substantial surplus of manpower in this area. This situation is likely to be aggravated by the continual increase in the issue of CDCs. Some union representatives argued that the issuance of the certificates should reflect the employment opportunities and potential vacancies. Ratings have a preference for employment on Indian-flagged vessels because of the favourable terms and conditions of employment. However, at present the assumption is that as many as 40 per cent of their number are, of
necessity, securing employment on foreign-registered vessels in response to the excess supply situation.  

The officer situation is radically different in that employment on foreign-flagged vessels is more attractive. This is a direct result of the favourable income tax provisions which exist. Indian citizens living outside India (or its territorial waters) for 182 days or more are considered non-resident for income tax purposes. Non-residents who receive their income outside India are not subject to income tax. Thus, whilst an officer working on a foreign-flagged vessel pays no tax, an officer earning a comparable salary on an Indian-flagged vessel is subject to tax at the normal rate, and is therefore disadvantaged. These tax provisions are considered in more detail in section 8.

Although a shortage of officers was not anticipated because wages are high relative to other forms of employment in India, there was potential for a shortage of quality officers, because the better qualified officers are seeking more remunerative employment in foreign-flagged ships. The potential responses to this situation may be either to increase wages on the Indian flag, to offer the same non-resident tax concessions or, alternatively, to employ foreign officers. Tax concessions and a relaxation of foreign seafarer restrictions would, of necessity, require statutory changes.

In the international seafarers’ labour market the competition is becoming increasingly fierce, a fact appreciated by the Government, shipowners and unions. However, all these organizations emphasized that the Indians had aimed for a high-quality and disciplined workforce. Fluency in the English language was also an important factor. Indian-owned vessels under non-Indian flags have experimented with other nationality officers, particularly Croatians, and found their command of English inadequate for the communication skills required at that level. These quality issues are explored further in sections 4 and 5 below.

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5 FUSI estimate.

6 The tax position is considered more fully in section 8.
4. **Age profile**

Contrary to the situation in many of the OECD countries, seafaring in India is very much a young person’s occupation, particularly for officers. Both the shipowners and union recognize a sharp break in employment between 36 and 40 years of age when many officers go ashore to take up other forms of employment. Because of the high turnover, it is possible to become a master by the age of 29. On average, the officers’ union MUI estimated the senior officer age range to be 40-50 years and the junior officer 25-40 years. The main reasons behind this young “retirement” age are sociological and traditional, based on the importance of extended family commitments. The high-earning power during the short sea career enables the officer to accumulate sufficient funds to work ashore, presumably in a less highly paid position. The situation differs on home trade or coastal shipping where the age profile is much higher with many seafarers continuing to the age of 60 years. This fits the family argument, since such seafarers would not generally spend excessively long periods away from home.

Ratings are thought to have a higher average age, particularly those working on Indian-flagged vessels where FUSI estimates an age range of 20-60 years. On foreign-flagged vessels, however, ratings generally retire earlier, at 44; as a result, it is suggested of the more arduous working conditions on these vessels. There also appears to be little movement of seafarers between the flags; in other words, there is no evidence of seafarers seeking employment on Indian-flagged vessels on reaching the age of 44 years.

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7 No hard information was available (published or otherwise) on age distribution; hence these are all estimates or opinion.


9 Opinion of ratings’ unions.
5. Qualifications and training

To gain employment on board an Indian-registered vessel, all seafarers must be Indian citizens and in possession of valid certificates (tickets and other documents) issued by the Indian Administration.

5.1. Officers

Prospective officers are required to be graduates possessing a science degree, in the case of a deck officer, or an engineering degree in the case of an engineering officer. A science degree has a duration of three years compared to the five years for an engineering degree. MUI estimates that only 10 per cent are now non-graduates who have obtained the relevant certification based on their other professional experience. A small minority is made up of ratings or petty officers who sit the professional examinations after years of sea experience. Degrees in nautical science and naval architecture are a relatively new innovation in India but receive no exemptions from the professional qualifications.

Graduates must register as cadets or trainees, securing training and necessary sea-time experience before being allowed to sit the professional examinations. This applies to both deck and engine officers.

The Directorate General of Shipping now makes provision for individuals holding certificates of competence (COCs) from countries included in the International Maritime Organization (IMO) White List to obtain CDCs from the Indian Administration.

5.2. Ratings

The prerequisites for a rating’s CDC is a school-leaving certificate, knowledge of Indian (usually Hindi) and English, and the completion of pre-sea training from an institute approved by the administration. Ratings must be 18 years of age or over.

There are currently 96 training institutions in India, the majority concerned with the basic STCW 95 courses.

The Government is responsible for the quality assurance of all the training institutions for both ratings and officers. In order to facilitate this procedure, three major maritime districts have been designated, Kolkata, Mumbai and Chennai. Each of these has a principal officer of a Mercantile Marine Department, with an academic council comprising industry and government representatives. They have an obligation to ensure that each training facility meets the necessary standards and has a responsibility for continuous inspection.

As far as officers are concerned, the individual usually pays for the training but there is some company sponsorship of cadets and professional courses. The cost of a four-month basic training course for ratings is $1,500, a cost which is usually met by the individual trainee. However, at the NUSI Academy this cost is subsidized.

It is clear that training and quality control are taken seriously by both the Government and maritime institutions. This is consistent with the central strategy of producing quality labour, not only for the benefit of own-flag vessels, but also for the wider international officer market.
6. Wages

There is a general perception that Indian seafarers are employed at the higher end of the international wage scale, as a reflection of the high quality of the workforce. However, on more detailed scrutiny, whilst this may be true in the case of ratings, it must be questioned in relation to officers.

6.1. Ratings

Ratings enrolled on Indian-flagged vessels have their wages determined by the National Maritime Board. The last wage revision was on 1 April 2000 effective to 31 March 2002. The agreements cover minimum monthly basic wages, fixed and variable shipboard allowances (bonus, overseas and tanker allowances) and overtime. The basic wages are increased by 10 per cent for continuous periods of articled service between the first day of the 11th month and the last day of the 12th month. The basic wage is further increased by 25 per cent for continuous period of articled service from the first day of the 13th month.\(^\text{10}\)

Ratings working on board foreign-flagged vessels are either covered by the International Transport Workers’ Federation (ITF) Terms and Conditions Contract (TCC) agreement where this is applicable. In other cases the union recommends the ITF wage with the ILO as a minimum acceptable rate.

On certain foreign flags, there is some suggestion of the existence of fraudulent activity, whereby seafarers are encouraged to sign receipt of the ITF wage but in fact receive a lesser amount. It was generally held by unions that Indian ratings would refuse to be party to such a decidedly questionable activity.

6.2. Officers

There is no standard wage for officers and they are known to vary according to the vessel registration. The differentials for a master/chief engineer estimate by MUI are given in table 6.

Table 6. Officer wages ($ per month)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ITF</td>
<td>$3,899</td>
</tr>
<tr>
<td>Second registers</td>
<td>$4,030 (NIS)</td>
</tr>
<tr>
<td>INSA</td>
<td>$3,707 (pre-tax approximately) $2,595 (post-tax)</td>
</tr>
</tbody>
</table>

Source: MUI estimates.

The table highlights a variation of more than 8 per cent between the INSA and Norwegian International Register (NIS) rate compared to a 3.25 per cent difference between the ITF and NIS. This indicates the two distinct elements in the discussion of officers’ salaries. First, the lower gross rates for domestic compared to foreign-flagged vessels and, secondly, the tax on that income which can be as high as 30 per cent.

\(^\text{10}\) National Maritime Board (India): *Summary of Agreements 2000*. 

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\[\text{R-2002-06-0234-1-EN.Doc/V1} 35\]
Consequently, in terms of wages received the differential between highest and lowest becomes a very significant 36 per cent.

However, it should be pointed out that, within the context of the domestic economy, the wage level for a seafaring officer is high relative to that of a comparable professional person in India.
7. **Methods of employment**

The methods of recruitment are varied, differing between officers and ratings, and between employment on Indian-flagged and foreign-flagged vessels. There have also been recent changes to the regulatory framework surrounding the process with respect to the issuance of the CDCs.

7.1. **Ratings**

Ratings who sail on Indian-registered ships effectively enjoy continuous employment through a roster system. The general roster was until recently held by the Seamen’s Employment Office of the Ministry of Shipping. This office no longer exists due to the introduction of a new CDC system (see below). The general roster is still maintained by the department but is being gradually phased out.

Company rosters exclusive to each Indian shipping business were introduced in 1992. A rating on a company roster is only employed by that specific company. Furthermore, on completion of a voyage and leave entitlement, a seafarer is asked to report back to the company on a certain date. He would then automatically go on half pay until a suitable berth is secured in one of the company’s vessels. Each roster applies a first-in first-out (FIFO) system with contracts typically lasting nine to ten months.

The general and company rosters are mutually exclusive; in other words, there is no movement between the two. Companies only use the general roster when there is no suitable rating available on their own list. Since employers cannot refuse to take the next person from the roster, there appears to be no obvious discrimination.

Ratings wishing to work on foreign-flagged vessels would be recruited by manning agencies. There are two recognized associations of such agents in India, the Foreign Owners Ship Management Association (FOSMA) and Maritime Association of Shipowners, Shipmanagers and Agents (MASSA). There are, however, hundreds of other agents who are not members of these associations and these are currently unregulated. This situation is due to change with the ratification of ILO Convention No. 179 following a tripartite agreement between the Government, shipowners and unions, and is expected to be made part of Indian law in approximately two years. The new laws are designed to ensure proper regulation and working conditions for the seafarers and will be enforceable with punitive measures.

7.2. **Officers**

In contrast, the majority of officers are employed directly by the company. They usually serve seven months at sea and then have four-and-a half months’ paid leave (based on 60 per cent of on-board pay). To approach an Indian-registered company direct, the individual officer must be a member of a recognized union. The various companies however issue differing contracts and an officer will typically move between companies. This is a trend away from what was considered to be the traditional structure where officers were perceived as company men serving from cadet to master or chief engineer in the same organization.

7.3. Continuous discharge certificates

All seafarers, both officers and ratings, require a CDC (continuous discharge certificate-cum-seafarer’s identity document) from the Government. These were formerly issued through the Seamen’s Employment Office on physical presentation by the seafarer at that office both to make application and receive the document. The system has now changed such that seafarers apply by registered post (with application forms available from their web site) and receive the CDC by registered post. The Government claims that this new procedure was designed as an attempt to stamp out suspected corruption in the system of application and to simplify the process. The ratings’ unions were apprehensive about the change, considering that the new system had eased access to the seafaring profession. There is an underlying feeling on the part of the unions that this process has increased the number of CDCs in issue and has thus exacerbated the oversupply problem. They further argue that it is necessary to restrict according to numbers of available job opportunities.

The Directorate General of Shipping, however, maintains that professional standards have not been undermined by the new system. Applicants still require the necessary proficiencies laid down by the Merchant Shipping Act, 1958 in order to gain the certificate, although this does not necessarily include “sea time”. The Government further emphasizes that the CDC does in no way guarantee employment and that employers will clearly have a preference for seafarers with greater experience. The system of validation has also been modified to extend the interval between renewal from five to ten years.

According to the regulations, an Indian seafarer requires an Indian CDC to sail on an Indian-flagged vessel. CDCs from any other country are unacceptable. However, as part of the recent changes, an officer in possession of a COC from a country in the IMO White List entitles him to obtain the relevant Indian CDC.
8. Policy issues

The discussion so far has raised some key issues which are important for policy formulation. These have been identified as the regulation of manning agencies, influence of shipowners operating outside the National Maritime Board, and the income tax provisions relating to seafarers.

8.1. Manning agencies

Manning agencies are used by foreign shipowners to employ Indian seafarers on foreign-flagged vessels. Certain agents are members of associations previously mentioned (FOSMA and MASSA) with which unions have a strong relationship and negotiate acceptable terms and conditions of employment. There are, however, many other agents who remain outside such agreements and are currently not regulated by the Government. A seafarer employed by such an agent can expect less favourable terms and conditions of employment. This issue is of much concern to the ratings’ unions and indeed the Indian Government. Consequently, following ratification of ILO Convention No. 179, new legislation has been drafted to provide the necessary regulation, and with it some protection for seafarers employed by them on foreign-flagged vessels.

Other than this, there is a paucity of Indian legislative cover for seafarers engaged by other flag States. Where any difficulties arise outside India, they are not handled by the Ministry of Shipping but by the Ministry of Foreign Affairs.

8.2. Indian shipowners who are not members of INSA

As stated in section 2, the Indian Shipowners’ Association has extensive membership of owners of Indian-registered vessels. There are, however, a number of smaller private companies who are not members and therefore do not participate in the summary agreements negotiated by the National Maritime Board. Seafarers employed by such companies may experience less favourable terms and conditions of employment and this remains a concern for both INSA and the unions.

8.3. Tax

There appears to be two related issues on the tax question. First, the fact that some Indian seafarers working on board Indian-flagged vessels do not qualify as non-resident under the Income Tax Act, 1961 (ITA, 1961). Second, that if they do qualify, they receive much of their income in India and thus tax is charged on it in the normal way.

Section 6 of the ITA, 1961 defines a non-resident in any previous year as satisfying any of the following conditions:

(i) if he was in India for 365 days or more during the four preceding years and for less than 182 days during the previous year;

or

12 ibid.
(ii) if he was in India for 365 days or more during the four preceding years and for less than 60 days during the previous year.

However, in the case of a citizen who leaves India in any previous year as a member of a crew of an Indian ship, the period of 60 days referred to in sub-clause (ii) is extended to 182 days.

Under the general provisions for taxation of non-residents, persons having income of more than Rs50,000, except income from certain specified assets arising in India, are liable to pay income tax as in the case of residents. However, if income is received in the first instance outside India and subsequently remitted or otherwise transferred to India, it is not included for the purpose of income tax.

The second issue concerns the 182-day rule itself and the definition of India in the ITA, 1961. It is not clear in the Act whether India includes the territorial waters of India or merely the landmass of India in determining the 182 days.

Although Indian sovereignty extends to the territorial waters, there is thought to be a distinction between having jurisdiction over territorial waters and considering them to be “India” itself. The law does not therefore make territorial waters a part of the definition of India, which is given in the Constitution of India, article 1(3). 13

Thus, the advantages for Indian seafarers on foreign-flagged vessels is twofold. First, they are more likely to fulfil the requirement of the 182-day rule, being outside India for the majority of their employment. Second, they receive payment outside India, which is therefore not taxed as income. The considerable tax disadvantages of employment on Indian-registered vessels should therefore be addressed by the Government to avoid any potential shortfall in the quality of officers sailing under the Indian flag.

13 Opinion of Mr. Soli Cooper, Advocate.
9. Conclusion

This investigation was undertaken to increase the depth of understanding of the maritime labour force of India. What emerges is the distinct paucity of accurate information in certain key areas, the most obvious example being related to the size and structure of this labour force. Despite this, it is apparent that there is an oversupply of ratings and a potential shortage of quality seafarers willing to be employed on Indian-flagged vessels.

The Indian seafaring labour force clearly encompasses two different systems of employment, one for officers and one for ratings. Further, the economic conditions which surround these two distinct groups lead to pronounced differences in employment preference. The ratings achieve superior terms and conditions of employment on Indian-flagged vessels as determined by the National Maritime Board and enjoy effective continuity of employment through the roster system. Consequently, a minority sail on the foreign-flagged vessels where ITF agreements are usually enforced. There is likely to be an increasing supply to such foreign-flagged vessels whilst unemployment of seafarers in India continues. Manning agents play a key role in the employment of such ratings. Some agencies are regulated through the associations FOSMA and MASSA. Others still require regulation and the legislative framework has already been drafted to ensure this process. The greater protection that this will afford the ratings may have the effect of encouraging more to seek employment on foreign-flagged vessels.

Officers, on the other hand, are influenced by the higher wage rates offered by the foreign registers and beneficial tax provisions. This has the obvious potential to create a shortage of quality officers on the Indian flag. Shipowners and unions have already expressed their increasing concerns on this matter to the Government. Three options seem possible: (1) the introduction of foreign officers on Indian-registered vessels; (2) higher wages on Indian-flagged vessels in compensation for the lost tax benefit; (3) a change in the income tax laws to afford the same benefits to officers on the foreign-going Indian vessels.

In this dynamic national and international environment, the challenge to policymakers is to ensure that terms and conditions of employment for both officers and ratings are comparable on board domestic and foreign-flagged vessels.
Observations made by the Government, Shipowners’ and Seafarers’ experts of India on the report

The expert of the Government of India referred to the maritime importance of his country as he agreed that flag States should ensure the maintenance of training standards. He urged that the unambiguous responsibility should be on shipowners for conditions of work and life but that collective bargaining was more appropriate in the labour-supplying country. As well, he stated that manning agents should be liable for the payment of wages, but that these should reflect the situation in the seafarers’ country since wages vary from one country to another.

The Seafarer expert from India drew attention to certain inaccuracies contained in the Office report regarding his country. He first indicated that, in 1953, just as now, the prevalent issue in Indian shipping was unemployment. The Government had started to let the industry recruit seafarers more freely. He criticized the continued employment of passport holders on foreign-flagged vessels, as opposed to professionals in possession of continuous discharge certificates (CDCs). This created additional risks of employment for bona fide seafarers. He also appealed for a registration of manning agents, and hoped for the prompt ratification of Convention No. 179. Finally, he suggested the exemption of income tax for all Indian seafarers.

The expert from the Government of India gave some clarifications on the issue of CDCs. He said that the Government only issued these documents to those who were entitled to them, e.g. to those who held STCW95 qualifications. He reported that the Government did not want to restrict seafaring to an exclusive club. As well, he said, cases of fraud in the issue of “no objection certificates” had been brought to the attention of the maritime authorities. He also felt that restriction of recruitment to members of a particular union could well be violating freedom of association.

The Seafarer expert of India went on to address the comments made by the Government expert from India. He stated that, although the CDCs are issued to technically trained people, they often end up on ships as trainees (lower ranks) and not in positions they had been certified for. As well, he added that there was a bipartite agreement between shipowners and unions addressing benefits.

The expert from the Government of India replied to the comments made by the Seafarer representative from India. He stated that he had taken note of his comments and then quoted a collective agreement which stated that all ratings had to be members of the National Union of Seafarers of India (NUSI). He pointed out that the regulation required the union to provide a certificate of clearance for any seafarer who desired to work for an international employer. He reported that seafarers have had to pay upwards of US$2,000 to obtain that certificate.
Philippines

Dr. Heather Leggate
Professor James McConville
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1. Introduction

The focus of this study is an analysis of the Filipino seafaring labour market both internal and external. The role of employment is obviously crucial to any economic or commercial activity and this is especially true of the Philippines where the extent of overseas employment is so extensive. International shipping is highly competitive and it is within such an environment that the seafaring labour market functions. Furthermore, labour costs are an important source of competitive advantage or disadvantage to the shipowner. These changing labour costs and availability of international seafarers has altered maritime labour patterns significantly over the last few decades, with a dwindling of the supply of seafarers from developed countries being replaced by those of developing countries. It is within this context that the Filipino seafarer became a significant factor in the maritime labour market, possessing a number of advantages over his traditional counterpart. They had considerably lower unit cost of employment and were able to quickly adapt to this unusual profession. Their penetration of the market began in the area of less-specialized labour, that is ratings, which still account for a significant portion of such seafarers. This situation has developed with the gradual introduction of more highly skilled labour, namely officers. Through this process of evolution, the Philippines has secured the larger share of maritime labour-supplying countries. The BIMCO report 2000 estimates that the supply of Filipino seafarers stood at 50,000 officers and 180,000 ratings, thus ranking first in the top-ten labour-supplying countries and providing approximately 20 per cent of all seafarers in the world. It will be argued, however, that this figure represents a considerable underestimation.

Seafarers as part of the overseas Filipino workers (OFWs) make a considerable contribution to the domestic economy in the provision of foreign exchange reserves of US dollars. However, the contemporary situation presents the Philippines with a considerable challenge, as they are confronted with increasing competition from Asian neighbours together with Eastern Europe and China. These competitors have made substantial investments in training and are actively seeking to secure increased participation in the industry. This study aims to provide a quantitative and qualitative profile of the Filipino labour force and to explore the significant issues surrounding their employment. To this end, section 2 takes a general look at the labour market issues, particularly the systematic problems and the competitive position of the Philippines. The increasing importance of seafarers’ dollar remittances and their implications for public policy are the focus of section 3. The composition and structural characteristics of the labour force are established in sections 4 and 5. This is complemented in section 6 with qualifications, education and training. The complexity of the wage structure is examined in section 7. The penultimate section is directed to a discussion of the policy issues arising from this investigation. This is followed by a general conclusion.
2. **Competition in the international seafaring labour market**

The reasons for the Filipino anxiety about competition in the market fall into two broad categories. Firstly, systematic problems in the Philippines itself and, secondly, the relative competitiveness of the other developing maritime labour nations.

The systematic problems stem from a heavily bureaucratic administration, doubts about the quality of maritime education, corruption and legal issues, particularly the high-profile claims involving millions of US dollars by Filipinos in foreign courts. The complexity of the bureaucratic system in the Philippines is a result of the multiplicity of government agencies involved in the processing and documentation of seafarers, passports, seamen’s record books and work visas. A number of government agencies have significant involvement with the overseas Filipino seafarer. The Department of Labor and Employment (DOLE), for example, has four offices each with a differing role to play: the Philippine Overseas Employment Administration (POEA), the Overseas Workers Welfare Administration (OWWA), the Maritime Training Council (MTC) and the National Labour Relations Commission (NLRC). The DOLE is responsible for ensuring that the labour laws and welfare legislation in other countries are fairly applied to overseas Filipino seafarers in accordance with the “Migrant Workers and Overseas Filipinos Act, 1995”. The POEA is part of the DOLE and is the agency which handles recruitment and placement of seafarers through the private manning agencies. The OWWA is responsible for providing welfare assistance through the provision of welfare programmes and financial and social services. The MTC oversees the training programmes and ensures compliance with, for example, the International Maritime Organization (IMO) Standard of Training, Certification and Watchkeeping (STCW) Convention. Such bureaucracy is both costly and time-consuming.

In a recent article, Captain Leuel Osena, President of the ship software firm, Omarsoft, estimated that the Professional Regulation Commission (PRC) is causing delays in deployment of an average of two months. He went on to argue that shipowners would not continue to accept this situation and will begin to look elsewhere for crews. The president of the Filipino Association for Mariners Employment (FAME), Vicente Aldanese, supported this view that shipowners have been discouraged from doing business in the Philippines because of the complexity of the system.

Another important factor is the increasing number of legal cases concerning Filipino seafarers that are being used as the basis for further action being taken in foreign courts, notably Panama and the United States. Such legal action presents the Filipino seafarer in an adverse light. Seafarers in the Philippines have always been considered contractual workers since their employment is not continuous. Such contractual workers are protected only by their contract and collective bargaining agreement (CBA). They are not covered by the Labor Code, which applies to regular workers and leads to additional benefits of medical schemes, separation and retirement. The recent case brought before the Supreme Court declared rehiring over several years as the basis for classification as a regular employee rather than a contractual worker. The annunciation by the Court of such a principle has radically altered the employee-employer relationship as evidenced by the increased number of claims. It was recently estimated that a quarter of manning agencies and their principals are facing this type of action. The litigious fever has caused the number of cases filed with the National Labor Relations Commission to double in just four years. In 1996, 700 cases were brought; in 2000 it was 1,407. The risk of having to meet...

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1 Section 23(b), Rep. Act No. 8042 (1995).

these claims and indeed to hire lawyers to defend them adds to the cost of employment and serves to erode the seafarers’ international competitive position.

A further problem has been the cases of fraudulent certificates, which have plagued the Philippines in recent times. Following the results of internationally based research into fraudulent certification, the POEA have established tighter security procedures for the production of certificates, notably special paper printed by the Central Bank, microscopic lettering in some of the underlining and prevention of alteration of name. Unless processed by the POEA, the Government refuses to guarantee the authenticity of the certificates. They estimate that less than 1 per cent of seafarers avoid the POEA procedures.

As part of the security measures, the Maritime Training Council (MTC) is supporting the creation of a centralized Internet-based registry of Filipino seafarers. The system, expected to be in operation by 2002, will be linked with the database of other government certifying bodies. Under this new Internet system, a manning agent can directly verify the authenticity of certificates at any time by comparing the actual certificate with the digitized image on the system.

Adding to these domestic problems is the intensifying competition from other labour-supplying nations. A recent survey conducted by two of the country’s manning groups, the Filipino Association for Mariners’ Employment (FAME) and the Philippine Association of Manning Agents and Shipmanagers (PAMAS) showed that 80 of their member agencies lost around 8,300 jobs to other Asian, Eastern European and Chinese competitors over the last two years. They estimate that 50 per cent were lost to other Asian crews, 27 per cent to Eastern European and 14 per cent to China. Owners are finding that the quality is comparable and the wage levels are considerably lower. A comparison of wage scales between Filipino and Chinese seafarers showed that the lowest scale for Filipinos is higher than its closest competitor’s highest scale.

Clearly, it is essential to confront this challenge if the Philippines is to remain the major supplier of maritime labour. To this end, the shipowning and manning associations have established a Philippine Seafarers’ Promotion Council (PSPC). They have identified key areas, which they consider require urgent attention: human resource development; business processes and systems improvement; financial sustainability and stakeholder satisfaction. The PSPC is determined to engage in serious marketing of the Filipino seafarer and promotion of seafaring as a career. It is also committed to ensuring the highest standards of maritime training and education. The primary goal, however, is to rationalize the complex bureaucracy in the creation of a “one-stop” processing and documentation centre for seafarers’ deployment. This will dramatically reduce delays and the scope for corruption that have proved so troublesome for employers and employees. Plans to implement the new one-stop facility are currently under discussion. Finally, the PSPC plans to rationalize wages by the creation of an Asian seafarers union which will define and set uniform wages. This will ensure that the Filipinos remain competitive in comparison with other Asian countries, in particular China. The impact of such measures will take time to consolidate. However, there are potential dangers ahead. The loss of competitive edge combined with the oversupply of seafarers particularly at the ratings level is creating a situation where the Filipino seafarer is becoming increasingly vulnerable to exploitation.

\(^3\) ibid.
3. Importance of seafaring to the economy

In a country with surplus population, the export of labour, even temporary, becomes of considerable importance, and over recent decades has been increasingly recognized by the Government. The Filipino seafarer has success in seafaring because of his ability to overcome existing social, institutional and economical barriers. This situation is created by the derived demand or “pull” of the international shipping industry, juxtaposed with what can be regarded as the “push” elements of the seafarers’ country of origin. The temporary outflow serves a number of purposes, since it reduces the pressure on the internal labour market and improves the practical skills and experience of a section of the workforce. Further, and perhaps of primary importance, has been the contribution of the seafarers’ remittances to the balance of payments, and hence the national economy. Seafarers can be seen as part of the overseas Filipinos workers (OFWs), a group which has produced a very large proportion of foreign exchange earnings over the last two decades. Of these total remittances, seafarers’ contributions have ranged between 5 and 25 per cent. The remittances purely derived from seafarers are shown in figure 1.

Figure 1. Remittances – sea-based workers (US$)

As can be seen, remittances have increased substantially over the 18-year period. In 1982 they stood at $168.4 million, a decade later (1992) this had increased to $445.02 million. That year turned out to be a short-run peak as can be seen from the contraction to
1998 when the total contribution was $279.54 million. The two years closing the last century experienced remarkable recovery with an increase to over $900 million. For the above economic and social reasons the Government has recently kept a watchful eye on this seafaring labour situation and introduced new or modified institutions to attempt to remove any friction in the system. What has emerged is the tendency to attempt, where possible, to regulate the conditions of employment for this particularly specialized occupational group. The policies were aimed at a positive improvement in the efficiency of the supply of seafarers, evident in the creation and encouragement given to high-quality training and retraining of seafarers. In this way, they have enhanced their attractiveness and suitability to the employers. The Government has recognized that any impediment in the supply of seafarers, however minor, requires a rapid response by the maritime administration because of the impact on direct and indirect demand for seafarers. Hence, what has developed and continues to proceed is active intervention in the process of supply and the securing of employment for seafarers.
4. **Seafarers: A quantitative and qualitative analysis**

The following section examines the quantitative and qualitative aspects of the seafaring workforce in terms of numbers, rank and qualifications, and attempts to identify changing trends over time.

4.1. **Quantitative analysis**

The most reliable data on seamen deployed are supplied by the Philippines Overseas Employment Administration (POEA). Their statistical records concentrate on the deployment of seafarers in each year based on contracts processed by them. Figure 2 shows the employment since 1984 up to the year 2000.

**Figure 2. Seafarers' deployed**

As illustrated by the figure the number of seafarers deployed has increased almost fourfold between 1984 and 2000. Given that some seafarers may have more than one contract in a 12-month period (the typical length of contract is ten months) there may be some double counting. However, the POEA estimates that this will be no more than 5 per cent. The long-run trend from some 50,000 to nearly 200,000 in the level employment over the period serves to highlight the importance of seafaring to the national economy.

Deployments do not of course reflect the actual number of active seafarers. The number of registered seafarers in 1999 stood at 472,225. These are not necessarily active as this is a cumulative total of new entrants since the records began. Some of these may
have left the seafaring profession. However, given that new entrants from 1996 have
totalled nearly 170,000, the supply is likely to be in excess of the demand in terms of
available employment opportunities. Despite illustrating a considerable oversupply of
ratings, the statistics also highlight considerable potential for officers. This is recognized
by the Government, which hopes to double the number of qualified Filipino officers by
2006.

Furthermore, many in the industry assert that Filipinos employed by many crewing
agencies include a large number of hotel staff on cruise ships. The real problem concerns
officers and ratings working on board cargo vessels whose number has declined
dramatically because of the shift towards the employment of other competing nationalities
in those trades. Some manning agencies estimate that the percentage of hotel staff is
between 50 and 70 per cent. If this is true, the number of employed seafarers may be
significantly lower than the 200,000 quoted by the POEA. 4

Table 1 shows the POEA statistics for new entrants from 1996 to 2000. Statistics for
the regional offices had not been analysed between the various categories above but have,
for the purposes of this investigation, been allocated based on the ratios applicable to the
recruitment patterns of the central office. As shown by the table, the total remains fairly
consistent at approximately 33,000 per year, but within this there has been considerable
restructuring. Officers have increased substantially in number by 131 per cent but they still
represent less than 1 per cent of the total new entrants in any given year. Ratings, that is
deck and engine room, are by far the largest group but, in number and as a proportion of
the total, have experienced a noticeable decline. The numbers of ratings entering the
market have fallen by 8,000 and now represent only 68 per cent of the total. If the last
three categories, namely catering, others and luxury vessels are combined, there has been a
considerable increase in both their number and proportions, which stood at 16.5 per cent
and have double to 33.7 per cent during the period. These new entrants must be seen as a
strong indicator of future trends, with ratings being under the most intensive competitive
pressure.

Table 1. New entrants (1996-2000)

<table>
<thead>
<tr>
<th></th>
<th>Officers</th>
<th>%</th>
<th>Ratings</th>
<th>%</th>
<th>Catering</th>
<th>%</th>
<th>Other</th>
<th>%</th>
<th>Luxury vessel</th>
<th>%</th>
<th>Total</th>
</tr>
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<tr>
<td>1996</td>
<td>118</td>
<td>0.34</td>
<td>28 484</td>
<td>83.06</td>
<td>5 072</td>
<td>14.79</td>
<td>329</td>
<td>0.96</td>
<td>290</td>
<td>0.85</td>
<td>34 294</td>
</tr>
<tr>
<td>1997</td>
<td>160</td>
<td>0.48</td>
<td>25 494</td>
<td>76.03</td>
<td>7 215</td>
<td>21.52</td>
<td>322</td>
<td>0.96</td>
<td>342</td>
<td>1.02</td>
<td>33 533</td>
</tr>
<tr>
<td>1998</td>
<td>166</td>
<td>0.47</td>
<td>25 637</td>
<td>72.73</td>
<td>8 731</td>
<td>24.77</td>
<td>457</td>
<td>1.30</td>
<td>257</td>
<td>0.73</td>
<td>35 248</td>
</tr>
<tr>
<td>1999</td>
<td>226</td>
<td>0.68</td>
<td>22 670</td>
<td>68.23</td>
<td>8 801</td>
<td>26.49</td>
<td>480</td>
<td>1.44</td>
<td>1 050</td>
<td>3.16</td>
<td>33 227</td>
</tr>
<tr>
<td>2000</td>
<td>273</td>
<td>0.89</td>
<td>20 864</td>
<td>68.29</td>
<td>7 213</td>
<td>23.61</td>
<td>508</td>
<td>1.66</td>
<td>1 695</td>
<td>5.55</td>
<td>30 553</td>
</tr>
<tr>
<td>Total</td>
<td>943</td>
<td>123</td>
<td>151</td>
<td></td>
<td>37 032</td>
<td></td>
<td>2 096</td>
<td></td>
<td>3 833</td>
<td></td>
<td>166 855</td>
</tr>
</tbody>
</table>

Source: POEA.

4.2. Qualitative analysis

Turning to an examination of the qualitative factors, a survey by the Scalabrini Migration Centre, the majority of Filipino seafarers are aged between 25 and 44. There appears to be little opportunity for employment beyond 45 years as illustrated by figure 3. The figure shows the approximate age distribution of labour in the Philippines based on a relatively small sample of 100 seafarers. However, discussions with government agencies and unions suggest that this is a representative distribution. As can be seen, the range 25-44 years accounts for 76 per cent of the total, and there is certainly a suggestion of little seafaring activity past 50 years of age.

Figure 3. Age distribution of seafarers

There are a number of reasons put forward for this phenomenon. Given the huge supply of young recruits, there is a natural preference for younger seafarers in an arduous profession requiring considerable physical effort and subject to extreme weather conditions. Secondly, the younger seafarers are generally cheaper to employ than those with more experience. A major factor, according to the Government and unions, is the requirement for medical insurance which becomes particularly expensive after the age of 45, thus leading to substantial, if indirect, age discrimination.

Social structures were also put forward as a reason behind this trend. The family unit is very important in the Philippines and when the costs of schooling children have been met and less money is required, the seafarers may move ashore to less lucrative

5 Scalabrini Migration Centre: The need for an international seafarers’ centre in Manila (July 2000).
employment. There is also the suggestion of a shift from overseas (deep sea) to domestic trade vessels at this time. Whilst this trend is clear for ratings, age is thought to be less of a problem for officers. In this group the potential cost disadvantage is outweighed by qualification and experience.

The above survey\(^6\) also looked at educational attainment and methods of securing employment. The typical Filipino seafarer holds an Associate Degree of Bachelor of Science degree from one of the country’s maritime schools. The majority are aged between 30 and 44 years and two out of three are married. The largest proportion, 85 per cent, are employed through private manning agencies, 11 per cent directly by their principals, and 2 per cent through the unions. Approximately 60 per cent are employed at any one time. The highest proportion (80-90 per cent) sail on open or international registered vessels. By flag, the largest number of Filipino seafarers were employed on Panamanian vessels, Liberia second, followed by Norway, Greece and the Bahamas. Seafarers on deck or in engine room account for 75 per cent of the total, with others being employed on luxury vessels and in catering. Of this 75 per cent are employed on freight vessels, 59 per cent are ratings and 16 per cent are officers\(^7\)

\(^6\) ibid.

\(^7\) ibid.
5. Qualifications and training

The Philippines has recently come under criticism of the quality of their maritime education. This has led to tighter quality control and monitoring. The Commission on Higher Education (CHED) is responsible for the regulation and setting of minimum standards for all higher education institutions including the maritime schools. The criticisms, together with the need to implement STCW, 1978 lead to the establishment of the Maritime Training Council which has overall responsibility for the curriculum and quality of the maritime education provision.

As a result, the number of institutions providing maritime education has contracted substantially to 56 maritime schools and 37 training centres for ratings. The maritime schools offer Bachelor of Science degrees which are of five years’ duration. The training centres are primarily for ratings and the provision of specialist courses for officers. There are also plans to put some specialist courses into the university degree course to make the officer qualification cheaper for the seafarer. All but two of the training centres are privately run institutions. However, the Maritime Training Council regulates all education provisions in order to ensure that they meet the requirements of the STCW, 1995 Convention. This includes control and monitoring of the general framework, instructors, assessors, facilities, teaching aids, quality assurance manual. Each institution is required to produce an enrolment report showing no more than 24 students per class sometimes less if there are insufficient facilities, and graduation reports. Institutions are accredited every three years, every course has to be inspected, and the MTC has the right to make visits without warning.

The Government estimates that there are many ratings that have graduated from colleges but cannot afford to take the additional specialist courses required to become officers. The considerable training costs in most cases are borne totally by the individual who can only expect a comparatively short seafaring career. Such seafarers are therefore obliged to sail as ratings, employment which is considerably easier to secure.

In recent years, certain shipping companies and maritime nations have recognized the potential of the Philippines to meeting the demand for officers particularly at junior level. The Japanese have funded an apprenticeship programme which is now in its 12th year. There are 600 (50 per annum) apprentices to date and three master mariners. Potential candidates have to do written and oral examinations. Competition for the places is fierce with over 1,000 students chasing 50 places. As part of the training programme, the cadet spends 14 months in Japan and serves sea time on Japanese ships. The Netherlands is about to employ a similar scheme from March 2002, with 30 cadets per year.

The establishment of such schemes illustrates the confidence that other maritime nations have in the Filipino seafarers and their potential to meet the dwindling supply of officers. The Government of the Philippines has also taken effective action to improve the perception of maritime education and dispel the criticisms that have been recently levelled.

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8 Domestic seafarers train to STCW, 1978 standards.
6. Employment issues

As previously argued, the labour laws in the Philippines are such that overseas seafarers are generally considered to be contractual employees and do not enjoy the same rights as regular workers in terms of security of tenure, minimum social security benefits and other rights as prescribed by the Labor Code. Thus, the contract between the employer and employee is very important in determining the terms and conditions of employment. The POEA issues and prescribes a standard employment contract (SEC) which contains the minimum terms and conditions of employment, but does not prevent employer and employee from agreeing to better terms and conditions.

Direct hiring by the foreign employer is not common but individual seafarers may secure their own employment contract. These will not go through the POEA system.

The Government has recently made changes to the standard contract primarily in an attempt to ensure that a Filipino seafarer can only bring legal action in his own country. These changes had not yet been approved at the time of writing.

Collective agreements are an important part of determining terms and conditions. These are agreed between the unions and employers. The largest union is the Associated Marine Officers’ and Seamen’s Union of the Philippines (AMOSUP) with around 55,000 members. Two other unions operate, the Union of Filipino Seafarers (UFS) with 21,000 members and the Philippine Seafarers’ Union (PSU) with 5,000 members. Since the total number of unionized seafarers is approximately 81,000 and the number of registered seafarers is 472,225, only 17 per cent belong to a labour union or association. In fact, the seafarers are the least organized of any Filipino workers. These unions enter into CBAs with shipowners in determining the terms and conditions of work, together with support programmes such as legal assistance, welfare aid, medical benefits, savings and loans, and training. AMOSUP has established a major maritime school and training centre, a home for seafarers, two hospitals and a provident fund for the retirement of its members.

Filipino seafarers are more likely to join foreign-based trade unions depending on the flag of employment in order to benefit from CBAs negotiated in the relevant flag State. However, the reality is a heavy reliance upon the International Transport Workers’ Federation (ITF) agreements. Recently, the number of ships participating in the ITF total crew cost concept (TCC) agreements fell from 1,138 in 1999 to 1,029 last year. AMOSUP President, Gregorio Oca, suggested in a recent article that the majority of ships that changed crewing arrangements were mostly owned or controlled by Europeans. Many went over to Eastern European crews because of the lower wage cost.

Manning agents play a significant and strategic role in the employment process in the Philippines and must be licensed by the Government. As part of the agreement, they undertake to recruit medically and technically qualified seafarers. Further, they assume full responsibility for all claims and liabilities that may arise in connection with the use of the licence, assume joint and solidary liability with the employer for all claims and liabilities arising out of the contract and guarantee compliance with Philippine labour laws as well as those of the country of employment of the seafarers. The licences are valid for two years when they may be renewed but not transferred. All licensed manning agencies may be subject to inspection by the POEA. No fees should be charged to the seafarers by the agencies for recruitment and placement services (but it appears that this is often violated).

\[9\] Section 1(e), POEA Rules and Regulations Governing Overseas Employment, 1991.
Another disturbing practice was that of “watchlisting” and “blacklisting”. The idea behind blacklisting came from the original POEA Omnibus of Rules and Regulations implementing the Labor Code which included the penalty of a watchlist and blacklist as punitive measures against overseas contract workers. Manning agencies complain to the POEA about certain seafarers who are then put on a watchlist and invited to respond to the complaint. The process of arbitration may take several years to decide and in the meantime the seafarer cannot gain employment at sea. Furthermore, the manning agencies are careful to circulate the watchlist to prevent employment of these seafarers. If, following the arbitration, the seafarer is found guilty, he is blacklisted for two years. If found innocent, no compensation is paid. This discriminatory process often leads to acceptance of poor conditions of employment for fear of being named on a watchlist. Exclusion could take place for offences such as contacting union officials to complain about unfair treatment. In the Philippines some seafarers claimed that the local unions were not meeting their needs, particular concern was voiced at the unions’ refusal to represent the interests of blacklisted seafarers after six months’ unemployment, as they had been unable to continue to pay their union dues.

In this case it appears that the authorities provide little protection for the seafarers named by the manning agencies and thus there is increasing reliance on international organizations such as the ILO and the International Transport Workers’ Federation (ITF) to monitor compliance with conventions and other agreements.

It is clear that national legislation cannot protect the Filipino seafarer working on board non-national-flagged vessels. However, the standard contract of employment produced by the POEA has attempted to address this issue. This sets the basic minimum and hence there is a strong reliance on collective bargaining agreements in order to achieve improved terms and conditions. The recruitment process, however, is a cause for some concern because of inadequate regulation and the questionable practices of some of the manning agencies.
7. Wages

The wage rates generally follow the ILO minimum but with a significant time delay. For example, the current minimum wage for Filipino seafarers is US$385 per month as set by the DOLE Department Order No. 5, Series of 2000, and is required to be used by all shipowners and principals. This corresponds to the previous ILO minimum. The minimum ILO wage has now increased to US$435 and is due to rise to US$450 on 1 January 2002. It is hoped that the minimum in the Philippines will then increase to US$435. Although a minimum wage is in existence, it should be noted that there have been some reported incidences of seafarers accepting less than this minimum in order to gain employment.

Filipino seafarers on foreign-flagged vessels, however, can earn greatly varying wage levels. The wages agreed by CBAs are often far more favourable than those set by the POEA. Table 2 provides an example of wage rates agreed by CBA between the Danish Shipowners’ Association and AMOSUP for 1 January 2002, which are well in excess of the Philippines’ minimum wage for seafarers. An able seaman, for example, earns a basic $578 per month which, including overtime and leave pay, produces a total of $1,265.

<table>
<thead>
<tr>
<th>Position</th>
<th>Basic pay (173 hours)</th>
<th>Gross overtime (103 hours)</th>
<th>Additional leave</th>
<th>Danish annual leave</th>
<th>Total per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boatswain/pumpman/fitter/machinist</td>
<td>640</td>
<td>479</td>
<td>128</td>
<td>157</td>
<td>1,404</td>
</tr>
<tr>
<td>Chief cook/steward</td>
<td>640</td>
<td>479</td>
<td>128</td>
<td>157</td>
<td>1,404</td>
</tr>
<tr>
<td>Able seaman/motorman</td>
<td>578</td>
<td>430</td>
<td>116</td>
<td>141</td>
<td>1,265</td>
</tr>
<tr>
<td>Second cook</td>
<td>549</td>
<td>409</td>
<td>110</td>
<td>133</td>
<td>1,201</td>
</tr>
<tr>
<td>OS/wiper/messman</td>
<td>428</td>
<td>319</td>
<td>86</td>
<td>104</td>
<td>937</td>
</tr>
</tbody>
</table>

Note that the 173 regular working hours is based on a 40-hour working week.
Source: Current collective bargaining agreement between AMOSUP and the Danish Shipowners’ Association.

The POEA standard employment contract makes compulsory the remittance of at least 80 per cent of seafarer wages at least once a month to the designated person in the Philippines. An amount in excess of this may be transferred if desired. The employer must make the necessary facilities available for this transaction at no cost to the seafarers. The remittances are then paid to this designated person in the local currency of the Philippines.

The previous discussion has focused on seafarers employed on foreign-flagged vessels. Seafarers on domestic-flagged vessels, both inter-island and ocean-going, do not benefit from the POEA minimum wage and actually receive a fraction of that rate. Typical wage rates for such workers are shown in table 3.
Table 3. Wages on domestic-flagged vessels (monthly)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Pesos per month</th>
<th>US$ equivalent*</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB</td>
<td>6 910</td>
<td>133.69</td>
</tr>
<tr>
<td>Boatswain</td>
<td>7 160</td>
<td>138.52</td>
</tr>
<tr>
<td>Engine officer</td>
<td>18 950</td>
<td>366.62</td>
</tr>
<tr>
<td>Master</td>
<td>24 300</td>
<td>470.71</td>
</tr>
</tbody>
</table>

* Based on exchange rate as at 1 January 2002.

As far as social security is concerned, seafarers under the Social Security Act, 1997 may be covered by the Social Security System (SSS) on a voluntary basis. If they choose, they can enjoy death benefits, sickness benefits, leave benefits, funeral benefits and retirement pensions. They are also entitled to participate in the National Health Insurance Programme administered by the Philippine Health Insurance Corporation which provides health-care insurance.

Given the present and potential competition from other labour-supplying countries, the variation in labour unit cost is likely to become more marked, particularly as shipowners see this as a vital and perhaps only flexible element of their operational costs.
8. Policy issues

The policy issues which emerge from this study result from the threat of international competition and the over supply of labour particularly in the ratings market. The consequence is a workforce vulnerable to various forms of discrimination. Age discrimination has emerged from the fact that costs of employment in terms of medical insurance premiums are greater for those over 45 years of age. Wage discrimination appears to be common in that seafarers are already subject to less than the ILO minimum wage by Philippine regulation and often accept wages less than stipulated in order to secure employment. Even when a ship is covered under the ITF agreement, there have been cases where the seafarers will sign for the ITF rate but actually receive the POEA rate. Two sets of accounts are kept on the ships to perpetrate this deception. Evidence of this is indicated by the fact that in the year 2000, the ITF has dealt with cases totalling $1,000 million in unpaid wages or contract payments, and the Manila office cases have covered 1,100 vessels and 2,000 seafarers over the last three years.

Another form of discrimination stems from the system of watchlisting and blacklisting. Manning agencies complain to POEA about certain seafarers who are then put on a watchlist and invited into the office to respond to complaint. The process of arbitration can and often take several years to make a decision and in the meantime the seafarer cannot gain any seafaring employment. Manning agencies are eager to circulate the watchlist as a method of preventing employment of these seafarers. If, following the arbitration, the seafarer is found guilty, he is blacklisted for two years. If found innocent, there is no form of compensation. It could be argued that such a powerful discriminatory process leads to acceptance of inferior conditions of employment for fear of being named on a watchlist.

It appears that the authorities provide little protection for the seafarers over the powerful manning agents and thus there is a reliance on international organizations such as the ILO and the ITF to monitor compliance with agreements. The Government appears to be more concerned with the compliance with IMO standards and conventions than ILO and ITF because of the importance they attach to being on the IMO “White List”. This issue needs to be addressed.
9. Conclusion

This study has examined the Philippines as a major supplier of maritime labour particularly ratings and assesses the issues and problems facing the country into the twenty-first century.

With an estimated 470,000 registered seafarers as against 200,000 deployments per annum, there is a huge oversupply situation. This is exacerbated by competition from developing maritime nations such as other Asian countries, Eastern Europe and China. The increasing preference for these other nationalities is borne out of their relative competitiveness particularly in terms of wages together with the systematic problems in the Philippines such as the complex bureaucracy, increasing number of lawsuits being brought by the seafarer against employers, and incidents of fraudulent certificates.

The interested parties have recognized the need to address these problems in the symbolic and practical establishment of a Philippine Seafarers Promotion Council (PSPC) dedicated to the promotion of the Filipino seafarer. Apart from the commitment to highest standards of training and education, it aims to rationalize the complex bureaucracy in the creation of a “one-stop” processing and documentation centre for seafarers’ deployment. In addition it plans to rationalize wages by the creation of an Asian seafarers’ union which will define and set uniform wage rates.

Against the background of increasing competition and oversupply, the seafarer is exposed to discrimination of various kinds and varying degrees, in terms of age, wages and watchlisting.

Few seafarers are over 45 years of age and although there is no overt age discrimination, employers are discouraged from employing the older seafarers because of the extortionate medical insurance premiums. Wage discrimination appears to be rife in that seafarers are already subject to less than the ILO minimum wage by Philippine law and often accept wages less than stipulated in order to secure employment. Even if a ship is covered under the ITF agreement, there have been cases where seafarers will sign for the ITF rate but actually receive the POEA rate.

Watchlisting and blacklisting provide a worse form of discrimination perpetrated by the manning agencies and supported by the POEA. The process of arbitration in such cases may take several years to decide during which time the seafarer cannot gain any seafaring employment. No compensation is paid if the claims are unfounded.

The imperfections that exist in the internal labour market of the Philippines are reflected to some extent exaggerated in the highly competitive seafaring labour market. It is a situation where the Government has acquired considerable regulatory control. Basically, this is due to the substantial labour surplus within the economy, reinforced by the national and international barriers to securing employment at any level. This level of control, combined with the pivotal position of manning agencies, is seen as essential mechanisms which ensure the continued seafarer employment and the substantial dollar remittances. It follows that the Government’s seafaring manpower policy is designed to present employers with a disciplined and well-qualified workforce. Such a policy must function smoothly to the general satisfaction of the shipowner, particularly in the contemporary highly competitive situation. This strategy is graphically demonstrated by the POEA’s attitude towards wage levels. The response of the seafarers to these policies has been to become increasingly reliant on international organizations in particular the ILO and the ITF who monitor and ensure compliance with international agreements.
Observations made by the Government, Shipowners’ and Seafarers’ experts of the Philippines on the report

The expert of the Government of the Philippines disagreed with significant parts of the contents of the case study of the Philippines, particularly the critical statements concerning maritime administration, training, as well as the incidence of corrupt practices and litigation initiated by Filipino seafarers. He also did not agree with statements on wages and the competitive situation of Filipinos in the maritime labour market. He recalled that minimum wages for Filipino seafarers were based on the ILO minimum wage figure for able seamen. He asked that all the baseless statements in the report be rectified. He concluded by stating that new legislation due to be adopted in the Philippines would incorporate ILO maritime standards which currently remained to be fully included in legislation.

The Shipowner expert from the Philippines regretted the comments made by a Seafarer expert on the lack of attention given to Filipino seafarers and also the conclusion made in the case study that Filipino seafarers increasingly relied on international organizations. She gave details of the ways in which Filipino authorities protected seafarers, such as through the standard employment contract which incorporated the minimum provisions of ILO instruments. Any collective bargaining agreements (CBAs) which are negotiated with superior benefits she said, would be beneficial to the seafarer. She added that the Philippines Overseas Employment Administration (POEA) supervised manning agencies and they were reviewed every two years. Complaints, she said, could be made by seafarers and any violations were sanctioned. She reported that a recent agreement between the Government, the unions and the private sector enabled a voluntary arbitration system for seafarers’ complaints. Through this, she said, the grievances had to be presented to the union first and any employer found guilty of violating the terms of a CBA or the provisions of the POEA could be sentenced by the POEA. It was, in her opinion, unjustified to say that a Filipino seafarer employed on a Danish vessel would be “dumped” after his return in the Philippines. On the contrary, she noted, under the provisions of the POEA contract, the worker would be given all necessary medical attention or, as the case may be, granted necessary disability compensation. The Shipowner expert from the Philippines concluded that the necessary mechanisms to protect the conditions of employment of the Filipino seafarers, and the assessment that the shipowners did not consider the welfare of their employees, was unjustified and baseless.

The Seafarer expert from the Philippines agreed with his governmental counterpart that there were many inaccuracies in the report concerning his country as the complete Philippine maritime industry picture has not been accurately captured and properly documented. He underlined that the Philippines had been among the first countries to ratify Convention No. 179, with beneficial effects on recruitment practices, though the current systems in place are not perfect. Employment and recruitment rules and regulations, he said, were being revised by the POEA and this is a very positive development. He reported that the International Transport Workers’ Federation (ITF) and the POEA have initiated a dialogue with the objective of decent conditions for all. He then went on to say that the level of unionization among Filipino seafarers was not so low since the Associated Marine Officers’ and Seamen’s Union of the Philippines (AMOSUP-PTGWO-ITF) alone was organizing more seafarers than quoted in the case study. The case study, he said, did not mention the “yellow” unions, which did not effectively protect seafarers. He added that the suggestion by the Philippines Seafarers’ Promotion Council (PSPC) concerning the creation of an Asian seafarers’ union should be taken with utmost care, since this council was dominated by shipowners. He added that PSPC’s one-stop shop programme for seafarers is now a priority project of the Philippine Labor Department. The Seafarer expert
from the Philippines also noted that, in spite of the fact that the Philippines is the world’s largest provider of seafarers, its overseas seafarers’ labour policy and legislation needs to be improved. He stated that this situation is now being remedied with the development of an Overseas Seafarers Act, now a Bill in the Philippine legislature. He added that the situation should improve considerably since the President of the Republic of the Philippines has taken a personal interest in the passage into law of this legislation. While the report highlighted several negative points, he stressed that most of these have been overtaken by concrete and positive developments which he hoped would really address the issues at hand.