Quality Personnel – Investment or Cost

by

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Abstract

Shipping has been in the vanguard of globalisation, with consequent opportunities and threats for both capital and labour. Significantly, it has played roulette with lives, cargoes and the marine environment. Few companies until recently considered the necessity for a strategic manning strategy.

The current manning crisis in the shipping industry is a consequence of market failure. The lack of investment in quality personnel has consequences for the wider shipping industry in a shortage of skilled marine professionals to fill essential positions in shore management, ports, manufacturing and the wider service sector.

Quality personnel in increasing numbers are required not only to meet technological change and increased demand but also to ensure the survivability and profitability of an organization. Circumstances have brought about the current position that permits substandard ship operation. This is neither acceptable nor sustainable.

Environmental Issues are taking on greater importance and the term Corporate Social Responsibility (CSR) has entered the vocabulary of the shipping community. Given the financial consequences and increased penalties for failure to operate safely, surely investment in quality personnel is an inescapable cost.
1. INTRODUCTION

Shipping has always been an international industry; it has now become global. Shipping has been in the vanguard of globalisation, with the consequent opportunities and threats for both capital and labour. Significantly, the structure of the industry permits those that choose to do so to play roulette with the lives of seafarers and passengers, and the safety of cargoes and the marine environment.

Frequently, management literature refers to personnel ‘as the most valuable asset’ of an organisation when evidence is overwhelmingly to the contrary, especially in the shipping industry. This may be thought of as a recent phenomenon with the advent of information technology, yet there are parallels with the industrial revolution. Technological change initially results in some ‘deskilling’, but with advancement new skills are required not only to maintain but also to operate complex equipment.

The current manning crisis in the shipping industry is a consequence of market failure. The absence of strategic manning plans and consequent lack of investment in quality personnel has potentially damaging effects not only directly but for the wider shipping industry in a shortage of skilled marine professionals to fill essential positions in shore management, ports, equipment manufacturing and the service sector. Shortages compounded by technological change are a challenge that the industry must meet.

The concept of Corporate Social Responsibility (CSR) is new to the shipping industry, as is consideration for the environment. To date, environmental considerations have been confined to the avoidance of cost and penalties from pollution incidents.

The asset value of highly technologically advanced vessels, coupled with the punitive penalties now associated with pollution incidents, are persuasive factors in the need for quality personnel. This, however, is not typical in an industry that has hereto been able to limit liability and escape the sanctions common to shore based industries. The cheapest source of labour rather than the best has been the norm for the last three decades.

2. TYPES OF COMPANY

Richard Goss (Goss, 2006) identified four types of company. Albeit in his unique and somewhat stereotypical way:

The Canadian Policy is one that prefers to charter others’ ships. They take the risks and, the benefits and costs are with them;

The cheapskate policy consists of buying second-hand ships cheaply, operating them in such a way that they have the all features associated with substandard ship operation;
The Greek policy is to appreciate that it is often difficult to operate ships profitably and, therefore, to seek to make capital gains by buying and selling dependent on market conditions;

The management-intensive policy consists of being very good indeed and demonstrating all the features of a good employer and achieving a good reputation with customers.

Not all companies are clearly identifiable and some go to extraordinary lengths to hide their true nature. Technological change has affected all types of company. Initially this was simply economy of scale. However, technological change has brought about changes in ship design (Ro-Ro vessels) and cargo handling practices (containerisation). Changes in machinery and navigation equipment have also had a profound effect upon the industry in the last three decades, translating into changes in both the scale and nature of manning.

3. TECHNOLOGICAL CHANGE

The advent of global positioning systems and electronic charts has, in the space of just a few years, transformed navigation that had changed little since the mid 18th Century. The skills practiced over years of training and proficiency in mathematical calculations have been made redundant. Complex integrated bridge systems require new skills that ‘dove-tail’ into the old; caution mixed with decisiveness and a respect for the sea and its dangers. Marine professionals need to be familiar with systems and their limitations, but not so familiar that it brings about complacency.

Similarly, in marine engineering, automotive systems and remote monitoring reduced the number of personnel and permitted a reduction in the education and training of qualified engineers. As systems have become more complex and ‘novel’ systems of propulsion have been developed, there is an increased, almost insatiable demand for engineers with diagnostic skills and a growing necessity for electro-technical officers (ETO) on increasingly highly sophisticated vessels. Yet even the modest step of specifying the qualifications for an ETO is being opposed during the review of the Standards of Training, Certification and Watchkeeping Convention 1978 as amended (STCW95).

4. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility is variously defined and interpreted. The European Union Enterprise and Industrial Directorate identify with a definition that states:

‘Corporate Social responsibility (CSR) means that companies integrate social and environmental concerns in their business operations and in their interaction with business relevant groups on a voluntary basis.’

In essence this requires going beyond any legislative requirements and to do more than what is required.
Referring to the same document a focus on employees includes for example: the improvement of working conditions (including health and safety at work) and job satisfaction; work/life balance; equal opportunities and diversity; training and staff development (including career planning); communication/information of employees and participation in company decisions; responsible and fair remuneration or financial support of employees (e.g. pension systems, interest free loans). The practise of CSR is subject to much debate and criticism. There are those such as journalist Terry Macalister (Macalister, 2004) who question the reality of CSR or is it simply a Public Relations (PR) exercise that is past its sell by date?

It would be an incorrect to say that the concept is alien to shipping. Yet there are companies, dependent upon policy adopted that have some features that can be identified with CSR.

5. THE ISSUES

Often it is stated that there is no substitute for experience, yet this appears to count for little when entire crews have been changed overnight in the relentless quest to reduce costs without consideration of the consequences for the safety and long term profitability of the business, let alone the safety of other marine users and protection of the marine environment.

The growth of agency employment in the 1980s and 90s casualised maritime employment. To some extent this already existed for ratings, but its extension to officer positions and to masters in much of the world’s merchant fleet brought about a disconnection of the workforce from employers. This had profound effect upon the employer/employee relationship. This also resulted in a lowering of the skills base through reduced training and, lack of experience and familiarity.

The growth of ship management companies added to the disconnection process. While management companies have the potential to provide a range of services and expertise, the focus has frequently centred on minimising costs. In times of low freight rates many operators with barely break-even situations sought to minimise costs. Labour costs being the prime target for reduction, closely followed by maintenance.

Labour was sourced from ever cheaper supplying countries. Ships increased in size and training programmes were abandoned as labour supply exceeded demand. Assisted by technological change, experienced seafarers were consigned to a premature retirement. Wisdom gained from experience was at a low premium.

New flag states emerged, whose fiscal and regulatory regimes accommodated this new model of the shipping industry. Thus providing the environment for ‘substandard shipping’ to thrive. Coffin ships have always existed, but they used to be limited in number and confined to particular trade routes.

A ship, representing tens or hundreds of millions of euro in capital investment may be in the hands of a poorly trained, poorly paid, poorly motivated crew, who are few
in number. With little emphasis on ‘quality’ the reduction in ‘quantity’ of personnel compounded to the lowering of standards.

Most shipping companies until recently did not consider the necessity for a strategic Manning policy, requiring attention to both ‘quantity’ and ‘quality’. Few today have such strategies. The demise of the traditional ship owner and the growth of the ship manager has resulted in a ‘manage for today and don’t worry about tomorrow attitude’ with respect to Manning.

Increase in vessels sizes and the advent of containerisation, coupled with investment in training by the traditional maritime nations in the early 1970s, were sufficient to meet demand for three decades. The collapse of the Soviet bloc added to the impression of an endless source of trained marine professionals. Further east, India, Philippines and China appeared to be a stream that would grow into a river to satisfy the industry’s endless quest for ever cheaper labour.

The current Manning crisis in the shipping industry is a consequence of market failure. Few companies train sufficient for their own requirements, some make a token gesture, others do not train at all, seeking to recruit those trained at the expense of others. In recent years new builds made no provision for trainees. This reduced capital costs and operating costs as a consequence of the reduction in gross tonnage.

The Standards of Training, Certification and Watchkeeping Convention 1978 as amended (STCW95) sought to ensure minimum standards throughout the world; instead it gave credibility and respectability to lesser qualified marine professionals and so added to the lowering standards.

The lack of investment in quality personnel for employment at sea has consequences for the wider shipping industry – with a shortage of skilled marine professionals to fill essential positions in shore management, ports, equipment manufacturing and the wider service sector of the shipping industry.

Shipping often complains of a bad press. The image presented to the public is of incidents of pollution associated with substandard shipping. There is an enduring reluctance to address the issue of substandard operators. Equally, there has been a reluctance to invest in both ‘quantity’ and ‘quality’ of marine personnel. Investment should be seen not as an option but an integral part of a continuing profitable business.

6. BIMCO/ISF STUDY

The BIMCO/ISF Manpower Studies, undertaken by the Institute for Employment Research at Warwick University, United Kingdom, have become the benchmark of the marine labour market. The survey, first conducted in 1990, has been updated at five-yearly intervals. Estimates, which are what they are and what they can ever be, are considered to be robust. One can sympathise with the researchers who were met with considerable indifference in some quarters. The qualifiers that accompany the survey results tend to downplay the forecast of future officer shortages.
The 2005 BIMCO/ISF Manpower 2005 Update estimated the worldwide supply of officers to be 466,000 and 721,000 ratings. The estimated worldwide demand for officers was 476,000 and 586,000 ratings. The officer shortfall is reported as less severe than in 2000. However, there is no mention of quality other than acknowledgement that some sectors are experiencing severe shortages. Evidence from employment advertisements suggests that shortages exist in ‘high value’ and ‘high risk’ sectors. This includes passenger vessels, LNG ships, tankers and the offshore energy sector. The sectors where there is some glimmer of the features associated with CSR.

A feature of the 2005 study was a survey of opinion among senior executives. An indication, perhaps, of the overall concern over the worsening manpower shortages now sweeping the industry.

The predictions demonstrate a worsening situation, indicating the officer shortfall could grow from 10,000 (-2.1%) in 2005 to 21,000 (-4.3) in 2010 and to 27,000 (-5.4) in 2015. Sensitivity application to both demand and supply can increase or decrease the shortfall, with the balance learning towards a continued shortfall.

Trading patterns may now be considered relatively stable, with the formation of the main trading blocks; notable exceptions being the growth in LNG and passenger vessels. The growth and fluctuating demands for commodities is placing increased uncertainty on dry bulk trades. The thirst for oil and gas has had dramatic effect on these trades with an even greater affect on the specialised vessels employed in the offshore energy sector – both hydrocarbon and renewables.

The economic booms recently experienced by China and India have significantly contributed to an increase in world trade and demand for shipping; high freight rates have resulted. Many vessels destined for the breakers’ yard remain in service. Ship builders’ order books are full. The current credit crisis may have only a marginal effect on order books in an industry that has become cash rich in recent years. Yet it cannot be isolated from the effects of a world recession.

The limitations on size of vessels due to technology and propulsion systems, berth and canal dimensions are bringing about a growth in the number of vessels in the world fleet. The reduction in the speed of vessels to save on fuel costs will mitigate the effects of a possible downturn in world trade. This, together with the constraints of the work hour regulations, the International Safety Management (ISM) Code and the International Ship and Port Facility Security (ISPS) Code are bringing demands for an increase in manning levels. The concern over the number of incidents attributed to fatigue and the two-watch system has the potential to further increase the demand for officers.

Notwithstanding a downturn in the world economy, the industry is facing a critical shortage of skilled labour. The structural change in the industry is over for now at least. The collapse of the Eastern bloc economies that provided a fruitful source of labour merely put off the inevitable; that is the need to recruit, train and retain marine professionals in sufficient quantities.
7. THE FOUR PILLARS

The industry is said to be built on four pillars (three IMO and one ILO), namely:

The Safety of Life at Sea (SOLAS) Convention, mainly dealing with the construction and safety equipment of merchant ships. The first version of the treaty was passed in 1914 in response to the sinking of the RMS Titanic. Newer versions were adopted in 1929, 1948, 1960, and 1974. The 1960 Convention — which was activated in 1965 — was the first major achievement for the International Maritime Organization (IMO). The latest Convention, 1974, includes the ‘tacit acceptance’ procedure whereby amendments enter into force by default unless nations file objections.

The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), 1978 as amended, sets the minimum qualification standards for masters, officers and watch personnel. It entered into force in 1984. The Convention was significantly amended in 1995. These amendments took effect on 31 July 2002. STCW is currently undergoing a major review.

(The Convention did not deal with manning levels. These are covered by the requirements of Resolution A.890(21) Principles of Safe Manning, as amended by Resolution A.955 (23), adopted by the IMO Assembly in 1999, which replaced an earlier resolution A.481(XII) adopted in 1981);


The fourth pillar being the International Labour Organisation's Consolidated Maritime Labour Convention (MLC) 2006, which sets minimum requirements for seafarers to work on ships, employment conditions, accommodation, recreation facilities, food and catering, health protection, medical care, welfare and social security protection. It has been adopted and awaits international ratification.

Three of the four pillars have been developed, introduced and implemented in the period in which the industry has undergone considerable change. There is much speculation on the effect on the industry of the fourth pillar, the ILO MLC, which has yet to be implemented. The effect of the STCW Convention is considered in some quarters to have had the reverse of the intention and lowered standards. The changes taking place to SOLAS do not inspire confidence. Germany and the United Kingdom were the only two countries, together with the International Confederation of Free Trade Unions (ICFTU), to raise objection to the proposed changes in stability criteria for passenger vessels.

Arguably the most effective pillar has been MARPOL and its regional variants, including the Oil Pollution Act 1990, United States. In Europe the suite of ‘Safety Packages’ has had a similar effect. As environmental issues have taken on greater
importance, even with an improved pollution record, the most minor of incidents has been the focus of attention of environmental groups and the media.

The Athens Convention relating to the Carriage of Passengers and their Luggage by Sea 1974, adopted 28 April 1987, with further Protocol in 1976, 1990 and 2002 provides for compensation and limitation of liability on part of the carrier. As with MARPOL 73/78, regional action has resulted in some countries setting higher limits in accordance with the 2002 Protocol, adopting the concept of strict liability.

There is, no doubt, a change taking place in the shipping industry as some companies adopt, albeit belatedly, the ethos of CSR driven by a desire for improved corporate governance. In reality it could be much simpler; the costs of non-compliance are prohibitive and the penalties punitive.

The sectors that may be considered ‘high value’ and ‘high risk’ appear to be responding to the changing regulatory environment in the industry: passenger vessels, LNG ships, tankers and the offshore energy sector. It comes down to ‘bodies in the water’ and ‘oil on the water’. For LNG ships it is more perception than reality as to the dangers associated with these vessels.

Given the incidents of fire, explosion, groundings and collision on chemical carriers, doubts have been cast on the operation of these vessels. A report by the Inter Industry Group concerning incidents on chemical carriers provided much useful information but failed to acknowledge the reduction in the quality of management and the reduction in the quality of sea personnel as a consequence of outsourcing labour in the endless quest to reduce crewing costs.

8. THE ISM CODE

P&I Clubs are reporting record losses, not in terms of total ship losses, but overall claims. Evidence is suggesting that ‘human factor’ issues are the principal cause. This should not be surprising given the commercial pressures faced by crews who are few in number and, in many cases, have little experience ether of type of vessel or in position of rank. Company type and management capability are also important factors.

The International Safety Management (ISM) Code was introduced progressively from 1 July 1998 to 1 July 2002; the purpose was to provide an international standard for the safe management of and operation of ships and for pollution prevention. In essence, to bridge the gap between SOLAS and STCW and the effective working of all other Conventions and Codes.

The introduction and implementation of the ISM Code was greeted with much criticism by both sea and shore staff. It was considered burdensome - and certainly was if implemented incorrectly. However, after almost a decade now it has the potential to assist in combating substandard shipping. Naturally, there is reluctance by some flag states to take action and withdraw the Document of Compliance (DOC) issued to the company and the Safety Management Certificate (SMC) issued to a
ship. Many have delegated or derogated, depending on your viewpoint, administration and audit to other bodies including classification societies.

Given the continued failing of Flag State Implementation (FSI), Port State Control (PSC) Authorities together with the courts have the potential to make the ISM Code an effective tool in ensuring compliance with the provisions of the four pillars and other regulatory requirements.

If the Code was working effectively, given the responsibilities of the parties, the company, the designated person and master, surely the number of incidents and claims would be reducing. Could it be that the Code, through ineffective enforcement measures and competitive forces is simply unable to combat the substandard elements within the industry?

The implementation of the ISM Code in spirit as well as letter surely would be a significant step towards adoption of CSR. This requires quality personnel, both ashore and afloat.

9. CONCLUSION

Most maritime incidents can be attributed to failings of the ‘human element’, much talked about, more in the abstract than in reality and certainly not adequately addressed. On examination of cases, looking beyond the immediate causes, failures can usually be identified in the operation of the ISM Code and the Safety Management System (SMS). For an effective SMS to function correctly there needs to be a commitment by the company and staff both ashore and afloat. This requires seafarers not only in ‘quantity’ but of ‘quality’. This requires investment in personnel.

The industry is at best reluctant to adopt CSR even if it knows what it is. To embrace CSR together with the adoption of the ISM Code should be seen as an investment that will not necessarily translate into additional costs. The degree of application of CSR and ISM Code will be determinate on the type of company, be it: Canadian: cheapskate; Greek; or management intensive. Enforcement alone will not bring about change but it can surely help to eliminate unfair competition

There are companies that are prepared to invest in training, there are those that make a token gesture and regrettably there are a significant number that make no investment, seeking to poach personnel from other companies and operate at below manning levels that are demonstrably unsafe.

Quality personnel in increasing numbers are required not only to meet technological change and increased demand but also to ensure the survivability and profitability of an organization. The circumstances that have brought about the current position, is neither acceptable, nor sustainable, need to be addressed.

MARPOL and its regional variants, with their punitive fines and threats of incarceration, may be the most influential factor in compliance with ISM Code and bring about the elements of CSR for the benefit of the workforce and the wider community, and ultimately the industry.
Given the financial consequences and increased penalties for failure to operate safely, surely investment in quality personnel is an inescapable cost.

REFERENCES:


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