

# **Globalisation, State Strategies and the Shipping Labour Market**

**The UK's Response to Declining Seafaring Skills.**

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This thesis is submitted to Cardiff University in fulfilment of the requirements for the  
Degree of Doctor of Philosophy

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Victor Oyaro Gekara, 2007



## **Abstract:**

The acceleration of economic globalisation, over the past few decades, has put the role of the state, as an important actor in the management of the global economy, in the spotlight. The question that continues to dominate the globalisation debate is whether or not individual states, operating within a neoliberal paradigm, are in a position to effectively regulate the economic activities of powerful multinational capital, manage domestic economies and protect labour. The main aim of this thesis is to assess how effectively nation states can respond to globalisation and mitigate negative impacts such as the decline of domestic industries and local labour markets while maximising the benefits.

Shipping is one of the most globalised industries and one where capital is highly mobile. The challenges facing nation states in their attempt to manage domestic economies and protect local industries are therefore well illustrated in the relationship between the state and multinational shipping capital. The UK, along with other Traditional Maritime Nations, has been dramatically affected by the globalisation of the industry. Following a huge decline in the UK's merchant shipping fleet, the UK government has attempted to respond, by way of a tonnage tax. This is primarily a tax incentive to encourage ship-owners to register and operate their ships in the UK. The tonnage tax regime contains within it a training commitment by which the ship-owners undertake to recruit and train UK cadets.

An assessment of the performance of the strategy reveals that, whereas it has boosted significant growth in UK registered tonnage, it has achieved little success with regard to increasing the number of qualified junior officers. It is this paradox that comprises the focus of this study. Using interview data collected from key stakeholders in the UK shipping industry the thesis analyses the form and impact of the tonnage tax. The main conclusion is that, having initially committed to the advocacy of the neoliberal agenda and the concept of free capital markets, states are no longer capable of effectively responding to globalisation and the consequent negative impact on domestic economies. Because of the growing influence of corporate capital and the fear of capital flight, the limitations of state policies is especially evident in the British shipping industry in relation to the decline of local seafaring labour.

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## **Glossary of Abbreviations**

<b>B. Sc</b>	: Bachelor of Science
<b>BIFU</b>	: Banking, Insurance and Finance Union
<b>BIMCO</b>	: Baltic and International Maritime Council
<b>BSA</b>	: British Sociological Association
<b>CBT</b>	: Computer Based Training
<b>CTC</b>	: Core Training Commitment
<b>DETR</b>	: Department of Environment, Transport and the Regions
<b>DfT</b>	: Department of Transport
<b>DIS</b>	: The Danish International Register of Shipping
<b>DWT</b>	: Deadweight Tonnage
<b>EC</b>	: European Commission
<b>EPA</b>	: End of Period Adjustment
<b>EU</b>	: European Union
<b>FD</b>	: Foundation Diploma
<b>FDI</b>	: Foreign Direct Investment
<b>FoC</b>	: Flag of Convenience
<b>GCSE</b>	: General Certificate of Secondary Education
<b>GIS</b>	: The German International Register of Shipping
<b>GRT</b>	: Gross Registered Tonnage
<b>GT</b>	: Gross Tonnage

- HMSO** : Her Majesty's Stationery Office
- HND** : Higher National Diploma
- HOC** : House of Commons
- HRM** : Human Resource Manager
- IMO** : International Maritime Organisation
- ITF** : International Transport Workers Federation
- ISF** : International Shipping Federation
- ISL** : The Institute of Shipping Economics and Logistics
- ISM** : International Safety Management
- LNG** : Liquefied Natural Gas
- LPG** : Liquefied Petroleum Gas
- MARPOL** : Marine Pollution
- MCA** : Maritime and Coastguard Agency
- MNC** : Multinational Corporation
- MNTB** : Merchant Navy Training Board
- MTT** : Maritime Training Trust
- MTO** : Minimum Training Obligation
- NAPSA** : National and Provincial Building Society Staff Association
- NF** : Nautilus Federation
- NIS** : Norwegian International Register of Shipping
- NMN** : New Maritime Nations

NUMAST: National Union of Marine, Aviation and Shipping Transport Officers

NVQ : National Vocational Qualification

OECD : Organisation for Economic Co-operation and Development

OOW : Officer of the Watch

OPEC : Organisation of Petroleum Exporting Countries

OR : Open Registers

PILOT : Payments In Lieu Of Training

PSC : Port State Control

RMT : National Union of Rail, Maritime and Transport Workers

SGLM : Seafarers Global Labour Market

SMarT : Support for Maritime Training

SMD : Safe Manning Document

SOCSI : School of Social Sciences

SOLAS : Safety of Lives at Sea

STCW : Standard of Training Certification and Watchkeeping

SWG : Shipping Working Group

T&G : Transport and General Workers Union

TMN : Traditional Maritime Nations

TNC : Transnational Corporation

UNCLOS : United Nations Convention on the Law of the Sea

UNCTAD : United Nations Conference on Trade and Development



# CHAPTER ONE

## Introduction

### 1.1 Thesis

This thesis is about economic globalisation and how states have responded to, and tried to mitigate the impact of some of its negative impact on domestic economies while attempting to maximise the benefits of its more positive aspects. The main point of emphasis in the analysis is the state's capacity to effectively manage domestic economies and protect local industries, especially labour, from decline. In order to develop this analysis I have singled out the shipping industry, and, specifically, the UK shipping industry as the focus of the study. The analyses and discussions are developed within the theoretical framework of economic globalisation and the political economy of skills and employment.

The thesis proceeds from the premise that globalisation is an active, continuous and dynamic process of deterritorialisation (Scholte, 2000) and economic liberalisation (Khor, 2001) where national barriers to cross-border socio-economic activities have been largely removed or greatly minimised (see also Stiglitz, 2002). This, as argued by Giddens (2002) has happened largely as a result of advanced transport and communication technologies. A situation has developed thus whereby multinational businesses operate freely from country to country with few restrictions from national governments. The thesis also posits that, due to increased international mobility, global capital has acquired great 'political' influence over national governments so that global corporations are in a position to influence national government policies and ensure easy exploitation of production factors around the world, for example labour. Furthermore, deterritorialisation and the growing international mobility of global capital have accelerated because of the neoliberal political paradigm adopted by states around the world to create and promote a global free market economy (see Harvey, 2005; Chomsky, 1999; Hall, 2003; Newton, 2004).

Developments in the global political economy over the past three to four decades have raised questions about the relationship between states and markets and the relevance of the nation-state in a globalised world order (Hirst and Thompson, 1999; Ohmae, 1990;

Bhagwati, 2004; Wolf, 2005). Some authors have strongly argued that the state has withdrawn and effectively let capital markets take over the management of state economies (e.g. Strange, 1996). A more radical argument presented by globalists is that states have lost their relevance as managers in the emerging global economic order (Ohmae, 1990) while a more moderate argument is that states and markets are engaged in an active and continuous process of power reconfiguration in which the concept of state capacity and power vis-à-vis markets is continuously being negotiated and reconfigured (Beck, 2005; Wolf, 2005). This thesis however argues that the important point is not whether the state's capacity to manage the economy has declined, rather, as Short posits:

The real question is not whether the state is being replaced [by markets], but how the nation-state is responding to the new geo-politico-economic realities [of the emerging world order] (Short, 2001:11)

The main focus of this thesis, therefore, is the impact that globalisation has had on domestic economies and how states have responded. The thesis will engage with these arguments in its analysis and discussion of the developments in the UK shipping industry and the changing relationships between the state and multinational shipping businesses.

The shipping industry perhaps offers one of the best illustrations of the extent to which global corporate capital effectively operates across international boundaries without restriction from states. It also offers a clear demonstration of neoliberalism in practice and free capital markets at work in the fluidity of its international structure and organisation. In the introduction to his book, Nathan Lillie, remarks of the shipping industry:

The global maritime shipping business has often been portrayed as the archetype of unbridled free-market capitalism, burst free from the constraints of government and trade union regulation (Lillie, 2006:1).

In these few lines, Lillie captures aptly the nature of shipping markets and the type of relationship that exists between states and shipping capital. Although one might argue that this is a characteristic specific to shipping by virtue of its international nature, it does represent a unique illustration of economic globalisation. Because of the mobility of shipping's core capital assets and labour, shipping companies have managed, within the space of three decades, to attain a higher level of footlooseness than those in many

other sectors. Globalisation has therefore had a particular impact on the shipping industry and provoked a particular response from states, especially in Traditional Maritime Nations (TMN) like the UK. As a highly globalised industry, shipping is therefore an appropriate exemplar of the relationships between states, capital and labour in a globalised world.

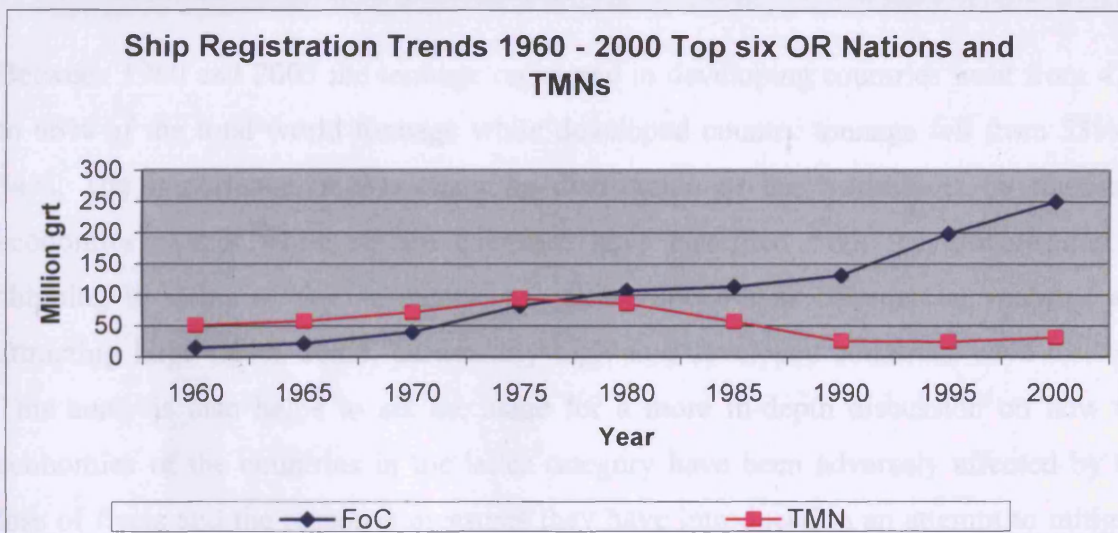
Shipping is an important industry because of its central role in international trade and its value-added services to global production and supply chains. For advanced economies like the UK, which are also generally Traditional Maritime Nations, the industry not only guarantees greater access to international trade but also generates a lot of government revenue. Similarly, smaller developing nations with the capacity to develop a shipping industry recognise its commercial value and strive to increase their stake in it. However, due to developments in recent years, there have been many changes in the structure and organisation of the industry world-wide leading to the decline of maritime clusters in many industrialised countries like the UK, the Netherlands, Denmark, Germany and France. The term maritime cluster is used to refer to a collection of core maritime related firms including shipping, finance, marine survey, marine insurance, dispute resolution, ship-brokers and agents firms and ports and harbours. The decline is partly the result of accelerated globalisation and the increased international mobility of shipping capital in the past three to four decades leading to changing patterns of international ship registration, administration and management.

The global shipping industry is organised into flag-states whereby, in order to engage in commercial activities, ships are required by international law to register with a recognised flag-state thus acquiring the nationality of the registering state (UNCLOS Art. 91; Coles, 2002). Although ships do not have to be registered in the countries of the owners' nationality, most ship-owners until the beginning of the 20<sup>th</sup> century registered their vessels in their home flag-states. However, the early decades of the 20<sup>th</sup> century saw the emergence of new commercial registers offering ship registration and administration services to ship-owners from all over the world for a fee. Flag-state regimes operating these registers imposed few restrictions on entry and exit and exercised little regulation on the corporate activities of the companies operating the ships they registered. They were therefore different from traditional registers which imposed tighter conditions on admission of ships and regulations on their corporate operations. These traditional flags may also be known as 'closed registers'. The new

registers, known as Open Registers (OR) are, in some cases, referred to as Flags of Convenience (FoC), a term coined by the International Transport Workers Federation (ITF) in the 1970s to refer to those Open Registry flags with no link between place of registration and place of economic benefit or ownership.

Although the pioneer Open Registers were established between the 1920s and 1960s, it was after the mid-1960s that many countries started ‘flooding’ this new, and clearly lucrative, ship registration market. Some of the earliest ones include Panama, Liberia, Cyprus, Honduras, Bahamas and Malta. It is because of the growing popularity of these new flags among many ship-owners that the fleets of TMNs in Europe and elsewhere in the OECD block rapidly declined (Metaxas, 1985; Alderton and Winchester, 2002; Lillie, 2004; 2006; Sampson and Bloor, 2007). Figure 1 below illustrates the changing ship registration patterns between 1960 and 2000. It clearly shows that from the mid-1970s the proportion of the world fleet registered with Open Registers surpassed that of traditional flags and proceeded to grow steadily and rapidly during the last quarter of the 20<sup>th</sup> century.

Figure 1: Ship registration trends; top six OR Nations and TMNs



Note: The six FoCs include Bahamas, Honduras, Cyprus, Liberia, Malta and Panama while the TMNs include the top European Maritime nations like UK, France, Germany, Norway, Netherlands and Italy

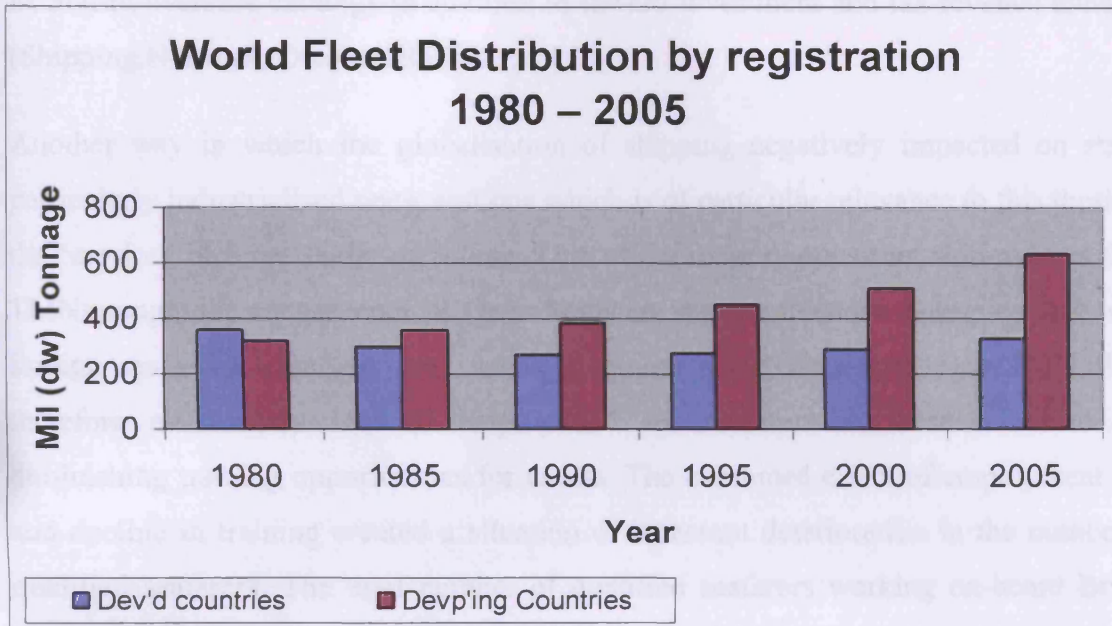
Source: Lloyd's Register – Fairplay: World Fleet Statistics (1960 – 2000)

Because ORs are mostly located in developing countries there has been a big change in the distribution of the world fleet in terms of registration with the largest percentage of the world fleet being registered in developing economies since the mid-1970s. Figure 2



below illustrates this changing distribution of tonnage between developed and developing economies.

Figure 2: World Fleet Distribution between Developed and Developing Economies 1980 – 2005



Source: UNCTAD Handbook of Statistics, 2006

Between 1980 and 2005 the tonnage registered in developing countries went from 47% to 66% of the total world tonnage while developed country tonnage fell from 53% to 34%. The importance of this changing distribution of the world fleet by flags and economies is that while certain countries have benefited from the globalisation of shipping in terms of fleet capacity, by setting up ORs as commercial ventures and attracting large fleets, some, particularly high-cost developed countries, have lost out. This analysis also helps to set the stage for a more in-depth discussion on how the economies of the countries in the latter category have been adversely affected by the loss of fleets and the response measures they have introduced in an attempt to mitigate this negative impact.

The decline in TMN fleets had an extensive and far reaching impact on the maritime clusters of these states. Being the core industry and central catalyst within the cluster, any decline or growth in shipping automatically leads to a ripple effect of growth or decline in all the other parts of the maritime cluster. For this reason, in many of these

countries, including Germany, France and the Netherlands, the shore-side maritime cluster of firms experienced decline (Klikauer, 2003). Furthermore, in many of these countries the maritime sector is a major revenue generator and an important catalyst in national economic growth. In the UK, for example, shipping is ranked as the third highest generator of government revenue. The UK maritime cluster contributes around £1.3bn in overseas earnings in addition to inward investment and tax revenue annually (Shipping Network, October 2007).

Another way in which the globalisation of shipping negatively impacted on states, particularly industrialised ones, and one which is of particular relevance to this thesis, is the 'erosion' of local seafaring labour. One of the main reasons that ship-owners from TMNs sought the convenience of Open Registers was the freedom to employ low-wage foreign seafarers from low-cost developing countries. The decrease in TMN fleets therefore also meant loss of employment for seafarers in these countries and diminishing training opportunities for cadets. The combined effect of employment loss and decline in training created a situation of incessant deterioration in the number of qualified seafarers. The total number of qualified seafarers working on-board British vessels, for example, declined from about 99,000 to 27,000 between 1970 and 1993. The number of officers reduced from a total of 45,600 to 17,000 between 1970 and the late 1990s (McConville, 1997 – 2003; House of Commons, 1993; Obando-Rojas, 1999). The decline in the British pool of seafarers not only affected the supply of qualified sea-staff but also diminished the supply of essential technical skills to the shore-side maritime cluster. Shore-side maritime operations, like technical ship management, marine survey, marine insurance, ports and harbours and ship-building and repairs, require people with seafaring skills and experience to work in sensitive technical positions. In a 1996 study it was determined that the demand for such skills was rising but the supply was diminishing, thus creating a shortage which had the potential to drive many of these firms to offshore locations (Gardner and Pettit, 1996). This development raised concerns about the future of UK shipping, both at sea and ashore.

It is against this background of globalisation and decline that the UK government initiated a process of response in the mid-1990s. In 1997 the government set in motion the process of developing a strategy by which it could stop and reverse the decline in the shipping industry, both in terms of the fleet and the skills-base. The process culminated in the introduction of the UK tonnage tax in 2000. The tonnage tax was

designed to meet three main objectives: to rebuild the UK registered fleet by creating a more predictable, capital-friendly and virtually tax exempt atmosphere for ship-owners; to rebuild the seafaring skills-base by making ship-owners recruit and train more British cadets through the Minimum Training Obligation (MTO); and to boost growth in the shore-side maritime cluster of firms through a requirement that all participating owners strategically and commercially manage their vessels from the UK (see; DETR, 1998; Brownrigg *et al*, 2001; Selkou and Roe, 2004).

The strategy has impacted on the shipping industry in a specific way, which raises questions about the adequacy and effectiveness of the state in responding to the negative aspects of globalisation. For example, while there has been significant success in recovering the British-flagged fleet, the number of qualified British officers has not increased leading to important questions about the government's ability to, and commitment towards, recovering the seafaring labour force and maritime skills-base. An important point is whether this outcome is due to ineffective implementation or to inadequacy in the design of the strategy itself. There is therefore an important question about how effectively the state can respond to issues affecting highly globalised industries like shipping whose corporate capital wields immense influence.

Through this qualitative study I have tried to understand why the government chose the particular response strategy that it did and I have analysed the possible reasons for the kind of impact that its strategy had on the British shipping industry. This study therefore critically examines the globalising developments highlighted here and analyses the design and form of the government's response strategy in order to develop a thesis about the state's capacity to effectively respond to globalisation and protect domestic industries, especially labour, from decline. Using data collected from major stakeholders in the shipping industry through qualitative interviews and policy document analysis, it critically examines the Tonnage Tax Minimum Training Obligation, the main response strategy to increase seafaring labour in the UK, with particular attention to its design, implementation and impact.

## **1.2 Aims and Research Questions**

As I have stated earlier, the overall aim of the thesis is to assess the state's ability to protect domestic industries and local labour from decline as a result of economic globalisation. In this era of increasing globalisation in which many states have pursued

economic strategies within a neoliberal paradigm, there are important questions to be asked about how effectively individual states can protect local industries, and especially labour, from decline. This thesis is concerned with the decline of national seafaring labour in Traditional Maritime Nations and the recovery strategies adopted by these countries in response. The analysis in the previous section has shown how high-cost industrialised states like the UK experienced a reduction in national merchant fleets and pools of seafaring labour between 1960 to the late 1990s. Like many of the affected countries, the UK within the past decade has introduced policy measures in an attempt to protect and rebuild the industry. Using the UK shipping example of globalisation, decline and state response, the thesis seeks to achieve the following aims:

- i) To understand the ways in which globalisation has impacted on the domestic shipping industries of Traditional Maritime Nations like the UK, especially in relation to labour.
- ii) To examine the form, adequacy and effectiveness of state response to the negative impact of globalisation on domestic shipping industries, especially in relation to seafaring labour.
- iii) To examine and assess the general capacity of the state to effectively respond to globalisation and protect domestic industries, especially in relation to labour, from decline, within a neoliberal paradigm.

In order to achieve these aims the study addresses a number of key research questions. Arising from the analysis and discussion in chapters two and three are a number of questions concerning the ability of the state and its effectiveness in responding to globalisation and implementing policies which effectively protect domestic industries and local labour from decline. Chapter two specifically examines the changing relationship between states and markets and concludes that there is a continuous process of reconfiguration between these two, in which the position of individual states and their ability to protect local industries depends on the choices that they make vis-à-vis capital markets (Wolf, 2005). The discussion also suggests that, far from the widely held view that states, in the neoliberal era, act the way they do because of corporate pressure, many governments have specifically promoted the free capital market project through supply-side economic policies in an attempt to maximise the benefits of



globalisation (Jessop, 2002; Beck, 2005). At the same time however, the ambiguity of the neoliberal state's position vis-à-vis capital and labour is highlighted, leading to the suggestion that in the attempt to promote free capital markets the state's ability to protect local labour has been greatly compromised, with the consequence that many domestic labour markets have become vulnerable and declined due to corporate exploitation.

In light of this ambiguity this thesis, using shipping and seafarer labour as an example, examines the extent to which the state, operating within a neo-liberal paradigm, retains the capacity to effectively manage the domestic economy and intervene on behalf of labour. Because of the globalised nature of shipping and the highly mobile character of shipping capital, many Traditional Maritime Nations adopted policies which led to a situation of extensive deregulation in order to prevent loss of fleets. The deregulation of the shipping labour market led to a particularly acute decline in the number of qualified merchant navy officers in countries such as Britain, Germany and The Netherlands.

The reason for choosing shipping to illustrate state response to globalisation is because it is one of the most globalised industries and one which aptly illustrates the impacts of globalisation on domestic industries. As pointed out in chapter two, it is described as the exemplar of a globalised industry (Klikauer, 2003; Sampson, 2003; Alderton *et al*, 2004; Sampson and Bloor, 2007). As one of the major maritime nations that have experienced drastic decline in fleet and seafarer labour, the recent history of UK shipping provides a clear example of the way TMNs may address the implications of key aspects of globalisation, as well as the outcomes. The main objective of the thesis is to examine the strategies adopted by the UK as a response to the erosive impact of globalisation in the UK shipping industry, namely, the decline in the UK registered fleet and the UK pool of qualified officers.

From the discussion presented in the earlier sections of this chapter it seems that, in spite of the government's efforts through the tonnage tax strategy, there has been little improvement in the output of qualified British junior officers. The UK fleet has grown however and, by extension, the shore-side maritime cluster is expanding and cadet intake levels have improved significantly. Using this study of decline in UK shipping and the nature and effectiveness of state response, this thesis will examine the extent to which nation states retain the capacity to respond to globalisation and mitigate some of

its negative impacts like loss of employment and depletion of skills. The specific questions to address in the build-up to the main thesis include:

***(i) How has government responded to the globalisation of shipping?***

Through this question I specifically examine the form of the government's response and the process leading to its design and adoption. In order to determine the effectiveness or adequacy of the response the thesis needs to explore its design, adoption and implementation. I will therefore use a detailed content analysis of the policy documents detailing the process of designing the state response in order to understand the nature of the response.

***(ii) What shaped the government response?***

Through this question I explore the factors and forces which shaped the government's strategy. In other words I seek an explanation on why the state responded as it did. I therefore expand the analysis by critically examining the factors that influenced the design of the strategy and how the government worked with the various, and often conflicting, interests of the maritime stakeholders in order to arrive at a consensus with regard to the strategy. Thus the focus is on the interests of labour on one hand, and capital on the other. The discussion of neoliberalism in chapter two and the analysis of the changing relationship between states and capital raise questions about how national governments design policies for economic intervention. Through this question the study will examine the process of designing and adopting the tonnage tax and how the context of conflicting interests may have shaped it and influenced its adequacy and/or effectiveness.

***(iii) How effective has the government response been?***

The study, through this question, critically examines the performance of the tonnage tax strategy in order to determine how effective or adequate the government's response has been in its attempt to protect the shipping industry, and especially seafaring labour, from decline. The analysis particularly considers the paradox in the outcome of the response. That is, success in fleet recovery on the one hand but failure to increase the number of seafarer officers on the other.

***(iv) How could the response have been more effective?***

After determining the impact of the tonnage tax the study further examines the likely reasons for its impact (or lack thereof) and explores some of the possible alternatives that the government might have considered. This question therefore has two parts to be addressed: *why* the strategy failed and *what* might have been done to ensure success. At the same time this question focuses attention on some of the possible constraints on effective and adequate state response in light of the discussion in chapter two about globalisation and the influence of capital markets.

To answer these questions the study follows an elaborately designed research plan which involves the collection and analysis of data through interviews, documentary content analysis and secondary data analysis as described in chapter four on methods and methodology.

### **1.3 Thesis Structure**

The thesis is organised into nine broad chapters. Chapter two is the first of two literature review chapters. This chapter considers the relevant literature on globalisation, states and markets and it sets the background and platform for the discussions in subsequent chapters about globalisation and the role of states in the management of domestic economies in the emerging global economic order. The chapter also reviews literature on changes and developments in the shipping industry over the past four decades against the background of economic globalisation and examines the impact of globalisation on nation states, using the shipping industry as an illustration.

Chapter three, the second literature review chapter, specifically discusses the decline of British shipping and the design of the tonnage tax as the main government response strategy. It traces out and maps the history of modern-day globalisation in the shipping industry and assesses the role of Open Registers in this process. It also reviews a number of relevant government policy documents which trace the history of the government response to the decline. Finally it reviews analyses of the performance of the UK tonnage tax.

Chapter four provides an outline of the methods and a discussion of the methodology employed in the research. It outlines the methodological paradigm within which the research is located and presents the research design including a discussion of the various

data sources, the methods of collecting and analysing data and the limitations and challenges of the research design and fieldwork, including ethical considerations.

Chapters five, six and seven present an analysis of the empirical data collected in the course of the study; through an analysis and discussion of the research data these chapters critically consider the design and implementation of the tonnage tax strategy. They trace the development and adoption of the strategy, examining in chapter five how the government worked with key stakeholders in the maritime sector to design a comprehensive policy and recovery strategy for UK shipping. This chapter also examines and discusses the government's diagnosis of the decline in seafaring skills and the main motivation behind its response. The difficult position of the government in responding to the skills decline is highlighted in a brief discussion of the tripartite consultative approach adopted in which the other two main parties, that is, the corporate industry and the unions, presented different and conflicting interests.

Using (mainly) interview data from corporate shipping industry managers, chapter six examines and discusses company recruitment and employment policies and the main factors which influence companies' policies on sourcing and developing seafaring labour. The chapter also examines the impact of company strategies on cadet recruitment and training in the UK. Chapter seven explores the cadet training process in the UK. It examines the training programme and the structure of the cadet courses but also analyses the wider organisation of the training establishment and the role that shipping companies, training agencies and training colleges play in the process. It mainly relies on interview data from people directly involved in the cadet training process, that is, cadet college training administrators and staff. More importantly it presents the 'first-person' accounts of individual cadets on the training programmes and the general training atmosphere in the UK. The main concern of the chapter is to determine the reasons for the failure of the government strategy to increase the number of British junior officers. In order to do this the chapter examines three different views: the shipping corporate industry view, the training establishment view and the ex-cadet view, in an attempt to establish what the main obstacle to increasing the number of junior officers might be.

Chapter eight presents the main assessment and discussion of the research findings bringing together the main themes in the empirical chapters in order to address the

research questions. The chapter examines how the government has responded to globalisation in the shipping industry and the shape that this response has taken. In assessing the effectiveness of the strategy the chapter examines the main factors which influenced its nature and form. The final section of the chapter looks at how the response might have been more effective and examines some of the main obstacles to effective state intervention in the management of globalised industries like shipping.

The final concluding chapter applies the analysis of UK shipping as an example of globalisation, decline, and attempted recovery, to the main questions of the thesis. In particular, it addresses the extent to which national states retain the capacity to effectively mitigate some of the negative impacts of globalisation. This chapter considers the wider issues of globalisation and its impact on states, capital and labour. In other words, having examined the empirical evidence in chapters five, six and seven, the thesis concludes by explaining what the data may tell us with regard to the capacity of states and their potential to protect domestic economies in a globalised context.

# CHAPTER TWO

## Globalisation and Shipping

### Introduction

The shipping industry is, undoubtedly, one of, if not, the most internationalised industries today. Its international nature and structure has been discussed and analysed by many authors including Goss (1989), Alderton and Winchester (2002), Roe, (2002), Klikauer (2003), Alderton *et al* (2004), Selkou and Roe (2004), and Sampson and Bloor (2007) who all agree that the shipping industry is uniquely globalised. Some of the features which give it its international shape and structure include the international mobility of its primary assets and its labour force, the international nature of its operations, its role as the main vehicle for international trade and the fact that it has developed a specialised satellite management component which has greatly enhanced its globalised profile and cross-border economic activity. Furthermore, shipping capital enjoys a higher level of global ‘buoyancy’ than in any other industry. This is largely as a result of the Open Register system whereby ship-owners can register their ships in any flag-state in the world depending upon their preference.

This chapter is an exploration of globalisation in the context of shipping. The aim is to use shipping to illustrate the way economic globalisation, in the past three to four decades, has affected the capacity of nation states to effectively manage and protect domestic economies. Shipping may, indeed, be described as *the* globalised industry *par excellence* (Sampson and Bloor, 2007) but also, as the main vehicle for international trade and the essential link in global production and supply chains, it is a vehicle and facilitating factor in the process of economic globalisation. The chapter will trace key developments in the industry in recent years and analyse the dynamic relationship between shipping and nation states.

As suggested in chapter one, shipping is considered an important industry by many nations. For countries with an embedded maritime history, shipping has, over the years, attained social, historical and economic significance because of its role in supporting the growth and prosperity of a large cluster of shore-side maritime firms and as a major employer. Shipping, in these countries is also closely linked with long histories of

economic prosperity. For the emerging New Maritime Nations (NMN) the industry is important in as much as it presents commercial opportunities which generate revenue through ship registration and administration and via employment. As Alderton and Winchester (2002) observe, the revenue that some of these countries earn from ship registration makes a big difference to their small economies. It is for this reason that the New Maritime Nations (NMNs) have engaged TMNs in fierce competition for the ship registration market in the second half of the 20<sup>th</sup> century. This competition is largely responsible for the restructuring of the global shipping 'landscape' and the decline of fleets and seafaring labour in many formerly strong maritime nations.

What is remarkable about the shipping industry is that although its history of globalisation, as defined in this thesis and supported by Scholte (2000), Giddens (2000, 2002), and Stiglitz (2002), started in the early decades of the 20<sup>th</sup> century, it has a long history of internationalisation whereby shipping companies, though locally based have always operated internationally and occasionally used foreign flags and employed foreign seafarers (Metaxas, 1985; Alderton and Winchester, 2002). As early as the 18<sup>th</sup> century, ship-owners were able to register their ships in, and operate them from, countries other than their own for both economic and political reasons. At the same time, ship-owners have been able to employ foreign labour in order to reduce operations costs in an attempt to maximise profits. British ship-owners started using foreign seafarers as early as the mid 19<sup>th</sup> century (Coles, 2002). It is in the 20<sup>th</sup> century, however, with the advent of Open Registers that shipping transformed into a fully globalised industry in the sense that companies were able to operate freely across national borders.

Due to the momentum of the pre-twentieth century internationalisation, globalisation in the shipping industry, in the twentieth century, has been both distinct and quick. As the main vehicle for international trade, from the 1940s to the 1970s, the industry grew as part of the rapid and steady growth in world trade in the post World-War-Two era (Stopford, 1997; Hirst and Thompson, 1999). Most significantly, shipping capital has been able to break down national barriers and obstacles to cross-border mobility and operations in a way unequalled by many other industries (Sampson and Bloor, 2007; Sampson and Kahveci, forthcoming).

The chapter examines the globalisation of shipping in light of the key definitions and descriptions of globalisation and argues that it is primarily a process of economic

liberalisation. A process by which national economic barriers are gradually eliminated to create an economic environment that frees capital, finance and labour from the confines of national economic and geo-political territories (Scholte, 2000; Stiglitz, 2002). It is a process in which shipping is not only an excellent example but also the main driver, being the central vehicle for cross-border production and supply chains. As Alderton and Winchester (2002:36) observe, it is not only pivotal to world trade, but also the only example of a fully globalised industry". One of the key points in this definition of globalisation which influences the tone of the thesis is that it is a dynamic, current and continuous process rather than an outcome (see Sampson and Kahveci, forthcoming).

In order to meet the objectives set out, the chapter examines developments in the shipping industry over the past three to four decades in the context of socio-economic relationships which constitute the impetus for globalisation. It lays particular emphasis on Giddens' (2000, 2002) argument that globalisation is a phenomenon of the last forty years, mainly influenced by advanced revolutions in communication technologies. At the same time, it examines the complex relationship between states and markets, and the transformation of the state and its role in the emerging global economic scene.

The chapter is organised into five sections. Section one explores the nature and character of shipping and highlights some of its unique features as an international industry. Section two introduces a definition of globalisation through a critical consideration of the main debates about economic globalisation, examines and discusses its growth in modern times and assesses its impact on the capacity of nation states in relation to economic management. Section three extends the discussion on economic globalisation by exploring the evolving relationship between states and markets over the past four decades and critically examines the rise of the neoliberal state and its impact on this relationship. Finally, section four examines how shipping labour markets have changed as a result of globalisation and the emergence of global satellite ship management companies.

## **2.1 The Nature of Shipping**

The shipping industry possesses a set of features which make it an appropriate focus for globalisation debates. It is because of these features that it stands out and has been described by many analysts as one of the most globalised industries (Sampson, 2003;



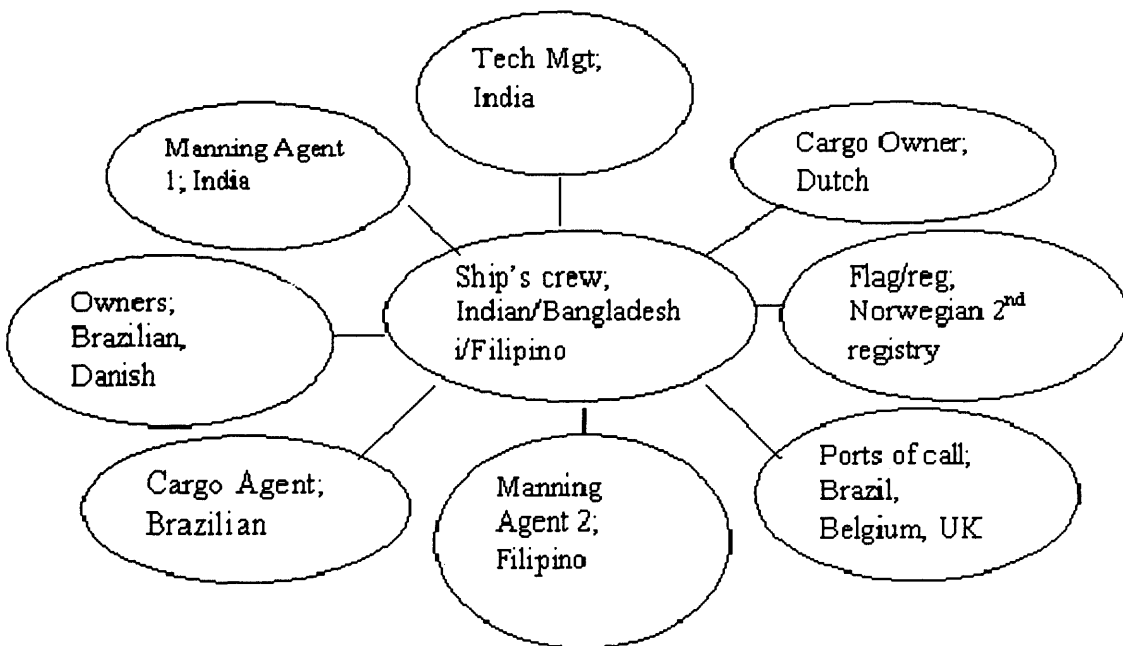
Selkou and Roe, 2004; Sampson and Bloor. 2007; Sampson and Kahveci, forthcoming). Some of these features include the mobility of its primary assets, an internationally mobile labour force and a unique system by which ship-owners may freely choose and change the nationality of their ships without restriction from the home country (Paixao and Marlow, 2001; Alderton and Winchester, 2002; Coles, 2002). Furthermore, shipping stands in a privileged position as the main vehicle for international trade which also means that the nature and scope of its commercial operations is international.

Goss has described shipping as:

An industry which, of necessity, operates internationally, selling its services in many countries and, correspondingly, buying such factors of production as insurance, fuel and the ships themselves on a world market (1989:75).

This industry is characterised by an internationalised pattern of organisation, reflected in its national composition. Helen Sampson's (2003) example of 'The Santos Sunset' below diagrammatically represents the core of this intricate arrangement:

Figure 3: The Santos Sunset



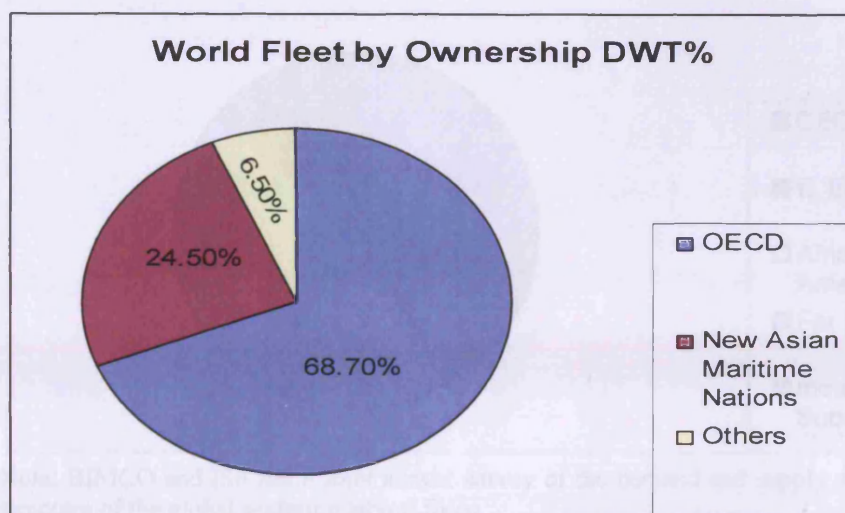
Source: Sampson, 2003:260 (see also DeSombre, 2006 for a discussion of this international organisation of the industry)

What this diagram illustrates is a complex international structure in which ships are often owned in one country, registered in another, managed from yet a different country,

staffed by crews from different parts of the world and operate all over the world carrying cargo belonging to different merchants, of different nationalities. Three aspects of this arrangement require further attention because of their significance in the overall analysis of international shipping: ownership, registration and crewing.

The largest percentage of the total world fleet, in terms of ownership is attributable to only thirty countries which largely comprise OECD countries and the newly emerging maritime nations of Asia. In terms of dead weight tonnage (DWT), as of 1<sup>st</sup> of January 2005, the distribution of world tonnage in percentages is as shown in the chart below:

Figure 4: World Fleet by Ownership



Note: The Institute of Shipping Economics and Logistics (ISL) analyses the ownership patterns of the world merchant fleet yearly, namely the national and foreign flag fleets of leading shipping nations.

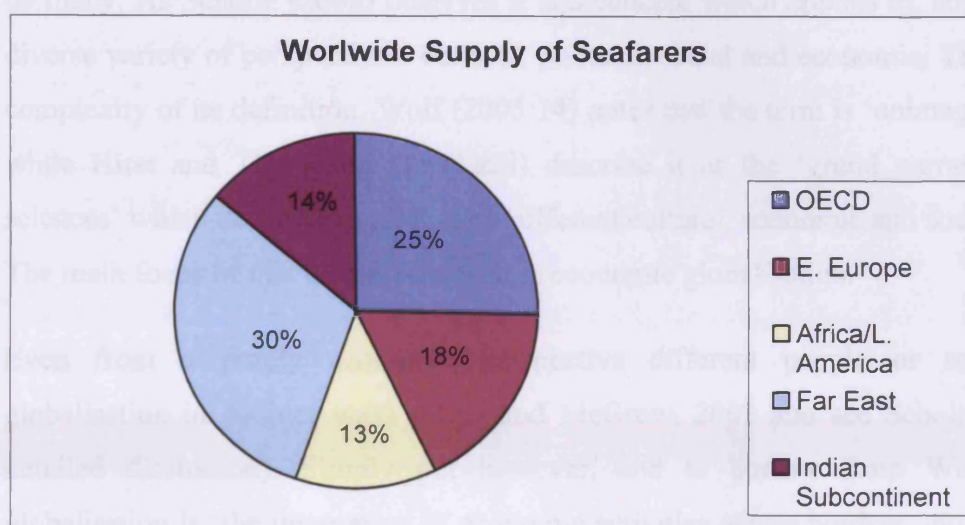
Source: ISL Market Analysis 2005.

In comparison, as of 1<sup>st</sup> January 2005, 65.1% of the total world fleet was registered with foreign flags while only 44.9% of the tonnage was registered in the country of ownership. OECD countries had the largest percentage share in ownership but 73% of this tonnage was registered in foreign countries. 67.4 % of the total EU owned fleet was foreign registered. This has created a situation whereby both the TMNs and the new flag-states are unable and/or unwilling to exercise effective regulation over the economic activities of shipping companies. In such a situation many companies operate with little interference from states.

The issue of staffing the global fleet, for example, has been a contentious one since the middle of the 20<sup>th</sup> century and has played a significant role in shaping the current

international 'terrain' of the industry. The main reason why many ship-owners in the 1970s and 1980s opted to register their ships in Open Registers was to escape the stringent crew nationality regulations of their home countries, that is, the traditional maritime countries of the OECD. However, over the years most of these countries have responded by ending these requirements and allowing ship-owners to employ crews from any part of the world. The following figure shows where the crews for the world fleet come from:

Figure 5: World-Wide Supply of Seafarers by Region



Note: BIMCO and ISF run a joint annual survey of the demand and supply of seafarers and analyse the structure of the global seafaring labour force.

Source: BIMCO/ISF Manpower Survey 2005

The chart shows that although the OECD countries continue to contribute significantly to the total worldwide supply of seafarers, the contribution of the new labour supply countries is much bigger. Currently the international structure of the industry is such that the largest percentage of the world fleet is owned in the OECD states; the highest percentage of this is registered in Open Registers. The largest number of seafarers comes from low-wage labour supply countries of Asia and Easter Europe who, in many cases, neither own nor register a significant percentage of the global fleet.

The features of the industry, described above, have evolved over a long period of time. The industry, although always international in nature, was not always as globalised as it is now. But before I move to an in-depth analysis of globalisation, states and the shipping industry, I will first examine the concept of globalisation and analyse the

major theoretical debates surrounding this highly contested subject. The questions to ask here include: what essentially is globalisation? How does the shipping industry fit into the wider cauldron of global economic processes? What is it, which makes the shipping industry an exemplar of globalisation amongst all the others?

## **2.2 What is Globalisation?**

Globalisation is certainly one of the most discussed topics in modern times (Scholte, 2000; Giddens, 2002; Stiglitz, 2002). It is a highly contentious subject that has generated much debate, many theories and definitions. The term is used, if not misused, by many. As Scholte (2000) observes it is a concept which applies to, and caters for, a diverse variety of perspectives: cultural, political, social and economic. Therein lies the complexity of its definition. Wolf (2005:14) notes that the term is 'unimaginably broad' while Hirst and Thompson (1999:xiii) describe it as the 'grand narrative of social sciences' which deals with 'often very different cultural, economic and social processes'. The main focus of this thesis, however, is economic globalisation.

Even from a purely economic perspective different people or schools define globalisation in distinct ways (Held and McGrew, 2002 and see Scholte, 2000 for a detailed discussion). Simply put however, and to borrow from Wolf, economic globalisation is 'the integration of economic activities across borders, through markets' (Wolf, 2005:14) and it involves a process of eliminating obstacles to such cross-border economic integration. There are many variations in the views, opinions and theories on the nature and extent of these processes which are shaping the contemporary global economic world.

The two main positions on what comprises globalisation are held by globalists, on one side, and anti-globalists, on the other (see Held and McGrew, 2002). These may be further divided into 'extremes' and 'moderates' whereby extreme globalists are those who argue that not only is globalisation inevitable but it is desirable with beneficial effects around the world (Wolf, 2004; Ohmae, 1990, 1994, 1996; Giddens, 1998, 2002). Giddens (2002), for example, argues that the extent of globalisation in the modern era is demonstrated in the unequalled levels of international trade, involving a much wider range of goods and services and a much higher level of finance and capital flows. This, he argues, is enhanced by advanced telecommunications technology which enables easy and unrestricted transfer of large sums of money around the world. The extreme anti-



globalists equally acknowledge the irresistibility and influence of globalisation but find it undesirable and malevolent, indeed, some anti-globalists have equated economic globalisation to colonisation (Khor, 2001; Ling, 2000), and Westernisation or Americanisation (Taylor, 2000; see Scholte, 2000 and Held and McGrew, 2002 for amore detailed analysis).

There is, however, much more convergence of the basic views among the ‘moderates’ of both sides as opposed to the extremes. Moderates acknowledge the irresistibility and influence of globalisation but are more inclined to critically analyse its benefits. The general view is that globalisation has brought both good and bad but the extent of each depends on the theoretical stance taken. Moderate globalists like Scholte (2000), Short (2001), Stiglitz (2002), Sorensen (2004) and Beck (2005) argue that, whereas globalisation has a measure of negative impacts and outcomes in many parts of the world, its benefits to many economies and societies have been immense. They believe that the economic face of the world could be and, in some cases, has been positively transformed through economic globalisation. Stiglitz for example observes that:

.... globalisation – the removal of barriers to free trade and the closer integration of national economies – can be a force for good and that it has the potential to enrich everyone in the world.... (2002:ix)

He however continues to stress that for this potential for good to be harnessed it needs proper management, thus indicating that globalisation can be for good or for worse depending on how it is managed by both states and global businesses.

Moderate anti-globalists, on the other hand, while acknowledging some positive economic outcomes, insist that globalisation only benefits a small fraction of the world population while impoverishing the rest. They highlight the inequitable distribution of the benefits of globalisation between developed and less developed countries – the north and the south (Holton, 1998; Hurrell and Woods, 1999; Held and McGrew, 2002).

One important, albeit contested, aspect of this analysis is the historical context within which globalisation may be considered (see Giddens, 2002). This comes out of the argument about the cyclical nature of economic processes over centuries (see Scholte, 2000) and a suggestion that the current phase of globalisation is not necessarily novel but follows from earlier and equally influential phases (Hirst and Thompson, 1999). Although contested this theory seems to apply to the case of shipping because the

current state of globalisation in shipping is preceded by a long history of internationalisation (Metaxas, 1985). In the context of shipping, therefore, one might say that 'modern' globalisation, which dates back to the early decades of the 20<sup>th</sup> century, and marked by the emergency of Open Registers, is an advanced phase of an earlier, milder, phase of globalisation. The current phase, however, has developed within a cauldron of wider globalising economic processes which, according to some authors (e.g. Giddens, 2002), increased in momentum in the mid-20<sup>th</sup> century. Although the pre-20<sup>th</sup> century phase of internationalisation forms an important element for the analysis of the industry in the present phase, the focus here is on the process of deterritorialisation in the second half of the 20<sup>th</sup> century during which businesses like shipping companies have been able to break through national economic barriers and engage in unrestricted transborder commercial operation. Consequently there has been a greater integration in the world economy and enhanced interaction at a global level facilitated mainly by advanced transport and communication technology (Scholte, 2000; Giddens, 2002; Stiglitz, 2002).

For the purpose of this thesis, therefore, globalisation is defined as a process of deterritorialisation which facilitates free and unrestricted movement of capital thus allowing easy cross-border economic activity and greater international economic integration. It is this definition which forms the basis for discussions and analyses of impacts and state response throughout the thesis.

### **2.2.1 Globalisation in Historical Context**

As explained in the previous section, globalisation stimulates much debate and has been the subject of many theories regarding its form, nature and impact. One theory is that globalisation is a process which has been going on and growing steadily over the past several centuries (Hirst and Thompson 1999; Scholte, 2000). The purpose of this brief discussion of the historical context of globalisation is to try and put into perspective the developments in shipping in the centuries before the 20<sup>th</sup> century which, as explained earlier, are important in understanding the rapid globalisation of the industry in the past four decades. The current phase, which has seen a relatively faster and greater growth, in the scale of its socio-economic impact, however, only dates back to the mid-20<sup>th</sup> century (Short, 2001; Scholte, 2000; Wolf, 2005). Indeed the verb "globalize" was coined in 1940s by Oliver Raiser and B. Davies (1944:39) to refer to the concept of

universalisation. The point is that globalisation has both a recent aspect to it and an older provenance.

Scholte (2000:62-63) has identified three periods in the chronological development of globalisation, namely, *the global conscious* period which started 1000 years ago, *the supraterritoriality* period which started in the mid-19<sup>th</sup> century and gradually grew through the space of a century, and finally the *global relations period*, which started in the 1960s and has, within the space of three and a half decades, propelled global economic relations to a totally new level (see also Beck, 2005; Wolf 2005). It is this latest period that most analysts refer to while they largely ignore previous and equally significant periods in the chronological development, as noted by Hirst and Thompson (1999).

It is important to add that although the process of supraterritoriality, as described by Scholte (2000), runs through the three periods; it is only from the mid-20<sup>th</sup> century that extensive transborder economic activity and international economic integration occurred. The fast growth in telecommunications and transport technologies and the resulting increased trans-border communication and interaction has led to an unprecedented level of international interaction and transborder economic activity (Hirst and Thompson, 1999; Giddens, 2002; Stiglitz, 2002). Scholte's outline of the three phases of globalisation is particularly important for the analysis of the globalising processes in the shipping industry since, as we shall see in later sections, these processes have their roots in developments during the 18<sup>th</sup> and 19<sup>th</sup> centuries, developments such as the use of foreign seafarers and foreign flags (Metaxas, 1985).

Hirst and Thompson's (1999) analysis of globalisation is also relevant in this respect. According to these authors the history of international economic activities dates back many centuries: They cite developments in the 14<sup>th</sup> century, that is, the emergence of organised German iron and agricultural merchants, British cotton and wool merchants and Italian international banking companies. In the 17<sup>th</sup> and 18<sup>th</sup> centuries colonial expansion opened many countries worldwide to a lot of economic activities and many international trading companies may be identified such as the Dutch and British Indian Companies; the Muscovy Company; the royal Africa company and the Hudsons Bay company. These companies expanded trade and investment activities during the colonial period and are possibly the origin of the now widely applied concept of Foreign Direct

Investment (FDI) (Dunning, 1993). FDI is defined, by the United Nations Conference on Trade and Development (UNCTAD) as investment made to acquire lasting interest in enterprises operating outside of the economy of the investor (see also Dunning, 1993).

The industrial revolution between the late 18<sup>th</sup> and early 19<sup>th</sup> century introduced the concept of international manufacturing and, according to Hirst and Thompson (1999:20), 'presents the earliest precursor to the modern-day MNC'. During this time international companies sought favourable investment opportunities abroad, especially in North and South America and later Africa and Australia and carried out overseas explorations for minerals and raw materials. In this way the concept of FDI was expanded as manufacturing companies sought to supply their products abroad through domestic manufacturing (Dunning, 1993).

Hirst and Thompson therefore argue that there was growing economic activity in the form of trade and foreign investment between the 17<sup>th</sup> century and early 20<sup>th</sup> century such that by 1920s manufacturing multinationals appeared and were well established. The rapid growth in international trade was only broken by the depression of 1930s and 1940s but picked up after the Second World War leading to the fastest and greatest growth in international trade ever experienced (Stopford, 1997).

With regard to migration and international labour markets, these authors identify three phases. First, there was the involuntary slave labour migration in the pre-1850 phase (see also Castels and Miller, 1993). This was followed by the voluntary post-1850 mass migration from Europe to 'new lands' like America, Africa, and from Russia to central Asia and Siberia, the Far East to South Asia and from India to Africa (see Segal, 1993). This phase ended during the mid-war years due to the economic slump and the introduction of anti-immigration policies by recipient countries like America. The third phase started in the post-war era and initially involved Europe and America but soon included large numbers of migrant workers from developing countries. In the 1970s and 1980s, it took the form of controlled migration of workers to developed countries. This is the latest and, by far, the largest migration phase.

This adumbration of the history of globalisation is important in the discussion of processes and developments in the shipping industry. We shall see in later sections how the OR concept was developed as early as the 18<sup>th</sup> century and how the use of foreign



seafarers started evolving from around the same time. These changes took place alongside the general processes of economic globalisation as identified above.

The current phase of globalisation represents a complex, dynamic and often antagonistic, set of relations revolving around states and markets which has produced three significant outcomes in the past three and a half decades: increased interaction and interdependency among states, reduced national barriers to cross-border trade and investment and the emergence of a three-level international regulatory system, namely, national, supranational and international levels (Selkou and Roe, 2004). This structure has evolved as a result of state responses to the growing influence of mobile global capital (Beck, 2005).

Globalisation, as defined earlier, is basically a socio-economic process and, in the tone of Marxist political economy, it is primarily a process through which 'capital by its nature drives beyond every spatial barrier [and] conquer[s] the earth for its market' (Marx, 1857-8: 524, 539, cited in Scholte, 2000). The central features of this process are trade, finance and capital operating internationally and mainly driven by multinational enterprises under the enabling conditions created by the 'competition state' (Dunning, 1993; Cerny, 1990, 1997) in the effort to attract and retain global capital (Beck, 2005; Scholte, 2000). Perhaps the greatest distinguishing feature of modern globalisation is the nature and role of the state. Whereas the various international economic activities were state-controlled in the earlier phases of globalisation, increasingly the state has retreated to a more administrative role while markets have become dominant (Strange, 1996). This feature calls for a consideration of the role of the nation-state in modern-day globalisation. It is necessary to assess, in the remaining sections of the chapter, the extent of its retreat in the evolving global economic setting.

### **2.2.2 Nation States in Modern-day Globalisation**

In considering the impact of globalisation on the nation state I consider a number of definitions of economic globalisation which portray the changing relationship between states and markets. Wolf (2005:14) describes globalisation as 'the integration of economic activities across borders, through markets'. Scholte describes it as:

...a reconfiguration of [socio-economic] geography, so that social space is no longer wholly mapped in terms of territorial places, territorial distances and territorial borders (Scholte, 2000:16).

Held *et al* (1999:16) also describe it as 'a process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transactions' while Beck (2005:127) sees it as a process of power struggle between states and capital markets.

These definitions highlight certain key elements in the process of globalisation and the position of the state: economic interaction, power struggle, international space, territoriality and transformation. There is also the important element of international spatial transcendence and economic integration. All these elements indicate a specific impact on the nation state. There is a strong suggestion of deterritorialisation and economic integration through which the position and role of the state is undergoing extensive transformation. The question to address here is how this process affects the capacity of the individual nation state with regard to national and international economic planning and development.

Just as in all matters relating to globalisation, the 'floor' here is sharply divided into those who predict the decline and ultimate extinction of the state (Ohmae, 1995; Bhagwati, 2004; Wolf, 2005), those who think that the state grows stronger and even more significant in relation to international economic governance (Hirst and Thompson, 1999; Saul, 2004) and those, in the middle, who acknowledge the growing influence of capital markets and the consequent transformation of the state but also see a sustainable metamorphosis of states into entities with new but equally important roles in global economic regulation (Beck, 2005; Sorensen, 2004). These three positions are represented by the *weak-state*; the *strong-state* and the *adaptive-state* arguments (Hobson and Ramesh, 2002; Held *et al*, 1999, 2005).

The *weak-state* argument suggests that nation-states and their borders are not relevant in the emerging global economic order. They celebrate the growing influence of markets and proclaim the ultimate demise of the nation-state (Holstein, 1990; Ohmae, 1990; Naisbitt, 1994; Wolf, 2005). The *strong-state* argument, on the other hand, posits that the state still remains strong and may even become stronger as the primary and most essential player in the regulation of international economic activities. The proponents argue that global markets, which are purported to undermine the capacity of the state are, in fact, highly dependent on state machinery and infrastructure to guarantee the success of their commercial operations (Zysman, 1996; Doremus *et al*, 1998; Hirst and

Thompson, 1999). Hirst and Thompson argue that, contrary to the weak-state argument, the role of states is becoming even more significant with the growth of this process which, for this reason, they choose to describe as internationalisation of national economies rather than globalisation.

The *adaptive state* or the *transformationist state* is a more cautious and analytical approach which opts for a more critical assessment of the processes and events shaping current global economic trends. It suggests that while significant socio-economic changes are taking place which are altering the nature and role of the state, it is premature to proclaim the demise of the state as a regulatory actor (Sorensen, 2004). They instead see globalisation as a process of realignment and active renegotiation of power relations between states and markets (Beck, 2005). The main issue, according to the *adaptive state* theory, is not how the state has strengthened or weakened but, instead, how it has changed and to what effect, both locally and internationally (Cox, 1997; Scholte, 2000; Short, 2001; Sorensen, 2004).

The argument in this thesis pre-supposes that the *detritorialisation* (Scholte, 2000) theory of globalisation and the moderate, *adaptive state* view of the modern state offer the most helpful understanding of the situation. Whilst national economies have opened up leading to increased international integration, this does not necessarily render the nation state irrelevant or powerless as a player in the global economy. In the process of responding to new economic realities the state is inevitably transformed, but as Wolf observes:

... the economic processes will not compel the death of state... The policies and capacities of states remain central to how economic globalisation works (2005:16).

According to Beck (2005) globalisation is a process of power struggle in which the state is being challenged to respond to the growing influence of capital mobility in order to retain its capacity for economic management. He argues that:

...the coercive character [of capital] might be capable of awakening the mercantile spirit even in belligerent states, and tempting them onto the rugged path of political self transformation (2005:127).

He continues to argue that states have the potential capacity to effectively respond to the 'coercive character of capital' but whether or not this happens depends on the choices

that each state makes vis-à-vis economic globalisation. This argument will be re-examined in the analysis, in subsequent chapters, of the UK's response to the impact of globalisation on domestic shipping.

The next section continues this examination of globalisation and its impact on national economies by looking at the globalising developments in the shipping industry over the past four decades. It discusses the changes that have taken place in the organisation of shipping labour and capital and analyses the ways in which these changes illustrate a particular form of globalisation. Most importantly it presents the industry as a good example of economic globalisation. The mobility of seafarer labour and the general 'buoyancy' of capital are core features of the industry and indicative of the form and extent of its globalisation. These aspects have been largely omitted from the main literature on economic globalisation.

### **2.3 Globalisation in the Context of Shipping**

From the perspective of the shipping industry globalisation takes on a particular and unique form. There is a set of features, as discussed in earlier sections of this chapter, which give globalisation in the context of shipping a distinct and unique 'flavour'. Some of the features which influence this difference include the mobility of its capital assets and the highly deregulated international business atmosphere which has evolved because of the establishment and rapid growth of the Open Register system. Another important aspect of the globalisation of shipping is the emergence of a unique global labour market for seafarers (Wu, 2003, 2004, 2005; Winchester *et al*, 2006; Wu and Morris, 2006) as a result of shipping companies going overseas in search of cheap labour and setting up global satellite recruitment and crewing agencies (Klikauer, 2003).

In most of the globalisation literature the shipping industry is presented and discussed simply as a 'node' in the complex chain of global production and supply of goods. Rarely is it discussed as an industry in its own right. Its complex international organisation and the mobility of its capital is largely lost in the literature and overshadowed by the manufacturing, finance and service industries. It is often discussed and presented as part of the globalising processes rather than a globalised industry in its own right (see Stiglitz, 2002; Dunning, 1993). This is perhaps because the definition of a 'globalised industry' has so far concentrated on, and given prominence to, the size, global spread and extent and impact of the international activities of its companies

rather than the 'mechanics' of it. The point is that even the smallest shipping company, which might appear localised, is often highly globalised by virtue of the mobility of its capital and extensive business operations across national borders.

Interestingly, even in texts like Castree *et al* (2004) where cross-border capital movement and labour mobility are extensively discussed, the shipping industry and seafaring labour are not mentioned, even though these two lend themselves as examples of how capital and labour can move freely, between states, in a world without barriers as postulated by extreme globalist analysts (e.g. Ohmae, 1990, 1995). It is, instead, mostly studied as an integral auxiliary service to the manufacturing industry. Shipping is a critical example of globalisation (Sampson and Bloor, 2007), not necessarily because it is by definition global, though it is, but because shipping capital possesses a high capacity for global mobility and companies operate freely across borders. It is also an industry which, in its role as the main link in, and principal facilitator of international production and supply chains, has become an integral part of that growth.

In recent years, however, there has been a growing body of literature in the area of globalisation and shipping (e.g. Goss and Marlow, 1993; Roe, 2002; Selkou and Roe, 2004; Sampson and Bloor, 2007) which has helped to highlight the extent to which shipping has globalised since the 1960s and the resulting policy complexities and challenges for nation states. Most importantly, this literature shows the extent to which globalisation in the industry has placed states in an ambiguous position with regard to the regulation of capital thereby necessitating increased reliance on regional and international regulatory structures in an attempt to reassert regulatory control over shipping activities. Even at these regional and international levels, the industry still presents complex regulatory difficulties and dilemmas for the individual nation state (Sampson and Bloor, 2007).

Historically, shipping was always an international industry, often comprising small companies which operate within a wide international area. Because of the importance of the maritime sector for economic and strategic reasons, states controlled and regulated most aspects of shipping with many states, for example China, actually owning and controlling the shipping sector. Even in 'open market' countries like the US the federal government strictly controlled the industry through the US Shipping Board (Metaxas, 1985; Goss, 1989; Alderton *et al*, 2004). The state, for example, dictated the nationality

of the crew on-board its vessels and ownership and registration were linked so that ships were registered in the country of the owner's nationality (Metaxas, 1985; Goss, 1989; Naess, 1972). The organisational dynamics, however, changed in the post-war decades, due to the emergence of Open Registers which influenced the transformation of the global ship registration 'landscape'. Shipping companies henceforth ceased to be simply 'local and operating internationally' and transformed into 'truly' globalised business entities with the ability to move capital and operate freely across national borders. In the process even the state lost its hitherto firm control on the economic activities of shipping companies. Ships were no longer necessarily nationally owned, crewed or registered because ship-owners were free to decide on these matters without state interference (Alderton *et al*, 2004). The nationality link in shipping business has, therefore, been systematically undermined and eliminated by the developments of the past five decades.

The highly globalised nature of shipping is mostly lost in the literature because of the tendency, by some authors, to present and equate globalisation with 'being global'. Dunning (1993) for example defines global industries as:

Those that are dominated by large corporations with diverse national origins, producing and marketing in all of the world's largest economies (1993:40)

This presents a 'globalist' view and implies that the criteria for globalisation include size and global spread. As I indicated earlier, however, the definition of globalisation that this thesis promotes relates to transborder economic activity without state restriction (Scholte, 2000) and represents an on-going process rather than an outcome (Sampson and Kahveci, forthcoming).

The thesis, therefore, contests the tendency to define globalisation in terms of globalism and universalism as in Reiser and Davies (1944:39). More accurately, the suggestion here is that globalisation should be considered and defined as a highly complex and dynamic socio-economic process driven by the transborder activities of business enterprises and the power struggle between markets and states (Beck, 2005; Wolf, 2005). Globalisation is a process of deterritorialisation of economic activities as defined by Scholte (2000) and Held *et al* (1999) rather than the outcome of it (see Sampson, 2003; Sampson and Schroeder, 2006), as implied by Dunning's (1993) globalism

definition. If we take globalisation as a theory of current and on-going changes in the world economy rather than an outcome then it becomes easier and makes sense to analyse the evolving and changing relationship between states and markets over the past four decades which, Scholte identifies as the latest and most radical phase of economic globalisation, and which, coincides with the period of rapid growth in the transborder activities of multinational enterprises (2000).

The omission of shipping from the globalisation literature, though surprising, is not intentional but seemingly due to the prevalent globalism view taken by many globalisation commentators (e.g. Reiser and Davies, 1944; Ohmae, 1990; Dunning, 1993). This view is, however, distinctly different from that taken by commentators within the maritime sector; many of whom view globalisation and developments in shipping as part of the wider on-going processes shaping the world economic order (Goss, 1989; Alderton and Winchester, 2002; Klikauer, 2003; Sampson, 2003; Veiga *et al*, 2004; Sampson and Bloor, 2007).

It is important, at this point, to closely examine the features described above which foreground shipping and make it one of the most globalised industries. It has been pointed out previously that the three developments, in the 20<sup>th</sup> century, which catapulted the industry to great heights of globalisation, within the short period between 1950s and 1990s include; the growth of Open Registers, growth of the Seafarers' Global Labour Market (Wu, 2004), and, the establishment of global satellite ship management companies (Klikauer, 2003). Sletmo and Holste (1993) have demonstrated that the definitive globalising development is the advent of ORs, as early as the 1920s (See also Metaxas, 1985). It is this feature that accelerated the deregulation of both shipping capital and seafaring labour world-wide and intensified the industry's transborder operations (Goss, 1989; Sampson, 2003; Sampson and Schroeder, 2006; Sampson and Bloor, 2007). Giddens (2002) and others (see Stiglitz, 2002) have argued that the process of globalisation took a decisive shift in the second half of the 20<sup>th</sup> century due to enhanced telecommunication technologies which boosted transborder economic integration and economic activity. In the shipping industry the establishment of Open Registers as an additional globalising element meant that the process was clearer and quicker than in other, land-based, industries (developed further in the next chapter).

As said earlier, another important part of this process of globalisation in shipping has been the emergence of a distinct Seafarers Global Labour Market (Wu, 2003, 2004) as a result of companies' acquired ability to develop, organise and move labour across national borders using satellite crew management companies (Klikauer, 2003). International, third-party management companies, which emerged in the mid-1990s, have helped propel the global activities of shipping companies even further. Because of these companies, which include, commercial, technical and manning agencies (Spruyt, 1994; Klikauer, 2003), even the smallest shipping company anywhere in the world is able to effectively operate in the global shipping market. They have provided ship-owners with an effective global management solution to labour supply, and commercial and technical management, by introducing and refining the concept of offshore management whereby companies rely on offshore companies to staff and manage their companies. Many of these offshore management companies are located in low-cost countries, for example, Cyprus (Klikauer, 2003). By this development, shipping corporations have become even more detached from national states than those in land-based industries, like manufacturing, whose management is still largely in-house. Shipping companies therefore enjoy a unique kind of freedom from states and national borders because of these three prominent features which do not exist in many other industries (Klikauer, 2003; Sampson and Schroeder, 2006).

This brief analysis of globalisation suggests that, in the context of shipping business, globalisation has been, and continues to be, a dynamic and continuous process of power negotiation between shipping corporate business and states. Shipping capital has, over the years, effectively broken through the confines of state economic barriers and, because of the socio-economic importance attached to shipping, as described earlier, states have been forced to reconfigure their position and renegotiate the relationship in order to gain and/or retain the benefits of global shipping. This is evident in the way states have responded to the growing mobility of capital and the subsequent decline in national shipping industries using various policy strategies.

## **2.4 States, Markets and Labour in a Globalised Economy**

The discussion in the preceding sections has set the stage for a more in-depth analysis of the relationship between states, capital and labour which forms the subject of this section. The analysis of the shipping industry as a unique example of globalisation



raises important questions about what globalisation is and how it impacts on national states. In this section I will examine the relationship between states, capital markets and labour and discuss how it has changed as a result of globalisation over the past three to four decades.

The relationship between national states and markets has been transformed over the past four decades as a result of globalisation. In pursuance of neoliberal ideologies and the promotion of free markets and due to growing pressure from global corporate capital, many states have eliminated most of the economic barriers which formerly restricted the free movement of capital, trade and finance globally (Hall, 2003; Harvey, 2005). Whereas in the first half of the 20<sup>th</sup> century many countries used protectionist tactics and saw import substitution as the most effective way to accumulate wealth and build their national economies, the second half saw a changed 'playground' on which global capital markets grew in power and, in turn drove the development agenda of most states (Chomsky, 1999; Harvey, 2005). The state today is therefore very different from the state half a century ago which was in control of, and effectively exercised regulation over, economic activity within its borders. The state today appears to have lost much of its regulatory capacity as borders have become increasingly porous.

#### **2.4.1 Neoliberalism, States and Capital**

Neoliberalism is a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices (Harvey, 2005).

Harvey continues to say that, beyond creating the necessary structures to guarantee the security and freedom of markets, the state should not intervene because any such intervention would distort the market. The neoliberal 'era', beginning in the 1970s, has been largely characterised by deregulation, privatisation and a near total withdrawal of the state from key aspects of the marketplace (Jessop, 1994; Fairbrother and Rainnie, 2006). In this scenario, the state has increasingly become more of a facilitator of capital market expansion and less of a market regulator. Essentially, neoliberalism seeks to free national resources from social ties for easy exploitation by global capital corporations (see Chomsky, 1999).

The relationship between states and capital is characterised by complexity and ambiguity: clearly states need capital because within the neoliberal paradigm, national economic growth can only be effectively achieved through practices that promote free markets and allow global corporations to organise, develop and exploit resources globally in order to generate and accumulate wealth. It is therefore, perhaps, as Beck (2005) argues, a negotiated partnership in national development but one in which the two parties are engaged in a constant and continuous game of domination and power struggle. National governments, for example, seek to capture and maintain the gains of global capital. For this to happen they are forced to succumb to the demands of corporate businesses with regard to developing policies and introducing legislation which enable them to effectively exploit national production factors cheaply and freely.

The relationship is, on one hand, very much a symbiotic one, especially where powerful states within the OECD are concerned but, on the other, one of market dominance and intimidation. According to Beck (2005), there are two types of neoliberal state: first, those where international agencies actively promote neoliberal projects and ideas, mostly in the developing world, and second, those that actively and voluntarily adopt and promote neoliberal projects, mainly developed countries. Along the same lines, Chomsky (1999) argues that the concept of free markets applies differently to different states: powerful advanced states as well as weak and developing ones. The argument is that advanced states, unlike developing ones, are in a better position to benefit from the gains of global corporate capital businesses (Holton, 1998; Beck, 2005). In as much as these corporations have great influence over states, they need states, especially advanced ones, to provide the security and infrastructure to develop policies and enact legislation which guarantee and ensure their freedoms. States, on the other hand, need multinational businesses because of their role in wealth accumulation and national economic development.

In this respect, it is important to note that the neoliberal 'project' and the concept of free markets have been positively and actively promoted by the governments of strong states like America and Britain. Over the past four decades these states have actively supported the concept of a free market economy and thereby facilitated the global expansion and growth of corporate capital by providing enabling infrastructure and security (Dunning, 1993; Holton, 1998; Harvey, 2005). Such states have effectively facilitated the corporate exploitation of resources around the world with the knowledge

that profits are repatriated back 'home'. In this way, corporations guarantee the prosperity and continued world economic dominance for these 'home' countries. These states, in turn, provide the conditions for the successful and profitable operations of corporations. It is no wonder, therefore, that over three quarters of the most powerful global corporate giants are located within the most powerful states of the OECD (Holton, 1998; Hirst and Thompson, 1999).

Generally, however, the impact of growing capital influence over states, as a result of increased global mobility and the threat of capital flight has been remarkable. From the 1970s to the present, the influence of corporate capital on the policies of national governments all over the world has increased. During this time many governments, led by America and Britain, have adopted some form of neoliberal ideology to drive their development agenda (See Chomsky, 1999; Fourcade-Gourinchas and Babb, 2002; Jessop, 2002; Hall, 2003; Jonathan and Sally, 2004; Peck, 2004; Harvey 2005; Bohle, 2006).

In the process many key government economic policies are influenced more by the capital agenda and less by the social agenda in what is viewed, by some globalisation analysts, as the retreat of the nation state (Wallace, 1994; Strange 1996). These analysts suggest that governments have lost authority over their societies and economies to global corporate capital. Holton (1998), for example, argues that the state is no longer in a position to effectively perform its traditional duties like protecting domestic employment and guarding state sovereignty. Some analysts, on the other hand, view this development as a negotiated arrangement in which governments and capital are in a mutually beneficial relationship (Beck, 2005; Wolf, 2005).

Whether a 'retreat' or 'negotiated arrangement' the nation state has certainly undergone tremendous change and its capacity to regulate corporate business activities has declined. What comes out clearly in the literature is the fact that state policy, for example in Europe, in the past three decades, has been more pro-capital and less pro-labour (Hall, 2003; Harvey, 2005). This has, for example, led to the so called 'modernisation of the welfare state' which has transferred many traditional functions of the state to the private sector hence, further enhancing the power of private corporate capital. Susan Strange (1996:4), for example, observes that "where states were once the

masters of markets, now it is the markets which, on many crucial issues, are the masters of the governments of states” (see also Clarke, 2005; Clark *et al*, 2006).

The UK shipping industry example is of interest in this analysis because it highlights the way in which states have over the years responded to the globalisation of industry and growing capital mobility with policy measures. The consequence of such responses has been to create a situation of deregulation in both capital and labour markets which has further enhanced what Beck (2005:127) refers to as the ‘coercive character of capital’. During the second half of the 20<sup>th</sup> century, for example, the ability of shipping capital to influence state policies in favour of cross-border business activities grew tremendously with the consequence that shipping companies have been able to influence a process of deregulation unequalled in any other industry. The government’s response to declining tonnage and seafaring labour, and the form of its strategy and its impact, provide a good illustration of the state’s effectiveness in controlling the trans-border activities of Transnational Corporations and protect domestic industries.

#### **2.4.2 Neoliberalism, States and Labour**

One of the consequences of adopting neoliberal ideologies, as I have pointed out, is that the state has been pushed back from the front-line of economic management and social provision so that markets have gained a free hand to organise and develop production resources. Beck (2005: xv) observes that “what is taking place (...) is a creative self destruction of the nation-state-dominated ‘legitimate’ world order” in which there has been, as Harvey (2005:3) adds, “much creative destruction ...of prior institutional frameworks and powers ... [and] divisions of labour, social relations, welfare provisions” etc.

One particular socio-economic function from which the state has completely withdrawn and let the market take over, is the protection of national employment. The strength of organised labour has been systematically dismantled at the insistence of capital in a process whereby, according to the neoliberal thesis, markets intervene to free labour from traditional strangulations of organisations such as unions (Harvey 2005). In the process of promoting free markets, organised labour obviously presents a problem because it empowers workers and makes them both expensive and difficult to exploit. Being one of the most important production factors, labour has ‘had to be’ contained as, such a situation could not be tolerated by corporate capital. Therefore, one of the first

tasks for capital in the neoliberal era was to dismantle all forms organised labour. This has been achieved by exerting pressure on national governments to adopt pro-capital policies and introduce the necessary legislation (Harvey, 2005; Hall, 2003). What this means is that it has not been enough for strong states to simply supply the conditions to 'harbour' Transnational Corporations (TNC), they also need to encourage manufacturing and production via the provision of cheap labour (see Chomsky, 1999).

Neoliberal states like the UK, under Thatcher, actively supported such policies as a means of encouraging growth in capital investment. To facilitate easy exploitation workers had to be under the absolute command and control of employers rather than unions hence, such governments, since the 1970s, withdrew support for workers and unions and introduced legislation which undermined organised labour and the power of workers (Chomsky, 1999; Hall, 2003; Harvey, 2005). Those countries which already had strong labour laws and powerful labour movements like the UK systematically dismantled them while those that did not were never given the chance to develop any (see also Smith, 1995; Jessop, 2002, 2003; Clarke, 2006). In the case of the latter, corporate capital eliminated such possibility by tactically employing the threat of capital flight (Clarke *et al*, 2006). In this way labour all over the world has been left open to capital exploitation without the protection of national governments. The decline in the British labour movement since late 1970s presents a good example which demonstrates how a combination of growing employer power and the withdrawal of state support led to a drastic decline in union power and the subsequent decline in the UK labour market as a result of being left open to uneven international competition (Farnham and Giles, 1995; Wood *et al*, 2002).

In general terms trade unions in the UK were undermined in the late 1970s under Thatcher's policy of abandoning full employment and deregulating labour markets in pursuance of the neoliberal ideology (Fairbrother and Yates, 2003; Hall, 2003; Hyman, 2005a and b). Their decline, both in membership and bargaining capacity was accelerated by the recession of the 1980s and by the fact that, as from the 1970s, many manufacturing industries such as steel, automobile, coal, as well as those in the transport sector like shipping, were in decline resulting in employment loss (Cully *et al*, 1999; Farnham and Giles, 1995; Machin, 2000; Dundon, 2002; Wood *et al*, 2002).

Unions at this time also faced pressure from an increasing anti-union environment that was promoted by employers utilising their increasing capacity to influence government policy. Fairbrother and Yates (2003:1) observe,

Employers in all five countries [USA, UK, New Zealand, Canada and Australia], albeit in varying degrees, have responded to the economic instability beginning in the early 1970s and continuing into the 1980s by shifting the balance of power in their favour, thus taking the opportunity either to rid their workplaces of unions or undermine union influence. Employers have been helped in these endeavours by governments choosing to restore economic competitiveness through the advancement of neo-liberal policies, in part aimed at restricting union political and economic influence.

This is the situation that seafarers' unions were facing in the 1970s and 1980s. In response to massive flagging-out by British ship-owners and the decline in the UK register, the government, keen to prevent further decline, facilitated the shift in the balance of power from seafarers to owners. The government further succumbed to pressure, especially from ship-owners, and introduced legislation which deregulated the seafarer labour market in the UK and guaranteed ship-owners freedom to employ foreign crews (Brownrigg *et al*, 2001; Selkou and Roe, 2002).

Thatcher's declaration that her government had 'tamed the unions' is important because it signalled the pro-corporate capital/anti-labour government stance that has prevailed since then and led to the decline in local labour markets in the UK (Schifferes, 2004). With the coming to power of the New Labour government, however, open attacks, on unions, have decreased and union recognition is being encouraged through the introduction of the statutory union recognition procedure in 2000 (Wood *et al*, 2002). However, the 1990s unions are very different and far less powerful than the 1970s unions (Fairbrother, 2000; Levésque and Murray, 2006; Waddington, 2006). In the seafarer labour case, for example, whereas unions like Nautilus-UK have gained favour with the labour government within the past decade, they certainly have not gained the capacity to effectively influence favourable policy (see Levésque and Murray, 2002). However, the seafarers' union case is special because of the existence of elaborate and largely effective global collective bargaining machinery through the International Transport Workers Federation (ITF) which presents a united and strong front against companies with FoC vessels in the fight for better wages and living and working conditions for seafarers (Lillie, 2004, 2006). At local levels though, seafarers unions are also caught in the same situation of limited capacity and influence as all the others and,

although the ITF presents a good example of global collective bargaining, its functions are clearly different to those of local unions hence it is not in a position to provide the answer to the problems facing individual local unions.

The limitations facing unions in the neoliberal era seem to have given rise to a new 'breed' of union which work in partnership with corporate employers rather than opposing their exploitation of labour because, essentially, their continued existence in the current, highly capital dominated atmosphere is guaranteed by the corporate community (Hyman, 1994; Kelly, 1997; Gall, 2003). Gall observes that although "the issue of union recognition has returned to the top of the industrial relations agenda in Britain, so too has the issue of employer opposition to it" (2003:79). A good example is the statutory union recognition procedures, referred to above, whose legal design suggests that, without corporate endorsement, unions cannot achieve any meaningful recognition. According to union analysts (e.g. Kelly, 1997) unions have largely been integrated into the neoliberal system, through partnership with corporate employers, such that they no longer possess the militancy necessary to effectively mobilise and oppose employer exploitation or challenge anti-labour government policies (Hyman, 2005a).

Instead of fighting the corporate community in order to protect and promote local labour markets, it seems as if unions, since the late 1990s, have been more concerned with consolidating their existing membership and capacity. This is partly because of the overwhelming strength of capital and the lack of government backing for local labour markets.

One way in which unions are trying to enhance their capacity is through cross-industry mergers and cross-border consolidation (Fairbrother, 2000; Waddington, 2006; Fairbrother and Rainnie, 2006). There has been an increasing trend towards union merger since the late 1990s both regional and across sectors. Examples of this include the merger between the National and Provincial Building Society Staff Association (NAPSA) and the Banking, Insurance and Finance Union (BIFU) in July 1997 (Gilman, 1997). A survey of trade union mergers in the UK and Germany found that the number of individual trade unions in the two countries has significantly reduced since the late 1990s as a result of mergers (Waddington *et al*, 2003). The study also indicates that the main reasons presented by proponents of union restructuring through mergers include:

...the reductions in inter-union competition, the possibility of greater influence with employers and the state, and the better membership services that result from post-merger economies of scale (p. iv).

Membership decline is also given as one of the major factors influencing unions to merge. Because of this the report concludes that the move is largely defensive:

The merger processes examined here were dominated by defensive issues rather than the search for potential benefits. For the majority of the unions involved in the four merger processes, membership decline was a central factor. Also, despite the introduction of extensive cost-cutting measures, several unions were unable to reduce costs to match the decline in income from members. Financial difficulties were widespread (p. iv).

In the same way, increasing seafarer employers' power over seafaring labour, seemingly backed by government, has forced unions into a generally defensive rather than offensive mode which makes it difficult for them to influence the kind of policy and strategies that might benefit British junior officers and ensure an effective recovery of the pool of British officers. The on-going negotiations towards a merger between NUMAST of UK and the Netherlands' officers' union, which has so far led to the formation of the Nautilus Federation (NF) and a change of name for the UK union to Nautilus-UK, is a good example of this process of cross-border capacity consolidation. According to Nautilus-UK officials, this is the beginning of a process which is intended to culminate in the formation of a single union of officers and maritime professionals – Nautilus – in 2009. The ultimate objective, according to union officials, is to create a single union covering the EU region. According to one union official participating in this study:

The aim is to build a bigger and stronger front capable of countering the growing influence of employers in the shipping labour market-place”  
[Union Interview].

The ITF is, perhaps, the best example of how individual national unions find strength in international collective bargaining in the way it has attempted to organise and consolidate the otherwise fragmented 'voices' of seafarers working on-board FoC vessels in the fight for better wages and working conditions for seafarers (Lillie, 2006).

Cross-border union mergers are, however, not yet common, which makes the Nautilus experiment unusual. The problem with this approach is that, whereas it might succeed in consolidating and expanding membership and increasing 'asset base', it does not



necessarily translate into increased influence for local seafarers with employers and the state. Also although the cross-border collective bargaining approach may attempt to address seafarers' issues at an international level such as wage rates and working conditions, it is not able to tackle country-specific issues like loss of employment and declining local labour markets, or even declining memberships. This is because the focus is regional rather than national. Moreover, it does not enhance the capacity of individual local unions to influence government policies and legislation favourable to seafarers in their individual countries. According to the Anglo-German Foundation Report cross-industry mergers do not seem to provide the answer to declining union capacity at the national level:

[There is] little evidence to suggest that mergers are a satisfactory response to such changes. More radical strategies are required if the British and German union movements are to extend unionisation throughout the expanding private-sector services (Waddington *et al* 2003:iv).

Because the ITF, for example, attempts to represent national unions from all over the world, some of which have conflicting interests to each other in terms of wage expectations, the federation is not in a position to effectively address local union-specific problems. Some of the issues that the ITF finds difficult to address include declining labour markets in some countries because it represents unions in developed as well as developing countries. To try and protect employment for the OECD countries that are faced with prolonged decline would mean working against the interests of new labour supply countries and their local union affiliates. A move by the federation, in the 1970s, to standardise global crew wages using the OECD wage scale was interpreted by unions from developing countries, notably India and China, as a deliberate attempt to protect OECD seafaring jobs. This led to a crisis whereby the affiliates in Asia threatened to pull out of the federation, a move that would have destroyed the ITF (see Lillie, 2004). The ITF case therefore not only illustrates the possibilities of effective global unionisation but also demonstrates the complex inter-union politics which present a big challenge to international union organisation (Lillie, 2006).

## **2.5. Conclusion**

The shipping industry provides a good case for study as an example of a truly globalised industry. The historical developments within the industry and the global dynamics of its operations present a good narrative of the changing relations between states, capital and

labour. It demonstrates the extent to which globalisation has influenced changes in the state's capacity to regulate economic activity and clearly demonstrates the dynamic and continuous power struggle between states and capital markets.

The decline in UK shipping and the response of the British government presents an excellent illustration of the state's ambiguous position vis-à-vis capital and labour. The next chapter examines the UK shipping industry in light of the processes of globalisation discussed in this chapter. It traces the systematic deregulation of shipping labour and capital as part of the wider neoliberal project but also highlights some of the resulting challenges for both the state and the industry. The conception of the tonnage tax, as the main strategy for responding to the decline in the industry, its design and impact suggests that the government is in a dilemma. Having discussed the withdrawal of state support for labour in this chapter, the question, with regard to the government's response to declining capital and labour in the UK shipping industry, is whether or not the tonnage tax was designed to increase and protect the pool of qualified British officers.

## CHAPTER THREE

### The UK Tonnage Tax: A State Solution to Industry Problems

#### Introduction

Chapter two introduced the subject of decline in the shipping industries of Traditional Maritime Nations (TMN) and briefly discussed the impact of globalisation on the capacity of states to effectively manage domestic economies and protect local industries and labour. In this chapter I will take a closer look at the impact of globalisation on nation states with regard to the state's response to the globalisation of the shipping industry. I will specifically examine the decline of the UK shipping industry, between the mid-1970s and late 1990s, and how it relates to the general processes of economic globalisation and deregulation. I will also discuss the government's response - the tonnage tax - and assess its adequacy and effectiveness. Via the consideration of this example the thesis will shed light upon the extent to which the state retains the capacity to influence economic activities notwithstanding the process of economic globalisation.

The wave of decline in the shipping industries of TMNs was largely a consequence of the growing mobility of shipping capital and the increasing popularity of Open Registers among European ship-owners. This, as explained in chapter two, started with the establishment of low-cost Open Registers with lax regulatory regimes in developing countries around the world. The flags charged only a small registration and administration fee, very low or no corporation tax and, more importantly, allowed ship-owners to employ cheap foreign crews (Metaxas, 1985; Alderton and Winchester, 2002; Marlow, 2002; Alderton *et al*, 2004). For this reason many owners moved their vessels to Open Registers. Faced with this kind of competition and the threat of losing all their tonnage to Open Registers, many TMNs went about systematically eliminating some of the legislation associated with their own flags and opposed by shipping companies. Countries like Denmark, Norway, the Netherlands and the UK, for example, established 'second registers' providing a more lax regulatory environment but operating as subsidiaries of the parent register (Alderton *et al*, 2004). These countries also systematically eliminated legislation which protected local seafarer employment like the crew nationality requirements, which required that a certain percentage of crew must be

nationals. In this regulatory race to the bottom, as Desombre (2006) describes it, shipping labour and capital became deregulated worldwide. It also led to a rapid and drastic decline in the pools of seafarer labour in TMNs. As fleets declined, employment opportunities for national seafarers declined because ship-owners preferred to employ cheaper foreign crews. This also meant that training opportunities for cadets in these countries declined.

The chapter will assess how the UK, as one of the states affected by this decline, has responded by examining the design and nature of the UK tonnage tax as the main government strategy for the shipping industry. The analysis will cover the conception, design and implementation, of the strategy and examine its impact, to date. However, before considering these themes, it is important to establish the appropriate contextual background to all these developments. The chapter thus begins with a general analysis of the process of deregulation in shipping labour and capital in the 1970s and 1980s.

There are four sections in this chapter. Section one discusses the growth and influence of Open Registers, their growth and role in the globalisation of shipping. Section two briefly introduces and discusses the consequence of the decline in UK shipping between the mid-1970s and late 1990s and examines its impact on the British maritime skills base. The UK's response to this decline is analysed in section three which details the design and adoption of a comprehensive policy for British shipping and describes the UK tonnage tax. It also provides a brief assessment of the impact of the strategy and examines whether or not the government has been able to effectively respond and bring about a reversal of the decline. Finally, section four concludes the chapter with a brief conclusion.

### **3.1 Globalisation and Deregulation in the Shipping Industry**

The three decades immediately following the Second World War – 1945 to 1972 are often described as the golden age of economic growth and prosperity (see Stopford, 1997; Holton 1998). This period was characterised by, not only a steady growth in international trade and expansion in the economies of industrialised states but also, as a period of strong economic regulation by national states, economic protectionism and strengthening of labour by states committed to promoting 'full employment' policies (Armstrong *et al*, 1991; Kahveci and Nichols, 2006). However with the acceleration of transnational interaction and transborder economic activity driven by the growth of

Transnational Corporations, since the 1960s, the global economic arena started changing. States started competing to attract global 'footloose' capital thus setting in motion a process of deregulation whereby states sought to offer the most attractive business atmosphere to multinational corporations (Modelski, 1972; McKenzie and Lee, 1991; Dunning, 1993; Vogel and Kagan, 2004).

The process of deregulation was largely driven by the uneven economic development between countries and regions and an uneven international regulatory terrain whereby, advanced economies maintained stringent economic regulations whereas developing countries less so. In the face of rising production costs and growing competition for corporate enterprises, following the 1973 oil crisis and the economic crises of the 1970s, many companies sought 'commercial refuge' in those countries with less stringent regulations where they could reduce their operating costs by employing cheaper labour and where they were required to pay less corporation tax.

Thus, from the mid-1970s, and progressively, until the end of the 20<sup>th</sup> century, advanced states, in a bid to stop the flight of capital to the less regulated developing countries, eliminated most of their strict employment regulations and introduced legislation which undermined and reduced the power of organised labour (Harvey, 2005; Fairbrother and Rainnie, 2006). In part, these policies aimed to stop many industries from shifting to less regulated, low-cost countries. Some of the measures introduced by nation states included the reduction of corporation tax rates, relaxation of immigration laws to allow immigrant labour, introduction of legislation to facilitate easy transfer of finance globally and a reduction of restrictions on the international mobility of capital. In pursuit of neoliberal economic ideologies, which were taking root during this period, many of the states abandoned social welfare and dropped their 'full employment' oriented policies (Chomsky, 1999; Harvey, 2005). Thus, by the turn of the century, developed economies, such as America, Britain and France, had shifted from demand to supply-side strategies and actively promoted capital accumulation and a market driven economy at the expense of social welfare and full employment (Chomsky, 1999; Hall, 2003; Harvey 2005).

In this respect, the shipping industry lends itself to the analysis of the uneven global regulatory field and the consequent economic deregulation of the 1970s and 1980s. The relationship between states and shipping capital since the beginning of the 20<sup>th</sup> century

provides an excellent illustration of the impact of globalisation and the growing influence of capital markets and the consequent, extensive, deregulation in what has been termed, in some sections of the literature as a “race to the bottom” (Mckenzie and Lee, 1991; Vogel and Kagan, 2004; DeSombre, 2006).

### **3.1.1 States and Shipping**

For the purposes of analysing the international structure and dynamics of the shipping industry, I categorise states into three broad types, namely, owner/flag states; flag-states and labour supply states. The first category comprises, largely, Traditional Maritime Nations (TMN). These are states whose shipping tradition goes back many centuries and which dominated shipping, in terms of ownership, registration, manning and operations, until the emergence of Open Registers in the early 20<sup>th</sup> century. They have also been referred to as ‘embedded’ maritime states because of their extensive and ‘deep’ maritime regulatory structures and tradition (Alderton and Winchester, 2002). Although since the mid-1970s these states have gradually lost most of their fleets to foreign flags, as described in chapter two, the largest percentage, that is, over 68%, of ship-owners are nationals of OECD countries which includes most TMNs (see figure 4, ISL Market Statistics, 2005).

The second category of flag states consists largely of Open Registers. As I have already explained in chapter two, this category emerged in the early 20<sup>th</sup> century with the establishment of Panama and Liberia in 1922 and 1948 respectively. They are often established in small developing economies with little international, political or economic, influence and, in some cases, no prior existing maritime tradition (Metaxas, 1985; Alderton and Winchester, 2002; Coles, 2002). The countries establishing them do so for largely commercial reasons and aim to attract as many vessels as possible in order to maximise the amount of revenue they can collect through the registration and administration fees they charge and in some cases, the little corporation tax they impose. Circumstances during the mid-war years and immediately following the Second World War period created ‘fertile’ ground for the mushrooming of Open Registers and their rise to prominence as popular destinations for, hitherto, TMN tonnage. Some of the factors responsible for this include: an oversupply of ships from the war; rising operating costs for ship-owners; increasing competition among operators, and; restrictive state regulations. These factors prompted many owners to ‘flag out’ their

ships from traditional registers to the new Open Registers in order to cut costs and remain competitive (Metaxas, 1985; Alderton and Winchester, 2002; DeSombre, 2006; Kahveci and Nichols, 2006; Lillie, 2006).

The final category consists of states which, though neither Open Register nor TMN, play some role in ship registration but mostly they have, in the past three decades, come to play an important role as the main source of seafaring labour for the global fleet. They include countries like China and India which have large national fleets but are not considered TMNs possibly because, although they have long maritime histories, their ownership and control of a significant proportion of global shipping capital is both recent and limited as compared to, for example, the maritime nations of the OECD. They are however mostly known for their role as sources of seafaring labour and they rose to prominence, in this role, in the mid 20<sup>th</sup> century when ship-owners from around the world, especially from industrialised high-cost countries, were searching for cheaper sources of seafaring labour in order to reduce ship operating costs. The answer was found in low-wage developing countries with abundant skilled labour such as India and the Philippines. The category has since expanded to include most of the developing world, including Africa, Asia, and Eastern Europe.

The emerging global structure of the industry is, therefore, one in which ships are largely owned in the advanced OECD states while registration and manning functions are shared between developing countries though not exclusively because TMNs still continue to play an important albeit reduced role in ship registration. Although there are states which have almost exclusively specialised in the registration market, like Panama, Liberia and Bahamas, there are some that specialise in both registration and crewing markets like the Philippines which, just like China and India, has a large national fleet but is not considered a TMN. The implication of this international organisation of the industry on the capacity of the state to effectively regulate and control the activities of shipping multinational businesses will become clear later in the chapter as I continue to examine and discuss the deregulation of shipping capital and labour. Shipping plays a central role in international trade and by extension the prosperity of all nations but, while its significance in this respect is seldom acknowledged and easily taken-for-granted by many nations of the world, its importance borders on nostalgic reverence for those nations with embedded maritime traditions, that is, the Traditional Maritime Nations. The importance of the industry, long after the wars and the conquests, derives

from not just trade and economic prosperity, but also national pride. To the New Maritime Nations, however, the relationship is purely economic.

Many states therefore harbour an interest in the shipping industry because of its commercial benefits such as the revenue it generates and the employment opportunities it creates within the economy. The method that states use to protect and enhance their interests in any valuable industry is, and has always been, some form of state protection. It is however a method which, as McConville (1999) argues, in the shipping industry, is inherently problematic. This is because of the international 'buoyancy' of shipping capital and the fear of 'tonnage flight' by maritime states. This has become more pronounced in the past few decades due to increasing economic globalisation. The problem arises from the dilemma which McConville (1999:78) describes as 'the juxtaposition of competing interests of an international service industry and its operation within the system based on nation-states' whereby states would like to contain the gains of shipping businesses within their economies by limiting their ability to freely move capital and finance internationally but are prevented by the fear of capital flight (see also Kovats, 2006).

Unlike other industries, shipping is, and has always been, international. Over the years it has evolved and developed a set of complex global relationships which make it one of the most globalised industries. This complex international character has implications for the capacity of individual states to effectively manage the transborder activities of shipping companies and maximise the retention of their benefits domestically. This is made even more difficult by the fact that the nationality of ships and shipping companies is often vague and fictitious (Alderton *et al*, 2004; DeSombre, 2006; Lillie, 2006). As Kahveci and Nichols (2006:18) observe, ship-owners can change the nationality and, effectively, the relevance of a regulatory regime by "engaging in fictitious capital export [and] altering the registration of their vessels"

The relationship between states and transnational shipping companies is a complex one. It clearly illustrates Beck's argument that states and capital are engaged in a continuous process of power reconfiguration (Beck, 2005). Clearly ships need states to register them and give them the legal identity necessary for international commercial activity (Coles, 2002) hence shipping companies seek those states which offer the friendliest commercial atmosphere. At the same time states need the companies for the commercial



and economic benefits which come with large national fleets and strong domestic shipping industries. Inevitably, therefore, the two are caught in this complex web of negotiation.

### 3.1.2 20<sup>th</sup> Century Open Registers

The practice of operating ships under foreign flags existed long before the 20<sup>th</sup> century. Changing ships' flags can indeed be traced back to the beginning of the eighteenth century (Metaxas, 1985; Coles, 2002). However, the practice differs significantly between the pre and post 20<sup>th</sup> century in terms of purpose and motivation. Flagging out in pre-20<sup>th</sup> century was mostly for political and military reasons rather than economic ones (Alderton and Winchester, 2002). Ship-owners were then interested in forging close alliances with powerful states for strategic reasons. Furthermore, the change of ships' flags then was mostly influenced by the states, because of the military and economic might that came with command of large national fleets (Metaxas, 1985).

In contrast, the reasons for changing flags in the 20<sup>th</sup> century, are purely economic and the decision no longer lies with the state. Modern Open Registers grew as part of the process of globalisation in the shipping industry. The practice of changing flags is now solely market driven. Instead of seeking the protection of states, now shipping companies aim to escape the rigid and commercially strangulating control of the state (Naess, 1972; Carlisle, 1981; Metaxas, 1985; Alderton and Winchester, 2002; Alderton *et al*, 2004). From being a strictly regulated and state protected industry, shipping has therefore transformed into a globalised industry with highly mobile and deregulated capital.

Open Registers, therefore, form an important part of the history of the shipping industry and are a significant feature of its international structure and dynamics. Looking at the history and role of Open Registers in shipping, it is correct to say that globalisation in the shipping industry precedes that of other industries in the sense that shipping capital and labour started enjoying the freedom of cross-border mobility as early as the first two decades of the 20<sup>th</sup> century (Carlisle, 1981; Metaxas, 1985; Kahveci and Nichols, 2006). Furthermore, the primary defining features of a globalised industry, that is, the international mobility of capital, finance and labour, which, in many shore-based industries emerged after the 1960s, existed, in the shipping industry, long before the 20<sup>th</sup> century.

There are many ways of defining Open Registers depending on one's view of their role in global shipping. The International Transport Workers Federation (ITF), for example, has a particular way of defining them which has influenced the industry's view of these flags for the past three decades. The federation, in its fight against the growth of flags which promoted seafarer exploitation in the 1970s, coined the term Flags of Convenience (FoC) to promote the idea that they played the role of harbouring unscrupulous ship-owners and their ships which would not be accepted in any 'decent' register because of their poor record on safety, crew wages and working conditions. The ITF's defines Flags of Convenience as:

[Where] beneficial ownership and control of a vessel is found to be elsewhere than in the country of the flag the vessel is flying (ITF, 1999).

This definition has influenced the way in which others define them. For example, although Metaxas (1985) takes a more economic view of the role of 20<sup>th</sup> century Open Registers, his definition is similar to that of the ITF. He defines them as:

National flags of those states with whom shipping firms register their vessels with a view to maximising their private benefits and minimising their private costs by avoiding the economic and other regulations and the conditions and terms of employment of factors of production that would have been applicable if their vessels were registered in the countries of their national origin.

Similarly, Kahveci and Nichols (2006: 18) define them as "where there is no genuine link between the flag state and the ships on its register".

Another influential definition of Open Registers which preceded that of the ITF is offered in the Rochdale Report (1970:51). The report offers a description of ORs in which it identifies some of their key features. It states that Open registers are those where:

- (I) The country of registry allows ownership and/or control of its merchant vessels by non-citizens.
- (II) Access to the registry is easy. A ship may usually be registered at a consul's office abroad. [Transfer to other registers is not restricted at all]
- (III) Taxes on income from the ships are either not levied locally or are low. A registry fee and an annual fee, based on tonnage, are normally the only charges

made. A guarantee or acceptable understanding regarding future freedom from taxation may be given.

- (IV) The country of registry is a small power with no national requirements under any foreseeable circumstances for all the ships registered, but receipts from very small charges on a large tonnage may produce a substantial effect on its national income and balance of payments.
- (V) Manning of ships by non-nationals is freely permitted; and
- (VI) The country of registry has neither the power nor the administrative machinery to effectively impose any government or international regulations; nor has the country the wish or power to control the companies themselves.

The definitions offered here highlight and emphasise the disparity between TMN and Open Registry regimes with regard to cost and regulatory strength. The features highlighted in the definitions form an important part of the discussion about globalisation in shipping and the shape and effectiveness of state response.

As stated earlier, Open Registers in the 20<sup>th</sup> century started with the establishment of the Panamanian flag in 1922 followed by the Liberian flag in 1948. The establishment of the first, ever, official open register – Panama – can, actually, be accredited to the United States and its prohibition laws in the inter-war period. The Volstead Act passed in October 1919 banned the manufacture, transportation and consumption of any alcoholic beverages in the US, including ships flying the US flag (Carlisle, 1981; Metaxas, 1985). In 1922 United American Line switched flags to Panama in order to circumvent the Volstead act and continue to sell alcohol on-board their ships (Johnson, 1996; Kahveci and Nichols, 2006) as did many other American owners. Labour costs in the US were also high due to strict manning laws, but the greatest attraction to the Panamanian register came with the signing of a joint treaty between the US and Panama exempting shipping profits from taxation in Panama (Metaxas, 1985; Alderton and Winchester, 2002; Carlisle, 1981). The “road to Panama” was soon joined by European ship-owners led by Spanish ship-owners who flagged out in protest against social reforms which had increased operating costs in Spain (Carlisle, 1981; Coles, 2002).

Another boost to the Panamanian flag came with the US Ship Sales Act of 1946 by which 1,113 Liberty ships were sold to owners operating under foreign registers. The US authorities felt that it was strategic to sell the ships to US ship-owners operating under the Panamanian flag because the ships would continue to be available to the US in case of need (Metaxas, 1985). The Panamanian register was then considered an extension of the US national register because all the ships registered in the Panamanian flag were owned by US companies (Carlisle, 1981; Metaxas, 1985; Alderton and Winchester, 2002; Coles, 2002). Liberia, the second Open Register, joined the 'flag race' in 1948 by introducing laws which made it easier and cheaper for ship-owners, to register and operate vessels under its flag by creating an atmosphere of reduced registration conditions, reduced taxes and the freedom to employ foreign crews (see Carlisle, 1981). In the 1970s and 1980s Open Registers mushroomed and grew everywhere, facilitating a massive shift in ship registration from TMNs such that, from 6% in 1950, the percentage of the world fleet, in terms of tonnage, under ORs sprang to 23% in 1983, 31% in 1985, 42% in 1990 and 50% in 1995. By 2000 56% of the total world fleet, in terms of tonnage, was operating under Open Registers (UNCTAD, 2006).

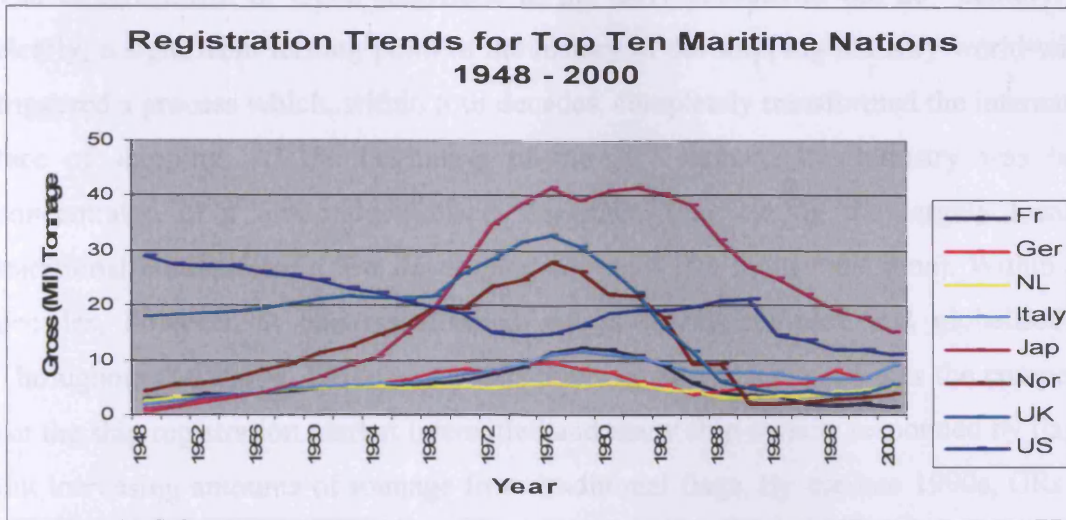
A series of factors contributed to this development: first, the collapse of international trade in 1930s reduced the amount of cargoes transported internationally and triggered a recession in shipping. In order to survive the recession ship-owners started seeking cheaper ways of running ships (Viner, 1937; Sturmeay, 1962; Stopford, 1997). Second, the closure of the Suez Canal in 1967 meant that bigger ships were required to traverse round the Cape of Good Hope. Many ship-owners rushed to place orders for such ships, especially crude oil tankers, such that, by the time the canal reopened in 1975, there was an oversupply of tonnage. Third, the oil crises of 1973 and 1979 led to the overloading of the ship 'order book' for big oil tankers because many of the oil companies decided to acquire their own ships thus making the prevailing situation of oversupply worse. Unfortunately, the 1979 oil price-rise also triggered a deep recession in sea-trade causing the most severe decline in trade volume of the century (Stopford, 1997).

The fourth factor which facilitated the rapid growth of Open Registers during this period was the availability of credit from banks. American and other western banks had convinced some of the oil rich OPEC countries to channel their oil money through their accounts (Harvey, 2005; Perkins, 2005) hence they found themselves with large sums of surplus money. Since shipping was one of the industries growing steadily many

financial speculators obtained cheap loans and invested in ships. Some of the banks also decided to invest in their own ships and there was a general rise in speculative investment in shipping. At the same time, many maritime nations, in the 1960s and 1970s, were providing large loans and other financial incentives to shipping investors as a way of boosting national shipping industries (Marlow *et al*, 1997; Stopford, 1997; Marlow 2002).

All these developments exerted pressure on the shipping industry by creating an oversupply of tonnage, particularly, in the 1970s and 1980s. Ships were being delivered faster than they could be scrapped. Indeed, as Stopford (1997) observes, in some cases, ships came straight from the building yard to the scrap yard because in the circumstances of declining shipping markets prevailing at the time, it was more profitable for the owner to scrap the new ship than entering the overcrowded market. Unfortunately, the scrap market was also in decline due to a slump in the steel market and the increase in the demand for scrapping (Stopford, 1997). Soon after the oil crisis in 1971 oil companies also decided to dispose of their owned fleets and rely on the open market which was much cheaper than operating own ships. The industry was stuck with more tonnage than required (Stopford, 1997). Hence, from the mid-1970s to mid-1980s there was a huge oversupply of tonnage which triggered a drastic decline in shipping markets that pushed many operators out of business. Those ship-owners who survived desperately needed to reduce operating costs in order to survive and remain competitive (Marlow, 2002). Open Registers offered this opportunity because, through them and their lax regulatory regimes, ship-owners could manipulate and reduce cost to their advantage. As an increasing number of European ship-owners sought cost refuge in ORs, the fleets of European maritime countries rapidly declined. By the mid-1990s TMNs registered only a very small percentage of the total world fleet as shown earlier. The following graph show the huge decline in TMN fleets between early 1950s until the late 1990s:

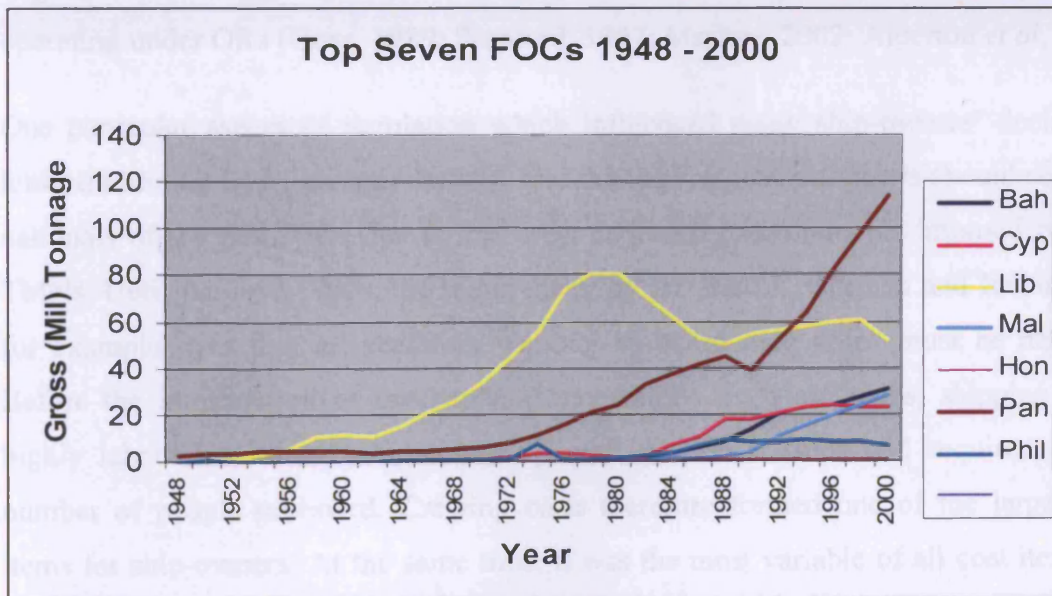
Figure 6: Top Eight TMNs 1948 - 2000



Source: Lloyd's Register-Fairplay: World Fleet Statistics (1948 - 2000)

While the fleets of the top ten TMNs were in rapid decline, the fleets of the top seven Open Registers were rapidly expanding, as shown in the figure below:

Figure 7: Top Seven Open Registers 1948 - 2000



Source: Lloyd's Register-Fairplay: World Fleet Statistics (1948 - 2000)

Clearly, by the 1990s, the largest percentage of the world fleet operated from developing country-ORs. This had huge implications for the regulation of shipping.

### 3.1.3 The Deregulatory Impact of Open Registers

The establishment of Open Registers, in the early decades of the 20<sup>th</sup> century, was, clearly, a significant turning point in the history of the shipping industry world-wide. It triggered a process which, within four decades, completely transformed the international face of shipping. At the beginning of the 20<sup>th</sup> century, the industry was largely concentrated in a few industrialised flag-states (discounting the largely local and traditional industries of a few developing countries like India and China). Within a few decades, however, it had transformed into a highly complex and globalised one. Throughout the 1960s, 1970s and 1980s many countries set up ORs as the competition for the ship registration market intensified and many ship-owners responded by flagging out increasing amounts of tonnage from traditional flags. By the late 1990s, ORs were home to more than 51% of the total world fleet in tonnage terms (Alderton and Winchester, 2002; Kahveci and Nichols, 2006).

The main reason behind the exodus of tonnage from traditional flags to ORs, especially in the 1970s and 1980s, was, as suggested previously, a combination of increasing ship operation costs, growing competition and the rigid regulatory regimes of traditional flag-states which made it difficult for ship-owners to compete with their counterparts operating under ORs (Goss, 1989; Stopford, 1997; Marlow, 2002; Alderton *et al*, 2004).

One particular aspect of regulation which influenced many ship-owners' decision to leave traditional flags, such as the UK, was the requirement that crews should comprise nationals of the flag-state, that is, the crew nationality requirements imposed by most TMNs. Until the mid-1990s, the requirement by the Danish, German and Italian flags, for example, was that all seafarers working on-board their ships must be nationals. Before the introduction of mechanising innovations on board ships, shipping was a highly labour intensive business and up until the 1980s ships still required a large number of people on-board. Crewing costs therefore formed one of the largest cost items for ship-owners. At the same time, it was the most variable of all cost items and therefore provided a way for ship-owners to adjust their costs; the chance to reduce this heavy bill by employing cheaper crews from low wage countries was a life-line for many companies who were struggling in the international market (Marlow, 2002).

Since the strict regulatory regimes of most traditional flags did not allow ship-owners to utilise this advantage, many ship-owners saw re-registration with Open Registers as the

best available option. Furthermore, by choosing to operate under ORs, ship-owners avoided paying most, if not all, social security related costs thereby reducing non-wage crewing costs. Generally, these flags enabled ship-owners to reduce their total operation costs through:

Tax avoidance, transfer pricing, trade union avoidance, recruitment of non-domiciled seafarers and passport holders for very low wage rates, non-payment of social security contributions for their crews and avoidance of strictly applied safety and environmental standards (ITF, 1999:72 cited in Kahveci and Nichols, 2006).

What the open registry system, therefore, did, and still continues to do, is to allow shipping multinationals to successfully avoid the state regulatory machinery of TMNs and render the barriers to unlimited international labour mobility imposed by national governments ineffective. It allowed ship-owners to freely choose the nationality of their ships and operate freely across national borders.

The establishment and rapid growth of ORs intensified competition between flag-states and placed traditional flag-states in a highly ambiguous position and under pressure. In the face of declining national fleets these states were faced with the dilemma of whether to maintain their strict regulatory approach and lose all their fleets to ORs or relax their regulations, especially on crew nationality, registration conditions and taxation rates, and retain some of their fleets. Many TMNs were forced to carefully reconsider their options and gradually relaxed their rigid regulatory stance in order to counter the rapidly growing advantage of their competitors. Some of the regulations that were either abandoned or relaxed included crew nationality requirements, strict registration conditions and a reduction in taxation on shipping profits.

Many of the traditional flag-states relaxed the requirements on register entry and exit that formerly distinguished them ('closed' registers) from open registers. Furthermore, many of these states tried to create a more attractive business atmosphere by introducing 'friendlier' tax regimes as demonstrated by the various 'tonnage tax clones' which have been in operation around the world since the 1970s. With regard to crew nationality, which was perhaps the biggest 'bone of contention' between ship-owners and flag states, some states, like the UK, completely eliminated the requirement that crews be (British) nationals while others, like Germany, Denmark, Holland and Norway reduced the



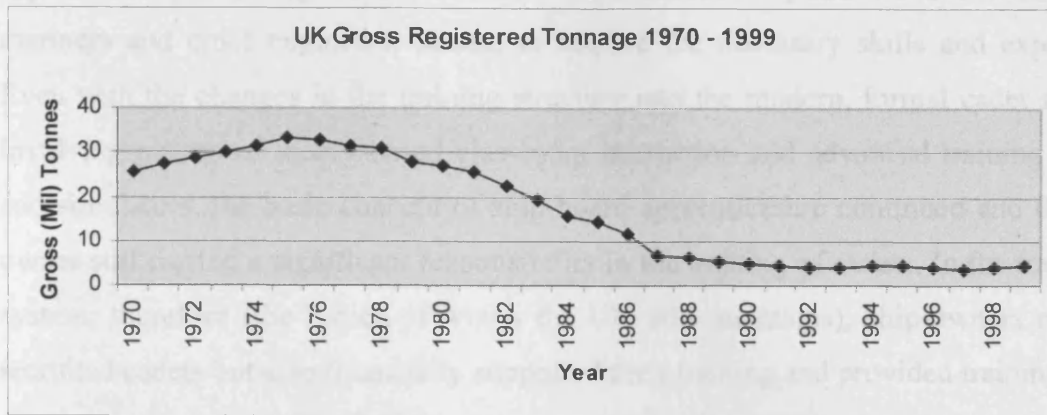
requirement for nationals and made it applicable to either only the master or most of the senior officers.

Another significant development which transformed the global shipping 'terrain' was the establishment of second and international registers. As stated earlier these registers were established by countries such as the UK, Norway, Denmark and Germany either within their national borders or in an offshore location in countries with which they had political and historical ties. The regulatory conditions imposed by these registers resemble those of Open Registers, with regard to crew nationality requirements, taxation rates, and entry and exit conditions. They are, however, governed by the laws of the 'parent' flag-state and operate in parallel with the 'first' register. Their ships fly the flag of the 'parent' flag-state. Examples of such registers include the Isle of Man which was created by the UK and operates in parallel with the British (first) register, the Danish International Register of Shipping (DIS), the German International Register of Shipping (GIS), the Netherlands Antilles, the Norwegian International Register of Shipping (NIS), and the Canary Islands (see Alderton *et al*, 2004). The aim of establishing these alternative registers was to divert the flow of tonnage from Open Registers so that, through them, TMNs could retain more vessels which would otherwise go to ORs. These registers grew popular because they effectively offered the 'best of both ship registration worlds'. In such a competitive atmosphere where stronger national regulations undermine the competitiveness of domiciled businesses, the possible consequence is a regulatory race-to-the-bottom (Wolf, 2005). Where this pattern is evident, it can lead to the gradual watering down of national regulations in a downward adjustment process. The 1970s and 1980s in the shipping industry is perhaps the best example of such adjustment which culminated in a situation whereby shipping multinationals operate in a near regulation free atmosphere. It has also led to the growth of a highly deregulated Global Labour Market for seafarers (Wu, 2004) in which employers have unrestricted access to a wide range of seafarers from many different nationalities at very low prices determined by 'open' market forces.

### **3.2 Decline in the UK Shipping Industry**

The UK experienced a significant decline in its shipping industry, between the mid-1970s and late 1990s. The UK registered fleet fell from 33.1 million GT (3,822) in 1975 to 3.4 million GT (1,391 ships) by 1997 as evident from the figure below:

Figure 8: UK Gross Registered Tonnage 1970 - 1999



Source: Lloyd's Register-Fairplay: World Fleet Statistics (1970 – 1998)

During the same general period the number of British qualified officers dropped from 28,000 in 1980 to 17,000 in 1998 according to UK Chamber of Shipping data (1996) and House of Commons Fleet and Manpower Inquiry (HoC, 1993, see also Obando-Rojas, 1999).

By the mid-1990s it was clear that this decline was threatening the entire UK maritime sector. The decline in the UK fleet combined with the decline in the number of qualified British officers threatened the shore-side maritime cluster of firms which rely on the transfer of essential skills from the sea to fill sensitive technical positions in shore-side operations like ports and harbours, ship surveying and insurance, ship management, and maritime law (Gardner and Pettit, 1996; 1999). The possibility that some of these firms could cease trading while others could shift their operations to overseas destinations, as a result of skills shortage, became real by the mid-1990s. Furthermore, the decline in the fleet also meant that the country's training capacity was reduced since seafarers were traditionally trained by domiciled shipping companies.

### 3.2.1 Impact on British Maritime Skills

Diminishing skills in the UK maritime sector came as a direct consequence of the many years of decline in the UK fleet and local seafaring labour. Within the maritime sector, the shipping industry forms the core thrust and basic catalyst for all the other maritime related industries. Growth or decline in shipping activities, therefore, automatically influences fluctuations in the entire sector.

Traditionally, seafaring training in the UK followed an informal system of apprenticeship whereby trainee seafarers were attached to, and worked with, master mariners and chief engineers, at sea, to acquire the necessary skills and experience. Even with the changes in the training structure into the modern, formal cadet schemes involving phases of theory-based classroom instruction and advanced training models and simulators, the basic concept of ship-board apprenticeship continued and the ship-owner still carried a significant responsibility in the training of cadets. In the traditional system, therefore (the basics of which the UK still maintains), ship-owners not only recruited cadets but also financially supported their training and provided training berths for practical sea training.

The impact of the declining fleet on cadet training was that the UK's training capacity reduced drastically because British ship-owners operating under foreign flags were not obliged to train British officers and therefore there was a reduction in training berths and general sponsorship for cadets. British ship-owners relied on cheaper foreign crews and therefore reduced their training facilities. Gardner *et al* (2001) observe:

....many British shipping companies have reduced or given up altogether their former commitment to cadet and junior officer training in order to save costs and remain competitive... (2001:353).

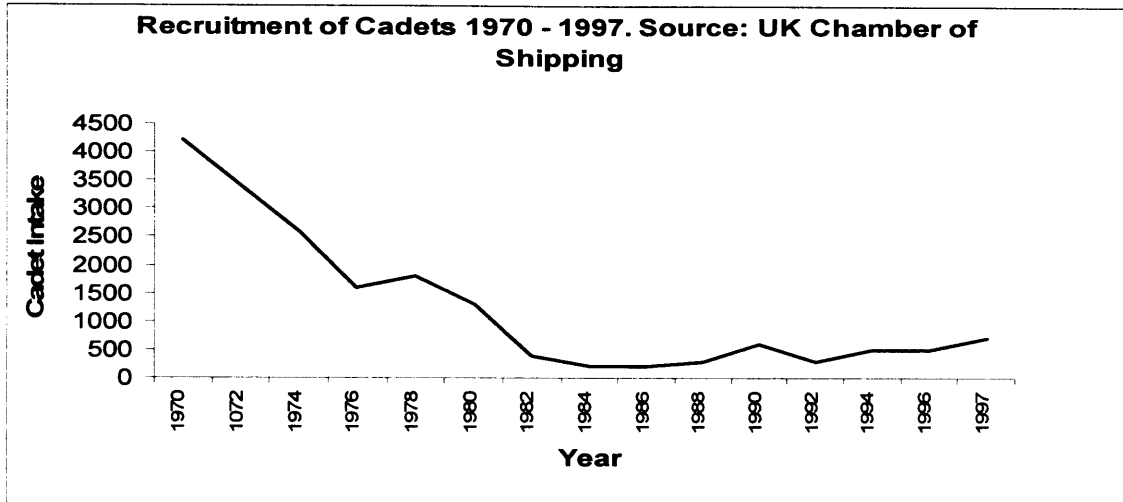
Pettit *et al* (2005) explains the impact of this trend of sourcing foreign labour on cadet training as follows:

As the shipping industry has adapted to the global labour market the UK has increasingly sourced its seafarers from other nations. This has in turn led to a significant decrease in the number of UK nationals training as seafarer cadets and following a career path through to Unlimited Certificates of Competence as either Masters or Chief Engineers (2005:521).

Gardner's observation suggests that the use of foreign crews by British ship-owners affects cadet training in the UK in that it reduces the training potential by diminishing the number of training sponsors. It also, supposedly, reduces the number of British nationals willing to train for, and follow, a long seafaring career path. It is therefore seen as a direct consequence of the decline in tonnage and increased deregulation. Certainly in line with this argument the decline in the number of qualified British

seafarers, and the fall in cadet recruitment and training levels, followed the decline in the UK tonnage (see figure 10).

Figure 10: UK Cadet Recruitment 1970 - 1997



Adapted from Gardner *et al*, 2001

By the 1990s the decline in the maritime skills base had become critical and many argued that this required effective and immediate attention (Obando-Rojas *et al*, 1999; Selkou and Roe, 2002). Seemingly, it was due to recognition that the decline was having a negative impact on the maritime cluster that the government intervened rather than concern for seafarer jobs *per se*. Intent on protecting shore-based marine related industries, the government sought to bring together all maritime stakeholders in order to find a way of reversing the situation. After a few years of deliberation the government adopted its first ever comprehensive policy for shipping outlined in the government White Paper *British Shipping: Charting a New Course* in 1998. It is this policy which laid the ground for the main instrument for the recovery of shipping – the UK tonnage tax.

### 3.3 The Tonnage Tax Strategy

The history of the UK tonnage tax does not date back to the adoption of the government shipping policy. It is instead part of the wider European Commission's push towards a common European response to the decline in European Union (EU) shipping. Furthermore, the strategy is not unique to Europe because the tonnage tax approach adopted in the EU is just another version of a strategy that had been practiced in many countries around the world and is not very different from the system used by Open

Registers. Whereas the tonnage tax strategy adopted by the ORs was proactive, however, the EU states adopted it as a reactive measure to counter a decline in fleets and labour.

### **3.3.1 The EU Tonnage Tax**

After many unsuccessful attempts, by individual European shipping nations, to stop and reverse the decline in their shipping industries, the European Commission, in the mid-1990s, decided to call for a common EU approach which would harmonise EU member-state shipping policies and encourage the adoption of a common strategy for a recovery and growth in EU shipping (Haralambides, 2006). Progress towards an EU tonnage tax began with the paper; '*Towards a New Maritime Strategy*' published in March 1996 (EC, 1996). This paper highlighted two important points. Firstly, that the decline in European shipping had come about as a result of increasing uneven competition caused by the protectionist practices of third countries with maritime ambitions, the open registry flag-states. Secondly, that a common European approach was required to counter this uneven competition while, at the same time, strengthening the EU stance on safety and the protection of the environment. It argued that, in order for EU shipping to prosper, there had to be a more competitive maritime business environment for EU-flagged ships. Legislation was therefore needed to:

1. Promote the EU-flagged maritime industry
2. Strengthen safety and environment legislation
3. Develop third-country relations and
4. Improve overall competitiveness and general conditions for EU shipping (EC, 1996)

Although there are common overall aims and objectives for the EU tonnage tax, each member state is allowed to design its own version tailored to individual situations and circumstances, subject to approval by the European Commission. The overall aim is to develop a unified and, hopefully, more effective response to the forces causing the decline in their individual national shipping industries. In other words, the European Commission recognised the fact that no single member-state possessed sufficient capacity to effectively respond to the decline. A European version of the Tax was, therefore, proposed as the common strategy needed to address the problems of falling

fleets and declining employment. Over the years, it has been progressively adopted by member-states including the Netherlands, 1996 and Germany and the UK in 1999 followed by other member states as shown in the table below.

Fig. 11: The Adoption of Tonnage Tax in the EU

<b>Member State</b>	<b>Date of Introduction</b>
The Netherlands	1996
Germany	1999
United Kingdom	1999
Finland	2001
Denmark	2002
Spain	2003
The Republic of Ireland	2003
Belgium	2003
Italy	2003
France	2004
Sweden	Under consideration

*Source:* Selkou and Roe (2004) and The Transport Institute website, <http://www.trans-inst.org/EuropeanMaritimePolicies.htm>

Of all the EU states Greece is distinctive and does not fit in with the wider EU agenda because it had introduced a tonnage tax proactively as early as 1975. It is possible that having studied the open registry model and having observed the rapid expansion of the OR fleet, Greece decided to strategically position itself as a destination for European ship-owners disgruntled with their national flag regimes but unwilling to risk the negative implications of being associated with the FoC image. As a consequence of the tonnage tax regime introduced in 1975, Greece managed to maintain her own fleet while other European countries were losing theirs. As of 2006 when the EU initiated a coordinated approach to the decline, the Greek fleet was 27.5 million GRT strong as compared to other European flags like Germany (5.8m), Netherlands (3.9m) and the UK (3.8m).

In the remaining sections of this chapter I will focus on the UK tonnage tax and examine how it was conceived and the impact it has had on British shipping in the six years it has been in operation.

### **3.3.2 Towards a New Strategy for UK Shipping**

Following the production of the government white paper in March 1999, the Chancellor of the Exchequer commissioned, from Lord Alexander of Weedon, an independent

inquiry into the case for, and the design of, a tonnage tax regime for shipping. The Alexander Report concluded that the UK should introduce a tonnage tax as an essential element of UK maritime policy in order to create a positive fiscal environment for shipping in line with other major maritime countries like Germany and Netherlands which had introduced a similar strategy (Alexander Report, 1999:10). Unlike these other countries, however, where the tonnage tax is simply a deferral of tax until a business leaves the system, the UK system aims to achieve a real and permanent reduction in the tax liability of participating businesses (DETR, 1998; Watson *et al*, 2006).

The UK legislation enacting the tonnage tax was introduced by the adoption of the 2000 Finance Bill, on July 28<sup>th</sup>. This law gave effect to the immediate application of the strategy to British shipping and companies. They were allowed to opt in for accounting periods starting on, or after, 1 January 2000.

### **3.3.3 The Design of the UK Tonnage Tax**

As stated in the previous subsection, the tonnage tax was introduced as an essential strategy for the recovery of British shipping which would create a 'friendly' atmosphere for shipping business. Considering the extent to which the industry had declined, the UK tonnage tax was required to be an 'all-inclusive' strategy to address all the aspects of the decline, that is, the size of the registered fleet, the maritime skills base and the shore-side maritime cluster of industries.

In order to bring about recovery in the UK registered fleet, the tonnage tax was offered as a more favourable alternative system of calculating corporation tax for shipping companies based on fixed rates and with reference to a companies' total operating tonnage per year rather than its total income. The shipping activities subjected to this system are tightly 'ring-fenced' so as to make sure that only genuinely shipping-related activities fall under this tax system and that companies do not have the chance to abuse the system by bringing company activities which do not qualify under the system (Selkou and Roe, 2002). Some of the benefits of the tonnage tax to shipping companies include:

- A simple, fixed-rate and low tax regime for shipping
- Certainty as to the level of taxation on a companies' shipping activities

- Reduced annual tax for Single-ship or group companies engaged solely in shipping business
- Deferred tax liabilities for public companies will be phased out under the tonnage tax, hence increasing their reported earnings per share.
- Encouragement to commercially driven as opposed to tax driven ship investment (see DETR, 1998; Alexander Report, 1999; Selkou and Roe, 2002)

All this was meant to create a relatively low-cost and user-friendly business atmosphere for shipping companies with the aim of attracting more ship-owners to register and operate their ships from the UK. Furthermore within the regime, there is a requirement that all vessels operating under the system must be strategically and commercially managed from the UK. This approach was designed to encourage growth in shore-side maritime activities (Brownrigg *et al*, 2001; Selkou and Roe, 2002).

At the same time a recruitment and training commitment – the Minimum Training Obligation (MTO) – was built into these requirements. This commitment obliged all those ship-owners opting into the tonnage tax to recruit and train UK cadets. These companies must submit a training plan to the Department of Transport (DfT) demonstrating a commitment to provide officer training places (or make a payment in lieu of training in proportion to the crewing complement of the ships operated by the company). The MTO is made up of three main elements:

(i) The **Core Training Commitment (CTC)**, an annual plan produced by the company, and subject to DfT approval, setting out the company's training obligation and how it will be met.

(ii) The **End of Period Adjustment (EPA)**, a retrospective update of the MTO, made three times a year in respect of the preceding four-month period, to account for actual training performance against the CTC and any incremental training obligation arising as a result of a net increase in the number of vessels entered in the tonnage tax regime.

(iii) **Payments In Lieu Of Training (PILOT)**, by the company to the Maritime Training Trust (MTT), where necessary to meet their training obligations. The MTT is a company established by the Chamber of Shipping, the National Union



of Marine, Aviation and Shipping Transport Officers (NUMAST), now known as Nautilus UK, and the National Union of Rail, Maritime and Transport Workers (RMT) to hold and allocate monies contributed by companies for the purpose of promoting the training of seafarers (see DfT, website).

The Minimum Training Obligation is a key ingredient in the tonnage tax system meant to ensure a quick replenishment of qualified officers for future use in the UK fleet and the wider shore-side cluster of maritime related firms.

The training commitment requires that every participating company train one UK cadet for every fifteen officer positions entered in the effective officer complement of all participating vessels irrespective of nationality plus a notional 50% to cover back-up officers. The effective officer complement is calculated as the number of relevant officers entered on the Safe Manning Document (SMD) for all vessels entered in the tonnage tax regime, adjusted to include back-up officer provision. This commitment is for an initial period of three years after which the ratio of cadets to officers will reduce to one cadet for every five officer positions.

Under the PILOT option, a company may, in exceptional circumstances, opt to make a payment of £550 per head per month in lieu of training (HMSO, 2000 and, for more discussion and critical analysis of the Tonnage tax, see Brownrigg *et al*, 2001; Gardner *et al*, 2001; Selkou and Roe, 2002; Leggate and McConville, 2005). The circumstances are strictly assessed and mainly relate to the company's capacity to directly recruit and train cadets. This is to ensure that all participating companies, even the smallest single-vessel ones contribute to skills development. Eligibility for cadetships under this arrangement is not restricted to only British nationals. Other nationals within the European Economic Agreement (EEA) may benefit but, for them to be eligible, they must ordinarily be resident in the UK. Since most are not, ship-owners contemplating entering the tonnage tax regime should assume that they will be recruiting predominantly UK citizens as trainees.

The training obligation is strict and failure to implement or comply with the training programme is a criminal offence. In serious cases of repeated failure, the company will be prevented from renewing its election to remain within the regime until it has complied properly with its training obligations (HMSO, 2000). Considering that such a

failure is considered 'criminal' this penalty seems too light which further indicates the soft stance that the state takes towards shipping corporate capital.

### **3.3.3 Entry into the Tonnage Tax System**

Entry into the system is by means of election which is for a period of ten years and can be renewed at any time before the expiry of the initial period. This means that it can be renewed annually on a 'rolling basis' so that, at any point in time, there may be an election in place for the succeeding ten years. First of all, however, participating companies must be 'qualifying companies'. They must be companies operating 'qualifying ships' which are 'strategically and commercially' managed from the UK (HMSO, 2000).

There are strict criteria for selecting ships which qualify for the tonnage tax. A ship must be over 100 tons gross tonnage and must be 'sea going'. Such ships include any vessels that are certified for international trading by virtue of a load line certificate or an international load line certificate, even though they may not trade internationally. Furthermore, with regard to the concept of 'ring-fencing' mentioned earlier, not all the activities of a shipping company qualify for the tonnage tax: Those that qualify include:

**(i) Core qualifying activities** - These are those activities directly related to the business of sea transport. They include: the carriage of passengers or cargo; towage, salvage or other marine assistance; and transport in respect of services *necessarily* provided at sea. They also include general management of a tonnage tax company's own ships, for example, public relations and technical management activities like ship management and crewing.

**(ii) Qualifying secondary activities** - These activities cover a range of commercial activities that are naturally part of the process of operating ships on a commercial basis, although not necessarily inherently maritime in nature for example, selling travel tickets, some linked holidays / transport on land and gambling on cruise ships.

**(iii) Qualifying incidental activities** - These are any activities not covered by the above two categories, to the extent that they do not exceed 0.25% of the taxpayer's turnover from its 'core qualifying activities' and 'qualifying secondary activities' (only up to the 'permitted level', where relevant).

**(iv) Dividends** - Dividends are within the scope of tonnage tax if they are paid to a tonnage tax company by a foreign subsidiary which would itself have been eligible for tonnage tax if its business activities had been based in the UK.

**(v) Interest receipts** - The interest must be an integral part of the shipping company's trade in order to qualify (HMSO, 2000).

Initially the UK tonnage tax did not insist that participating ships be UK, or indeed, EU registered. Rather, it operated on a 'flag-free' basis so that ship-owners could bring foreign registered ships into the tonnage tax as long as all the other conditions of nomination were met. This condition has since changed with the revision, in 2004, of the EC Guidelines on State-Aid to Maritime Transport to include a requirement that any ship that benefits from the tonnage tax system must be registered in a European Union member state. This requirement was introduced in the UK by the Finance Act 2005 and it applies to all 'new' ships, that is, those that come to be operated by a tonnage tax company for the first time (HMSO, 2005). The law requiring that all 'new' UK tonnage tax ships be EU registered came into force on the 1<sup>st</sup> of April 2006.

However, these flagging requirements apply only when all the conditions set out in the act are met. These are:

(i) That the ship comes into the system in a financial year that has not been accepted, hence the requirements apply; that less than 60% of the company's tonnage tax ships are EU flagged.

(ii) That the percentage of the company's total tonnage that is Community-flagged is less than the percentage that was Community-flagged when the company first entered tonnage tax (HMSO, 2005; Watson, Farley and Williams, 2006).

### **3.4 The Performance of the Tonnage Tax to Date**

A performance evaluation of the strategy, by the Department of Transport and the Inland Revenue, four years after its introduction, indicates a positive score on all but one of the three main targets set when establishing the tonnage tax. With regard to increasing the fleet and boosting growth in the shore-side maritime cluster, the strategy has shown a high level of success. According to Department of Transport (DfT) data,

the number of vessels participating in the tonnage tax steadily increased from 134 in 2000 to 816 in 2005. Because of the 'strategic and commercial management location' requirement, many British and foreign companies participating in the tonnage tax regime have relocated a large amount of their ship management operations to the UK.

It must however be remembered that until the 1<sup>st</sup> of April 2006, this increase in tonnage tax vessels did not necessarily mean an increase in UK flagged vessels since the regime allowed companies the option of retaining vessels in foreign registers while operating under the tonnage tax. With the enactment of law requiring that all new tonnage entering the scheme be EU registered (HMSO, 2005; Leggate and McConville, 2005), it is expected that the UK national register will quickly grow as a result. Already, by June 2004, there had been a big positive response in this direction; the UK registered fleet, according to World Fleet Statistics (2000 - 2006) has grown from 5,531GT in 2000 to 12,149,988 GT in 2006.

With regard to increasing the numbers of qualified British junior officers, however, the strategy has not registered the success that was initially expected. This is in spite of the fact that, according to DfT statistics, all the tonnage tax participating companies are either directly training UK cadets or making the required payment in lieu of training under the minimum training commitment. Cadet training levels are still far lower than initially projected and the number of qualified British officers has continued to decline. According to the 2006 UK Seafarers Analysis (Glen, 2006), the number of all UK officers has remained largely unchanged being 13,100 in 2000 and 14,370 in 2006 while future projections show that, at the current rate, by 2021, the number will have dropped to 6,190. Although annual cadet intake rose by about 20%; from 450 in 2000 to 630 in 2006, the number of cadets in training has remained low, being 1,020 in 2000 and 1,090 in 2006. This indicates that the annual output of qualified junior officers has not improved since the introduction of the tonnage tax. This paradox has stimulated the empirical data collection behind the thesis.

### **3.5 Conclusion**

The analysis in this chapter and in chapter two raises a number of important questions about globalisation and its impact on the nation state's ability to effectively manage the domestic economy and protect local industries and employment from decline. The implementation of the UK tonnage tax and its impact says something specific about

whether or not the state can effectively respond to globalisation and the growing influence of global corporate capital.

The questions arising from this discussion and driving this study and the discussions in the remaining chapters have been discussed in chapter one. Fundamentally they are:

- (i) How has government responded to the globalisation of shipping?
- (ii) What shaped the government response?
- (iii) How effective has the government response been?
- (iv) How could the response have been more effective?

The analysis in this chapter suggests that the tonnage tax strategy has not delivered the kind of results that were expected by all the stakeholders involved in the design. Seemingly, it has had more success with regard to recovering the UK fleet but failed to effectively address the issue of declining seafarer numbers and general maritime skills base. The task is to try and understand why the response has not been effective and this is achieved through a critical qualitative analysis of the strategy, its design and implementation. The analysis will include an assessment of how the contextual factors discussed in the chapter shaped the government response and influenced the outcome.

The chapter has shown that the shipping industry has undergone great transformations in the past few decades and that it is now characterised by highly mobile multinational capital, trans-national labour and a highly deregulated 'playground' for both capital and labour. It is upon this platform that the government sought design its response and it is against this background that the thesis examines the state's ability to manage globalisation and harness its benefits while mitigating its negative impacts.

The questions guiding this study will be addressed through detailed research whose design is documented in the next chapter. Chapter four describes and discusses the methods employed in the study.

# CHAPTER FOUR

## Methods and Methodology

### Introduction

The broad aim of this study is to investigate the impact of globalisation on nation states and their capacity to manage domestic economies and protect local industries and employment. In order to do this the thesis critically examines the effectiveness of the UK government's response to the decline in the shipping industry, with particular emphasis on the preservation of a pool of qualified merchant navy officers. The methods that I have employed in the collection of data for the project include qualitative semi-structured interviews, policy document analysis and an analysis of statistical secondary data.

The focus of the study is the tonnage tax as the government's main strategy for the recovery of both the UK national fleet and the pool of qualified merchant navy officers. The research relies on views collected from various relevant persons and organisations in the industry including government policy officials, shipping industry managers, seafarer union officials, cadet college administrators and staff, training company managers and individual ex-cadets. At the same time the thesis relies on the rich information contained in the various relevant policy documents which detail the design and adoption of the tonnage tax. The main objective is to critically assess the strategy; its design and implementation, and try and understand why it has not succeeded in increasing the number of qualified British junior officers as originally anticipated.

The study involved a detailed investigation of officer recruitment and employment policies of UK-based shipping companies and their views on, and attitude towards, the tonnage tax as the main recovery strategy for British shipping. It also involved a detailed study of the process of designing, adopting and implementing the government's response and the motivation behind the response. The views of training agency managers and college staff provided important data on how well the strategy has been working in terms of increasing cadet recruitment and training, while, interviews with individual ex-cadets provided valuable, 'first person', accounts about the training process and training experiences.

This chapter is therefore a discussion of the research design and it describes the research process, including an outline and discussion of the methods used both for the data collection and analysis. It is organised into six broad sections. Section one presents an account of how I came to do the study and provides a brief justification for my preference of qualitative research methods. Section two presents a detailed description of the research process and the methods that I used in the data collection. Section three contains a description of the various sources for my data and presents an analysis of each source and its appropriateness as an important data source for the study. Section four briefly explains and justifies the process of data analysis and the methods used. Section five presents a discussion of the challenges, limitations and ethical considerations in doing the research and provides a critical assessment of the research process. Finally section six presents a brief view of the methods vis-à-vis the research questions they are intended to help answer.

#### **4.1 My Trajectory in relation to Social Science Research**

I believe that knowledge is socially constructed and that social phenomena are better understood through active social interpretation. The meanings of stories depend on who is telling them, the social-historical context and the intention. It is therefore of utmost importance to consider the social-historical setting when extracting meaning from social phenomena. Crotty (1998:67) argues that social reality and meaning are ‘socially derived and historically situated’.

Growing up in rural Kenya and listening to the oral narratives told by my grandmother was very interesting and influential in my social outlook and general understanding of society and life. Each evening as we got ready to go to sleep, I always found my heart pounding in anticipation of the next evening story. There were many narratives about the community and community life. This, I believe, ignited my interest in the literary arts and therefore influenced my decision to take Literature as my major at university. A deeper and more extensive exploration of the same stories, later in my studies revealed that those stories had rich and practical social meaning woven into them, and that there was always a message, a teaching, in every story.

I also discovered that the same stories were duplicated, with interesting modifications, in several neighbouring communities. I thus realised that folklore was the society’s way of explaining social and natural phenomena in the absence of scientific explanations

apart from being a form of education and entertainment. There were stories about work, witchcraft, wars with neighbouring clans, marriage, death, religion, etc, and each story, as told differently in the various communities, revealed the different perspectives from which the communities viewed and understood various social activities and natural occurrences. Thunder was understood differently in different communities and so was death, religion, and marriage but, in the dissimilarity, there was always interesting similarity.

It is this interesting marriage of similarity and dissimilarity in the interpretation of social and natural phenomena that influenced my first research project. It was a study towards my bachelor's dissertation and it focused on social meaning and interpretations in oral narratives. It involved collecting, and analysing the various stories that existed and were told similarly in various communities in Kenya in order to determine patterns of similarity and difference in meaning. The intention was to understand how the various communities interpreted certain aspects of their social and natural world, what influenced any differences in interpretation and how these meanings and interpretations were conveyed in folklore.

Through this project I confirmed my earlier suspicions that oral narratives were devised to explain the composition of social and natural environments. The project also revealed that these stories formed a body of reference for society as to what was 'right' and what was 'wrong'; 'good' and 'bad'. This body of reference influenced the lives of generations down the line as they were passed from generation to generation. What was also interesting to note was the fact that the variations in the stories were not only across communities but also along time. Different generations told the same stories with slight variations indicating that societies' interpretations of social and natural phenomena changed from place to place and with time.

In one of my educational philosophy modules at the university titled 'Philosophy and Social Development', I was formally introduced to the various theories of knowledge; objectivism, subjectivism and constructivism (Denzin and Lincoln, 1998). We analysed and critically examined the arguments that go with each, and I was greatly impressed by the theory of the social construction of knowledge; that truth and meaning do not exist in some external world, that they are not handed down as replicas of a reality that exists



out there but are constructed through a dynamic, continuous and active interaction between people and their environment within a natural social setting (see Gray, 2004).

Shortly afterwards, another research opportunity came in the form of a qualitative linguistic research project in which I participated as a research assistant. It was research project on the phonology and syntax of my own native language conducted on behalf of Bayrueth University, Germany by Dr. Jellehart Cammenga. We collected words, phrases, their pronunciation and meanings, and analysed the syntactical and phonological structure of the language. I greatly enjoyed these two projects because it was interesting to go out and talk to different people and learn things about their lives and languages. I did not know it then but now I look back, in the light of my entry into social science research and realise how much these brief research experiences influence my thoughts about societies and the nature of knowledge.

Although I would have preferred to proceed with further education immediately after my undergraduate degree, I found that I was unable to raise the funds required for a Masters' degree programme and therefore had to settle down to a government teaching appointment. It was not until 2003 that I was able to continue with studies but by this time I had developed an interest in commercial shipping and studied for a diploma in ship-broking such that, when I applied to do a masters' degree at Cardiff University, it was in International Transportation rather than the study of people and societies.

The opportunity to study for a Ph. D in the social sciences came purely by chance at the end of my masters' programme but the fact that the focus of the Nippon Fellowship was to develop a sociological approach to studying the maritime industry appealed to me greatly. I saw it as a chance to marry my three kinds of academic and professional interest and experience, that is, teaching, shipping and sociology. Although there was no clearly mapped out path to my eventual entry into social science research, all the necessary ingredients were there, that is, the drive for academic and professional excellence and an interest in societies, people and their ways of life.

The above trajectory might perhaps explain my inclination towards the constructivist theory of knowledge and the qualitative methods approach which I have used in this study. This stems from my strong belief that meaning is socially constructed and therefore the best way to 'discover' social meaning is by observing, interacting with,

and ‘interrogating’ people within their natural social setting (Fontana and Frey 1998; Rubin and Rubin, 1995). Through their accounts the researcher is able to arrive at an understanding of how the society works. For this reason I have employed predominantly qualitative interviews in my study although complemented with document analysis and secondary data analysis as described in the next section.

## **4.2 The Research Process**

As I have already indicated in the introduction my data was collected using three different but complementary methods, semi-structured interviews, policy document analysis and secondary data analysis. The main method was, however, semi-structured interviews. The main study lasted 12 months; between November 2005 and October of 2006, followed by continuous follow-up during the data analysis and write-up period (see appendix eight for research time-table). My choice of methods was influenced by the type of data that I was looking for. I wanted to collect qualitative data from key stakeholders in the UK shipping industry which would help me describe and critically examine the adequacy of state response to the decline in the shipping industry.

In this section I describe each of the methods that I used, how I used them and to what effect.

### **(I) Semi-Structured Interviews**

Considering the kind of data I was looking for, the interview approach came across as the most suitable because it is an effective tool for collecting qualitative data. Furthermore it is a simple and highly practical tool to use in social and professional settings of all kinds. It is an easy method to use because it is built upon every person’s natural and basic conversational and social interaction skills. Fontana and Frey (1998:47) describe interviewing as “...both the tool and the object; the art of sociological sociability...” because it is the natural tool for social communication and is therefore best suited for this type of social research (see Lofland, 1971; Denzin and Lincoln, 1998; Arskay and Knight, 1999; Hostein & Gubrium, 2003). What this means is that after considering all other types of qualitative research methods, interviewing came across as the most suitable for my research and one which would ensure rich and appropriate data.

With specific reference to the semi-structured interview the main advantages include effective time management and the fact that it is ‘structured’ enough to provide a

reasonably defined scope of exploration but 'open' enough to allow a reasonable depth and breadth of exploration of the set topic (see Holstein and Gubrium, 1997, 2003; Denzin and Lincoln, 1998; Fielding and Thomas, 2001; Hopf, 2004). After careful assessment of the other qualitative interview approaches, including in-depth and structured interviews, the semi-structured interview was the best for my kind of research considering the need to balance reasonable structure and substantial flexibility in the exploration of my research topic. What this means is that as a researcher using semi-structured interviews I am in a position to determine how wide and deep the exploration goes within the appropriate parameters of the research. By carefully guiding and controlling the interviews using appropriate probes and prompts, I would therefore ensure that I achieve suitable depths and widths of exploration.

I conducted interviews with various people within the shipping industry in the UK and some of the bodies, institutions and organisations I visited included training colleges, ship owning and operating companies, ship management companies, cadet training agencies, government departments and seafarers unions. I also interviewed individual ex-cadets. The aim was to explore the participants' understandings of the decline in British shipping and get their views on the government response with regard to its design, adequacy and impact on UK shipping. By the end of the fieldwork I had conducted interviews with: 25 Human Resources (HR) or Operations Managers from 25 UK-based shipping Companies; training administrators and staff from two cadet colleges; Four training company managers; and 15 ex-cadets. In addition I carried out two interviews with government policy officials and two interviews with seafarer union officials. In total I conducted 50 interviews. From the ex-cadets, I specifically sought to extract 'first-person' accounts of the training process and training experiences, both in college and at sea. I asked industry managers about their officer recruitment and employment policies and the determining factors in their choice of seafarer sources as well as their views on the adequacy of the tonnage tax in tackling the problem of declining numbers of seafarers in the UK.

With the training agency managers and cadet college staff I explored the training process and the difficulties and challenges involved in recruiting and training cadets both in college and at sea. Government policy officials provided useful information on the design of the government strategy and the constraints to effective response from the

state's perspective while union officials provided the union perspective on state response, effectiveness and adequacy.

Every interview initially started with a lengthy process of access negotiation involving phone calls, e-mails and formal (postal) letters. With the exception of cadet interviews, all the other interviews were held within the premises of the institutions where the various interviewees worked. Three of the interviews were, however, conducted via telephone because circumstances made face-to-face meetings impossible. Most of the cadet interviews were conducted in hotel rooms, restaurants, and coffee shops.

The interview sessions were, in all cases, by 'diaried' appointments and involved the use of a combination of tools. I kept a notebook in which I would jot down notes reflecting my observations and thoughts about the surroundings and the 'atmosphere' of the interview setting. I also used the notebook to write down notes during the interview sessions about things that struck me as interesting and of possible relevance to the study – things that might tell a story about the person and the organisation. These notes included observations about the interviewee's reactions, including body language and the apparent attitude and response to various questions.

During the interview, and with the express consent of the interviewee, I recorded the session on a small, non intrusive, digital voice recorder because I could not rely on my memory to capture, accurately, the whole interview. There were two occasions, however, on which the interviewees did not wish to be recorded in which cases I used my notebook to take down notes in the form of main '*aide memoire*' key points. In such cases, I always found a quiet place, immediately after the interview to expand the notes into comprehensive text. Each interview lasted approximately one hour.

Alongside the notebook I maintained what I call my 'after-session' note-book which I used to record every detail about the day relevant to the research. Some of the things I recorded in this book included the journey to the premises, the reception, the surroundings and the general atmosphere within the premises, the journey back and any difficulties faced during the whole process. I also wrote down some of my preliminary observations and conclusions deduced from each interview.

I used short-point-format interview guides to structure each interview (Appendix five). The interview guides were only structured sufficiently to provide the main boundaries for the exploration while allowing sufficient flexibility for an exhaustive, meaningful

and productive discussion (see Holstein and Gubrium, 1997; Fielding and Thomas, 2001; Hopf, 2004). Before the beginning of every interview session I asked the interviewees to read and sign a Research Informed Consent Form to confirm that they were taking part willingly and were happy for the session to be recorded digitally (Appendix three). I also gave them a Research Participant Information Sheet containing the main facts about the research so that they knew what it entailed. It also served to inform them about how their identities would be protected and the use to which the information they provided would be put (Appendix two). This only served as a formal notice since most of these issues had already been discussed during the period of access negotiation. Both of these procedures are part of the SOCSI Ethical Committee's requirements to ensure that the research is conducted within the accepted and necessary ethical boundaries.

After collecting all the data and running the initial preliminary analysis in the month of November, it was necessary to conduct a few more follow-up interviews in order to clear-up certain issues which arose in certain areas. Most of this follow-up exercise was either by e-mail or telephone although four 'second round' face-to-face interviews were conducted. The follow-up process, for the purposes of updating the data and information, however, continued through-out the analysis and write up stages of the project.

## (II) Policy Document Analysis

Since the main objective of the thesis is to assess the adequacy and effectiveness of the tonnage tax as the state's strategy to reverse the decline in shipping, it has been necessary to review and examine the process by which the strategy was designed and adopted. There is a detailed and rich history of the process contained in various government documents such as government policy papers and House of Commons Committee reports. Some of the documents that I analysed included:

- (i) The European Commission paper, *Towards a New Maritime Strategy* published in 1996 setting out objectives for the recovery of EU shipping.
- (ii) The March 1998 report of the Shipping Working Group (SWG) set up by the government in 1997 to deliberate on ways of addressing the decline in shipping.

- (iii) The government White Paper: *The Future of Transport*, published in July, 1998 following the SWG report.
- (iv) The Government White Paper: *British Shipping - Charting a New Course*, published in December 1998 and containing the government's first ever comprehensive policy for British shipping.
- (v) The Alexander Report of August 1999, commissioned by the Chancellor of the Exchequer commissioned from Lord Alexander of Weedon to look into the case for introducing a tonnage tax for UK shipping.
- (vi) The Finance Acts of 2000 and 2004; the earlier one enacted the tonnage tax into British law while the latter amended the same.

This part of the research involved a rigorous and in-depth 'interrogation' and analysis of the content of these various documents in order to determine the government's diagnosis of the problem of decline, its motivation to intervene and the process of designing the strategy. Of particular importance, apart from the actual content in such documents, is the tone and language used which often communicates seriousness, intent and conviction on the part of the designing party – the state. Most importantly, the information collected from the documents usefully complemented interview data from government policy officials and provided a comprehensive 'picture' of the shape of the state response and the factors behind it.

The approach I adopted for analysing the documents was one of cross-thematic content analysis (see Strauss, 1987; Strauss and Corbin, 1998) whereby I identified and isolated a number of key themes and studied them closely in order to understand the government's motivation, intentions and approach. I started by reading the documents and familiarising myself with the contents. It was during this reading phase that I identified the main themes. I then loaded the documents onto the computer-based qualitative data analysis programme, NVivo, and proceeded to bisect the scripts into several paragraphs which I dragged and pasted into designated 'codes' representing the various themes previously identified (see Bazeley, 2007). Some of the themes included government diagnosis, motivation, intentions, fleet loss and officer decline. After this initial process of coding I proceeded to cross-analyse the various themes in order to identify details such as what motivated the state to respond, what the objectives were,

how the government interpreted the situation of decline and what obstacles there were to government response.

### (III) Secondary data analysis

I believe in the strength of a mixed methods approach to social science research because it enables thorough and exhaustive exploration of research topics (See Denzin and Lincoln, 1998; Creswell, 2003). In this case, a combination of quantitative (secondary) statistical data analysis and qualitative approaches provide a better understanding of the situation of industry decline and government response. In order to analyse, discuss and illustrate trends in officer numbers and ship registration, I analysed statistics kept by various research institutions like the London Metropolitan University Centre for International Transport Management which produces an annual analysis of UK Seafarer numbers, UK Chamber of Shipping Data on fleets and manpower, Seafarers International Research Centre Data on the Seafarers' Global Labour Market and Department of Transport data on shipping fleets and seafarers.

The study was structured with document analysis first, between November 2005 and January 2006 - to establish the general background - followed by the interviews for the rest of the period, until October 2006. In this way my discussions with the various interviewees about government policies and state strategy were direct and focused which helped to ensure that the data collected was relevant, detailed and rich. The secondary data analysis came in-between and during the course of these two main research exercises (document analysis exercise and interviews) and provided figures and trends on fleet capacity, the number of officers, and cadet intake and training levels.

## **4.3 Data Sources**

The maritime sector is highly complex and is made up of many different industries and firms. Shipping is however the core of the cluster and forms the mainstay and major catalyst for all maritime activity. It is also one of the major revenue earners for the government and acts as an important stimulant to economic growth. The decline, which has been experienced in the UK shipping industry over the past thirty years is, therefore, of great concern to many stakeholders including the government, the corporate shipping industry (which consists of owners, operators, ship managers and, training agencies), ports and harbours, seafarer labour and labour unions, cadet training agencies and

institutions, and a host of other maritime related firms, commonly known as ‘the shore-side maritime cluster of firms’. All these industry stakeholders are either directly or indirectly affected by the decline, both in tonnage and seafaring skills.

In order to understand the decline and assess the government’s response and its adequacy I collected and critically examined views from personnel in some of the main industry bodies and organisations. The main organisations which I targeted included relevant government departments, the shipping corporate community, cadet training colleges and seafarer trade unions. In the following section I am going to briefly describe each of these and explain how and why they were important as data sources for the study.

(i) The shipping corporate community

The shipping corporate community comprises a variety of firms which engage in commercial operations directly related to the ownership, operation, management, and crewing, of ships. Apart from being the potential employers of seafarers trained in the UK, UK-based shipping companies are also the main sponsors of the recruitment and training of British cadets. The importance of the corporate community as a major source of data for the study can, therefore, not be overstated. It was important to examine companies’ officer recruitment and employment strategies and assess their attitude towards the tonnage tax, and the training commitment, in order to engage in a productive and meaningful discussion of the impact of the tonnage tax recovery strategy. This is because company recruitment policies and strategies determine the prevailing patterns of seafarer demand and supply globally. Whether the government strategy works, or not, depends on how companies respond to it and how their recruitment strategies change as a result of it. The data collected from company managers was therefore vital in reaching an understanding of industry attitudes towards the tonnage tax and its effectiveness. Furthermore, company recruitment policies determine the success of the Minimum Training Obligation.



For this reason I sought access to companies and interviewed the Human Resources and/or<sup>1</sup> Operations Managers of several different shipping companies based in the UK. As one of the major traditional shipping nations (home to a significant shipping centre – London) the UK is the base for a variety of shipping companies and of different forms and sizes. I was able to visit a reasonably wide range of these companies with the aim of reaching as many relevant categories as possible.

The form and shape that shipping companies take is often complex; the difficulty with categorising most of them is that they are often multifunctional and, although they are based in the UK, many of them operate internationally such that classification by nationality is often vague, inaccurate and potentially misleading. Many of the ship management companies that I visited, for example, were international outfits which manage ships for owners and operators from all over the world. The same is true for the UK's main training companies which have international affiliates which recruit and train cadets in many different locations around the world. This complexity is inherent in the shipping industry.

Very few of the companies I visited had all their ships registered in the UK register since many tended to spread their vessels across a number of flags. Some of the companies had already opted into the tonnage tax, with varying percentages of their vessels participating, while some had chosen not to participate at all. Another complexity was presented by the fact that there was a lot of overlap in business functions, especially with operator, owner and management companies. It is not uncommon to find management companies which also own ships or owning companies which also offer management services for other ship-owners and operators.

In undertaking the research it was important to explore how different companies approached the recruitment and employment process, examine their sources of officers and try to determine how factors such as size and capital base, business type and company history influenced officer recruitment and attitude towards government

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<sup>1</sup> My preference was to interview HR managers but not all companies had dedicated HR managers and therefore where these posts did not exist I interviewed ORs whose duties, in such cases, generally includes HR management.

response to the decline. The table below shows a summary of the characteristic features of the companies whose managers I interviewed.

Figure 12: Summary of Company Features

<b>Company Code</b>	<b>Business Function</b>	<b>Size</b>	<b>History</b>	<b>Ships' Flag</b>	<b>Tonnage tax</b>
Company 1	Owner/Operator	11 vessels. Information on staffing not available	Incorporated in 2002	Mixed-flag fleet	Participating
Company 2	Management/ Owner/Operator	15 vessels. Information on staffing not available	Old family company	Mixed-flag fleet	Participating
Company 3	Management/ Crew management	Large international fleet and 7,500 crew members. Global	Incorporated in 1974	Mixed-flag fleet and giant network	N/A
Company 4	Management	20 vessels. Information on staffing not available	Information not available	Mixed-flag fleet	Participating
Company 5	Owner/Operator	52 vessels; 1000 sea staff and 400 shore staff (UK). Global	Started in 1909	Mixed-flag fleet and giant network	Non participant
Company 6	Managers	Information not available	Information not available	Information not available	N/A
Company 7	Recruitment and training	Trains for a wide range of clients including Maritime London and Trinity House	Information not available	Information not available	N/A
Company 8	Manning	Provides manning solutions for companies worldwide	Over 20 years experience	N/A	N/A
Company 9	Training	Ave. 700 cadets in training each year; 51% of UK's cadet recruitment.	Established in 1981	N/A	N/A
Company 10	Owner/Operator	336 ships; 1200 sea staff. Global	Started in 1977	Mixed-flag fleet and giant network	Participating
Company 11	Manager/Crewing	29 vessels. Information on staffing not available	Information not available	Mixed-flag fleet	N/A
Company 12	Owner/Manager.	200 vessels. Information on staffing not available	Old family company; started 1880	UK flagged	Participating
Company 13	Manager	67 vessels; 400 sea staff	Established in 1919	Mixed-flag fleet	N/A

<b>Company Code</b>	<b>Business Function</b>	<b>Size</b>	<b>History</b>	<b>Ships' Flag</b>	<b>Tonnage tax</b>
Company 14	Owner/Operator	7 ships. Information on staffing not available	Started in 2002	UK flagged	Participating
Company 15	Owner/Operator	9 vessels; 70 shore staff and 350 sea staff	Established in 2000	Mixed-flag fleet	Non participating
Company 16	Marine services company. Transformed from owning company	Provides services to a wide range of clients both public and private	Started in 1847. Old family company	Serves mixed-flag fleet	N/A
Company 17	Owner/Operator/Manager	60 vessels. Information on staffing not available	Old family company	Mixed-flag fleet	Non participating
Company 19	Owner/Operator	500 vessels; 110,000 employees; in 130 countries	Started in 1904	Mixed-flag fleet and giant network	Participating
Company 20	Manager	90vessels and more that 4000 sea staff worldwide	Established in 1983	Mixed-flag fleet	N/A
Company 21	Training (Non-profit)	One of the largest in the UK .	Started in 1978	N/A	N/A
Company 22	Manager	Over 900 ships; 1,350 shore staff and 23,000 sea staff.	Established in 1984	Mixed-flag fleet	N/A
Company 23	Owner/Manager	13 vessels. Information on staffing not available	Started in 1730; the oldest family British shipping company	Mixed-flag fleet	Participating
Company 24	Owner/Operator/Manager	Wide range of fleets. Operates in 32 countries. Information on staffing not available	Established in 1807	Mixed-flag fleet	Information not available
Company 25	Owner/Operator	144 ships; operates in 100 countries; 8000 staff	More than 150 year old	Mixed-flag fleet; global network	Information not available

*Source:* Author

The differences between the companies included in my sample mainly relate to the size of the company in terms the size of operated and/or owned fleet and staff size, the specialisation of the company, namely, whether it is a management, owner/operator or managing company, the age and historical background of the company and the registration of its fleet. All these differences, as explained earlier, might be expected to

significantly influence management attitude and approach towards crewing and cadet training practices. In designing the sample I therefore tried as much as possible to include as many variations as possible in order to compare the different approaches and attitudes adopted by different companies towards officer recruitment and employment and their response to the tonnage tax MTO.

#### (ii) Training Institutions

As the parties directly involved in, and responsible for, the training of cadets, administrators and staff in cadet colleges were of central importance to the study. It was essential, for example, to discuss issues relating to the process of cadet training - both in college and at sea - and to examine the structure of the training programme and assess trends in cadet intake levels in order to evaluate the impact of the MTO on the recruitment and training of cadets.

There are four main cadet training institutions in the UK which are strategically spread around the country in order to tap into the seafaring potential and cater for the training needs of the entire country. In most cases these colleges have affiliations with nearby universities with which they share expertise and facilities. Some of these colleges have developed joint programmes leading to various graduate degrees in nautical sciences and maritime business management. Their primary task is, however, training officer cadets for the shipping industry. Generally, the course for an officer cadet takes three to four years after which the cadet obtains a third mate's Officer of the Watch (OOW) ticket and becomes a qualified junior deck officer of engineer. There are three different entry points and training paths for the cadets depending on the individual's entry qualifications, namely, Higher National Diploma (HND), Foundation Degree (FD) and Bachelor of Science (B.Sc.).

The training academic year begins in September and the programme is structured into periods of theory interspersed with periods of practical experience at sea (see appendix seven). This is designed to ensure that, by the end of the training, cadets are sufficiently equipped with both theoretical and practical knowledge and skills in shipping and seafaring and an initial experience of life at sea. My target data sources in the colleges comprised those people directly involved in the process of cadet admission and training. I specifically interviewed two cadet training officers and teaching staff in addition to

several informal interviews in two colleges as I wanted to find out about the structure of cadet training in the UK, cadet training programmes and any problems in the training process in order to determine why it was difficult to increase the number of qualified junior officers.

I only interviewed staff in two colleges because of difficulty in gaining access to the institutions. The data collection process with the colleges included an exploration of the training schemes offered, the different paths followed by the cadets, the various entry points and the structure of the programme. It also involved collecting views on the MTO and its impact on cadet enrolment. An important area of exploration was also the recruitment, allocation and funding arrangements made between shipping companies, training agencies and the colleges. I also asked college staff about the issue of cadet 'wastage' focussing on likely periods of 'drop out' and the possible reasons for cadets' decisions to withdraw from training.

### (iii) Cadets

In the course of the research it became clear that one reason for the failure of the MTO to increase the number of officers was cadet 'wastage'. Many companies said that British people were not willing to work at sea, however it was also suggested that candidates may leave early because they discern that they have no future prospects. The reasons for cadet 'wastage' seemed important in arriving at an understanding of why the MTO was failing to deliver. I therefore decided to include some cadet interviews in the study although this was not in the original research design.

Subsequently the cadet data became of central importance to the study. It would help to explain the reasons why training levels and junior officer out-put levels had not increased despite the tonnage tax. The main area of exploration, in the cadet interviews, included the motivation of cadets to take-up training, their expectations at the beginning and their experiences of training. Because it was becoming clear, by this time, that the main problem hindering efforts to increase junior officers was high cadet dropout rates, I selected and interviewed only ex-cadets because it was essential to find out, through 'first-person' accounts, what factors influenced cadets' decisions to drop out of training prematurely.

The identification and recruitment of cadets was highly challenging. This was due to the fact that, having withdrawn from the programme, they all went different ways and only a few remained within the shipping industry. However, I was fortunate in that I requested and received assistance from some of the college administrators who kindly agreed to identify some of their ex-cadets for me. The next hurdle was how to contact them. The colleges were not willing to give me a list with their contact details for fear of breaching data protection laws. The solution that I found was to draft the 'access request letter' which was then forwarded to the various ex-cadets by the college administrators. Luckily a number of them responded positively, either directly to me or through my college contacts.

Thirteen of the fifteen cadets I interviewed were aged between 16 and 20 years and had joined the cadet training programme soon after completing their GCSE or A-Levels. Eight of them came from families with a shipping and seafaring background and had therefore been influenced by parents, relatives or friends in their decision to join the profession. After dropping out of the programme, only two went into maritime related fields. Four of them had chosen to go to the university to develop a totally different career path; three had joined different commercial training programmes and the remaining six found jobs in different fields. The two who had chosen to stay within the industry had been assimilated into graduate trainee programmes by shore-side maritime related companies.

#### (iv) Others

Grouping the following data sources in the 'others' category should not, by any means be taken to mean that they were not as important as the rest. The reason is that this is a collection of 'single-category' bodies which could not fit in any of the categories described earlier and could not be discussed individually without resulting in the risk of disclosure of their specific identities. This category comprises government policy officials, seafarer union officials, and various persons from both government and industry training agencies and bodies. For ethical reasons I have to be vague in the way I describe some of these bodies hence the use of such descriptions as 'various persons from both government and industry training agencies'. To say more would risk revealing their individual identities, to those who are well-informed about the sector.

In the case of government officials, I contacted and interviewed policy officials in departments that are immediately related to shipping and have a connection to the tonnage tax. The aim was to find out how the government understood the decline in the industry and how it had gone about designing its response. I also wanted to find out what the government thought about the impact of the tonnage tax. In the case of union officials I targeted top officials of UK based seafarer unions. The reason for interviewing union officials was to determine the unions' role in the design of the tonnage tax, being one of the major maritime stake holders involved in the consultative process, to understand what they had done to make sure that the problem of declining seafaring skills in the UK was adequately addressed. Others were bodies, organisations and agencies directly concerned with the implementation of the tonnage tax, especially, the Minimum Training Obligation (MTO).

#### **4.4 Data Analysis**

My data analysis, as I have indicated earlier, was in two phases. I conducted a preliminary analysis of every interview soon after it had ended in which I consolidated my recollections of the session and reviewed the recordings of the interview. From this I was able to make comprehensive notes of my initial thoughts and I found that this helped me to improve and refine my approach to subsequent interviews. My fieldwork was therefore a process involving dynamic and continuous adjustment and refinement. During the data collection period and in spaces between interview appointments I made a point of going over the voice recordings of previous interviews so as to become as familiar with the data as possible. During these 'listenings' I kept revising, refining and expanding my thoughts on the various emerging themes. This meant that by the time I conducted the main and comprehensive analysis, I was very conversant with the data and some of the major themes that had emerged in the course of its collection.

Interview transcription started half-way through my data collection phase. Although I had the option of engaging the services of a professional transcription expert, which would have made the exercise faster and easier, I decided that it was best to transcribe my interviews myself in order to increase my interaction with the data prior to analysis. The transcription for each recording was reasonably comprehensive. However, it was time consuming and it took me an average of eight hours for every one hour of recorded interview.

The method I employed for data analysis was categorisation and cross-thematic analysis as described by Strauss (1987) and Spradley (1979). It involved developing a coding process and an analysis of individual nodes (themes) followed by a rigorous cross thematic analysis. In the coding process I used NVivo which is a computer-based data analysis programme. Having designated the various thematic categories I dissected my interview transcripts into thematic paragraphs then dragged and dropped relevant paragraphs from all transcripts to each thematic category (code). After this I conducted a thorough cross-thematic examination and analysis in order to establish links and patterns of meaning (see Dey, 1993; Strauss & Corbin, 1998). I examined similarities, meaning, nuances, inconsistencies and variances (Coffey and Atkinson, 1996; Atkinson, and Coffey, 1997). For example I was able to analyse and compare what company managers said about their officer recruitment policies (code 1) and how they went about cadet recruitment (code 2) and training (code 3) in the UK in order to determine how the three related. This cross-thematic data analysis enabled me to engage with, and rigorously interrogate the data and begin to build theories and meaning around my various research questions. This also helped me to identify the paragraphs which I later used to illustrate my main findings.

The importance of using computer assisted qualitative data analysis software such as NVivo can not be overstated. It made the whole exercise of organising, coding, and categorising the data, into distinct themes, easy and quick. Some of the traditional methods for doing the same, for example, the 'shoe-box' approach, cutting and pasting and colour coding, would have taken me a long time. The other added advantage with using NVivo was that it combined all these other approaches such as 'cut and paste', 'shoe-box' and 'colour coding' into an intricately integrated but quick and easy-to-use package. The cut, drag and drop facility made it easy to develop thematic categories and identify useful illustrative paragraphs.

Although I originally designated the period for the comprehensive analysis as October 2006 and February 2007, the process continued through-out the write-up stage (March to October 2007) because there were constant and continuous follow-ups to update the data. At the same time, as the data chapters progressed, it was necessary to revisit earlier interpretations in line with new developments. My data analysis was therefore a continuing process spanning the entire period of the study.



#### **4.5 Challenges, Limitations and Ethical Considerations**

My study was relatively free from major problems and it progressed relatively smoothly. There were some challenges, however, which emerged during the process of negotiating access to the various participants. Out of 90 letters I sent out to companies, training institutions and government departments requesting appointments for interviews only 15 actually replied but of these only seven were positive. Arranging interviews therefore required a lot of follow-up phone calls and e-mails. Most of those people who were approached in this way eventually gave me appointments and subsequently took part in the study. Some however declined to participate citing either company policy or busy schedules. From the initial batch of letters I sent I finally managed to get the 50 participants who provided the core interview data for the study.

This meant two things. Firstly, negotiation of access took a lot more time than I had initially allocated and therefore put the project under immense pressure due to the limited nature of my funding. Secondly, the numbers of people who declined to participate meant that I did not interview as many participants as I would have wanted. Given that there are not very many shipping companies left in the UK, this presented a big problem. However, considering the amount of rich data that I was able to collect from the 50, the damage caused by the declined access was reasonably well mitigated.

One of the greatest challenges was my time limit for the completion and submission of the thesis which limited the scope and depth of the investigation. The study was conducted under the financial sponsorship of the Nippon Foundation which provided funding for three years which included two semesters studying for a diploma in research methods. This meant that time, which is often a problem for research students, was a particular limitation for me. With more time I could have reached more shipping companies and even extended the research to include some of the main shore-side firms affected by the shortage of maritime skills. I could also have included interviews with policy makers at the EU level in order to explore the EC policy on shipping skills and the possibility of an EU answer to the problem.

As the thesis unfolded it became apparent that an important unforeseen element of it was the need to explain the problem of high cadet wastage. In retrospect, and knowing this now, I would have liked to interview more ex-cadets and would also have liked to

include, in my research design, a few interviews with cadets in training, especially in their final stages of training so as to compare their experiences with those of ex-cadets. As it was I was happy to be able to include a small number of ex-cadet interviews in the study. These were particularly difficult to arrange because of the inadequate record keeping in colleges, especially, regarding cadet dropout. Colleges do not seem to pay much attention to the cadets who decide to quit. For example, neither the colleges nor the various training agencies and sponsoring companies conduct follow-up discharge procedures through which they monitor and determine the reasons for dropping out. Such data, perhaps in the form of completed discharge forms, would have been very useful and could have made my work much easier and made the data richer. Ultimately therefore I was pleased to achieve fifteen interviews with this difficult-to-reach group of people. I had sent out a total of 30 letters to ex-cadets through two colleges.

The fieldwork also involved a lot of time-consuming and costly travelling (and accommodation) because my participants were spread across different parts of the country. In some cases I found that it was impractical to reach the 'base' of an identified interviewee because of its remoteness, for example, when travelling on public transport and unreasonably high associated costs. In two such cases I resorted to telephone interviews. One important observation I made about using telephone, as opposed to face-to-face interviews, was that, although it is a useful tool for quick follow-ups, it is not very appropriate for 'main' interviews. Based on my experiment with this mode of interviewing, the telephone interview tends to remove the 'person' and the 'surrounding' from the interview thus limiting the depth of 'understanding' for the interviewee. As an interviewee I found that I lost the benefit of essential non-verbal communication and the general information that maybe gained by observing the interviewee's place of work. Furthermore, the 'mechanical' nature of this approach did not allow for a relaxed session since it imposed a certain sense of hurry. Consequently my telephone interviews lasted about 30 minutes each as opposed to an average one hour for the face-to-face interviews (see Frey and Sabine, 1995 for a detailed discussion on telephone interviews).

Other minor challenges include the few times when the participants declined to allow me to use a voice recorder and, although I was able to take down notes, I could not write fast enough while still concentrating on guiding and directing the interview session. In such cases the sessions were rather uncomfortable and a lot of valuable data was lost

because my memory could not retain all of the discussion and I could not effectively take notes.

Although the research process was relatively straight forward I had to be constantly aware of the possible ethical implications of every step I took, right from the point of negotiating access to the write-up and reporting stage. For instance, I had to ensure that the purpose of the research was clearly and unambiguously spelt out to the interviewees before they made-up their minds to participate. I also clearly explained how the data would be used so that they made a properly informed decision on whether to participate. One important reason for observing ethical regulations in research is to protect the interviewees as well as to ensure the validity of the data collected (Dingwall, 1997; Payne and Payne, 2004). I therefore took pains to make sure that the participants were happy and comfortable with every step of the process. As I have said, however, this presented no big problem because most of my interviewees were highly educated and professionally experienced people. Furthermore, by the time we got to the actual interview session stage, we had gone through a lengthy process of correspondence involving e-mails, phone calls and (postal) letters which clarified the research to the participants.

Before every interview I informed the interviewees, verbally, about my intention to record the conversation and requested their permission to do so. If they declined, as it happened in a few cases, I did not go ahead with the recording. I also explained to them that they had the right to decline to answer any question they found uncomfortable or compromising, whether personally or professionally. In the few times when I had to conduct the interviews by telephone I made sure that I asked the interviewees if I could record the conversation. When they gave their consent, I informed them when I switched on the recorder and at the end I informed them when I switched it off.

A more complex challenge was with ensuring that my line of interviewing did not provoke bitter memories and sad emotions in the ex-cadets with whom I needed to explore their personal training experiences. In order to mitigate any such outcome I took a lot of care in the way I put the questions across and the way I reacted to and reinforced their responses. I also stressed the fact that they were free to decline to answer any question and may withdraw from the process at any point. Fortunately no such incidents occurred and the interviews were smooth and productive.

A big ethical challenge for any researcher is how to conceal the identity of the interviewees at the write-up and reporting state. I have managed to overcome this hurdle by carefully ‘anonymising’ the identities of the participants, and the various organisations and institutions they represent, in all my chapters and conference papers and presentations. In order to eliminate any chance of identification I have constructed the anonymity in such a way that even the wider context does not, suggest the identities of either the organisation or the individual.

Considering all these issues, I approached every step of my research and write-up well aware of my duties and responsibilities towards the participants and sources, the research community, the data, and, my sponsors. I relied extensively on the guidelines of the British Sociological Association (BSA) Ethical Procedures (BSA, 2002) and also sought the approval and guidance of the Cardiff University School of Social Sciences (SOCSI) Ethics Committee to whom I submitted my research proposal including an outline of my methods and obtained approval before commencing the data collection (see Appendix four).

#### **4.6 Summary: Methods and Questions**

The research approach and methods outlined in this chapter were carefully and deliberately chosen to ensure that the data collected exhaustively answered the research questions posed. It is for this reason that the study employed a mixed method approach to data collection. The two main methods include interviews and policy document analysis.

By subjecting government policy documents to extensive document analysis rich data was extracted which helped to explain how the government viewed the problem of decline in officer numbers and the decline of UK fleet revealed the government’s commitment to recovering the fleet and the seafarer pool. Combined with interview data collected from government officials and seafarer union officials, this method produced data which I have used to effectively answer questions about the nature and form of government response to the decline. The documents provide an insight into government thinking and the understanding of the decline and explain the conception and development of the response. The data generated by this method is mainly used to inform the development of chapter five.

This chapter specifically addresses the first research question about how the government has responded to the globalisation of shipping by discussing the shape of the government's response strategy and the process leading to its design and adoption. It traces the development and adoption of the strategy and describes the government's all-inclusive consultative approach which involved all the major industry stakeholders.

The interview approach, on the other hand, generated very important information about companies' responses to the tonnage tax and the Minimum Training Obligation with reference to their officer recruitment and employment policies. The data collected by way of interviews is predominantly used to inform the development of chapters six and seven in which the questions about the performance of the strategy and the training atmosphere are addressed. Chapter six addresses research questions two and three, that is,

(ii) What shaped the government response? And

(iii) How effective has the government response been?

It examines the role of shipping company recruitment policies in influencing the shape of state response strategies and their impact on cadet recruitment and training.

The interview approach was also the main instrument for collecting data from ex-cadets. Through interviews the cadets were able to give their personal accounts of the training process and their experiences of training at sea and in college. An analysis of these data, alongside the interview data from training administrators and managers provides further indication of why the minimum training obligation has not succeeded in increasing the number of junior officers in the UK. Interviews with government and union officials, as well as industry representatives, provided important indications of some of the main obstacles impeding effective state response and intervention to recover and restore the strength of the British seafaring pool. This data was especially valuable in answering the final research question, that is: How could the response have been more effective? This question is discussed in chapter seven which extensively examines companies' attitude to cadet training and how cadets experience their training. By highlighting some of the shortcomings in the government strategy and examining the obstacles hindering effective state response the chapter tries to suggest how the response might have been made to work more effectively.

Finally, the statistical secondary data analysis provided the figures to illustrate the trends in the shipping industry over the past three decades. These figures clearly show the extensive decline in the industry and also the trends after the introduction of the tonnage tax thus setting the context for in-depth analysis and discussion on the effectiveness of the strategy. The secondary data analysis approach therefore provides the essential statistical illustration which strengthens the arguments and discussions throughout the thesis.

# CHAPTER FIVE

## State Strategies

### Introduction

The shipping industry has experienced accelerated globalisation over the past three decades leading to a greater diversification and concentration of shipping activities around the world. The consequence of such restructuring has been the decline of former maritime nations and the emergence of new centres of maritime business around the world. As explained in previous chapters, the patterns in the global distribution of ship registration have changed significantly with the growth of Open Registers leading to a situation whereby the industry, unlike the early decades of the 20<sup>th</sup> century, is no longer concentrated in, and dominated by, just a few European Traditional Maritime Nations. The current, highly globalised landscape of the shipping industry has developed alongside the wider globalising processes which have led to the removal of economic barriers to capital and finance movement around the world. In this sense, the shipping industry is a critical example of a globalised industry as argued by Sampson and Bloor (2007) because shipping enjoys a greater capacity for international mobility than any other industry by virtue of the fact that shipping capital assets are mobile. A good illustration of this is the ease with which ship-owners can choose and change the nationality of their ships without, for example, relocation costs.

One additional important feature that has developed in the industry as a direct consequence of globalisation, international mobility of shipping capital and the transborder operations of shipping companies, is the growth of an 'open' Global Labour Market (GLM) for seafarers, which gives employers unrestricted access to cheap labour drawn from the low-cost labour supply countries (Sampson, 2004; Kahveci and Nichols, 2006). Whereas labour is, generally, more locally organised seafaring labour has, within the past three decades, been organised at a more global level than labour in any other industry because shipping companies, in search of cheaper crewing alternatives, have set up 'satellite' crew management companies which facilitate the operation of a globalised seafarers' market (Wu, 2004).



While such developments have beneficial effects for shipping companies, they have negatively affected some national shipping industries and domestic seafarer labour markets, especially, in the high-cost industrialised states. These states have experienced a drastic and steady decline in their national fleets and seafarer labour since mid-1970s which has led to diminished fleets and shrunken pools of qualified officers and depleted maritime skills bases. The decline in local seafaring labour happened, largely because, as ship-owners sought cheaper foreign labour, demand for national officers declined and ship-owners were no longer interested in recruiting and training cadets in their 'home' countries. The UK shipping industry is an excellent example of this demonstrating a huge decline, both in fleet and skills during the period since 1970s. The number of British seafarers employed on-board UK registered ships, according to Chamber of Shipping statistics, dropped from nearly 99,000 to 27,000 between 1970 and 1993. The number of officers declined from 45,600 to 12,080 within this period (see Obando-Rojas et al 1999).

The problem that faced British governments from the mid-1990s as a result of declining numbers of qualified British officers is complex. Apart from declining qualified sea staff, the UK was losing much of its general maritime skills base, that is, the people with the required skills to work in shore-side maritime related firms (Gardner and Pettit, 1996; Pettit and Gardner, 1999; Gardner *et al*, 2004). The government was concerned that if the decline continued there would be a shortage of essential technical skills which would prompt many firms to consider shifting their operations to overseas locations where they could access the required skills at lower prices. The other major concern was about the decline in the number of qualified and available people with the skills and experience to operate UK vessels in times of war. The argument was that as an island nation the UK required a substantial pool of qualified officers for this purpose.

Traditionally skills for the shore-side maritime clusters always came from the sea. People were trained as seafarers; they worked at sea as officers for a number of years, gained experience and moved ashore thus transferring the essential technical skills to the wider maritime cluster. Also, in times of war, the government calls on national merchant vessels to boost the country's naval capacity. The effective contribution of the merchant navy in such times depends on an abundant supply of qualified and experienced national officers. The capacity of the UK merchant navy to maintain such



pool of staff and supply skills for the shore had diminished drastically with the depletion of the fleet.

Diminished training opportunities, coupled with massive lay-offs of British seafarers, in the 1970s and 1980s as employers sought cheaper labour elsewhere, not only undermined and destroyed the seafaring tradition in the UK (Obando-Rojas et al, 1999) but also, created the impression that seafaring was no longer a profession with good career prospects for British people. This led to the emergence and spread of the perception that seafaring had become a 'third-world' occupation in many circles of the industry. A government official explained:

Part of the government's plan is to correct the notion that seafaring jobs are only suited or available for foreign seafarers. This is not true and if it is left to continue it will destroy Britain's seafaring tradition [Government Interview]

In order to correct the situation an effective state strategy was needed to address both the demand and supply aspects of the problem. On the supply side there was a need to 're-ignite' the seafaring spirit of the British people and encourage more young people to train for the profession. State involvement in this aspect was necessary because there was a clear market failure in the development and replenishment of skills to the industry both ashore and afloat. It was then necessary to provide opportunities in the form of adequate funding and training facilities. Most importantly, the strategy needed to ensure a high rate of trainee retention; a problem which had greatly affected the profession in recent years (BIMCO/ISF, 2005). Moreover, employment opportunities had to be made available for qualifying junior officers so that they could work at sea and gain the required experience to replenish skills for the shore-side maritime industries.

In this chapter I will examine the tonnage tax, as the government's main response and the identified problems. I will draw on material from a number of sources: Government policy documents which detail the process of designing and adopting the response. These documents include The European Commission paper, *Towards a New Maritime Strategy*, 1996, the March 1998 report of the Shipping Working Group (SWG), the government White Paper: *The Future of Transport*, 1998, the Government White Paper: *British Shipping - Charting a New Course*, 1998, the Alexander Report, 1999, and the Finance Acts of 2000 and 2004 (See a more detailed list in chapter four). I will also rely on interview data from the various major stakeholders involved in the consultative

design process including government officials, shipping industry managers and seafarer union officials. The chapter lays out a complex web of conflicting interests, including corporate capital interests and labour interests, and examines the government's approach to the development of a common strategy for the recovery of British shipping.

This chapter is organised into seven broad sections. Section one briefly considers the erosive impact of globalisation on the national seafaring labour markets of TMNs so as to set the context for the analysis with reference to the UK. Section two examines the state's motivation to intervene in the decline, especially, in a private sector industry in an era of free markets. Section three is an exploration of the government's interpretation of the problem, and its causes, and a description of the process by which the response was designed and adopted. Section four examines how the government arrived at this strategy and describes the consultative process employed. Section five considers the complex web of conflicting interests involved in the process as a result of the involvement of parties with opposing interests, that is, the corporate shipping industry and the labour unions. Section six describes the various initiatives, including the tonnage tax, which comprise the government's strategy and, finally section seven provides a brief assessment of the impact of the strategy.

## **5.1 Globalisation and the Decline in shipping Labour**

Although the forces of economic globalisation have greatly diminished national economic barriers in the past four decades, labour is yet to enjoy the same global mobility that capital and finance enjoy. In the main, labour continues to be locally and nationally organised and the state still wields immense regulatory control through immigration restrictions across borders (Holton, 1998). Other obstacles like cultural, and language barriers, and variations in the education, training and qualification systems of different countries also restrict the international movement of labour (Lauder and Brown, 2006). However, in shipping, the growth of the Global Labour Market for seafarers has significantly increased the mobility of seafarers in the past few years (Wu, 2004). Furthermore, the mobile nature of seafaring employment, combined with the international harmonisation of training and certification in the profession and the use of English as the accepted international language of seafaring, defines seafaring in distinctive ways.

The relative freedom enjoyed by labour in the shipping industry must however be understood within a certain context. It is not to be equated to or compared with the kind of international mobility that shipping capital enjoys. Whereas increasing mobility for capital has brought increased global 'political' influence for shipping companies, the same has not been the case with seafaring labour. Yet, seafaring labour and the changes that have taken place in the seafarers' labour market provide an unusual example of how globalisation could transform labour.

The relationship between state, global capital and labour, with regard to the shipping industry, differs in one important aspect from other industries. In shipping, the combination of mobile capital assets and a labour force that must, of necessity, be mobile has led to a situation whereby, without physically relocating overseas, shipping multinationals are able to draw cheaper labour from low-cost developing countries. This means that shipping companies are unusually placed to benefit from the best of both the industrialised, advanced countries and the less developed countries. They benefit from the advanced sophisticated financial and management facilities in the north as well as the low-cost flag-regimes and cheap labour in the south in maximising their profits. A British ship-owner, for example, manages ships from London and benefits from the advanced management and financial infrastructure offered by the City of London but can operate ships under a low-cost flag-regime and get labour cheaply from Asia or Eastern Europe. This is so because UK-based shipping companies are not obliged to employ seafarers from the UK, a fact that has, over the past three decades, negatively impacted upon the British pool of seafarers and led to a huge decline in this pool of employees (Brownrigg *et al*, 2001; Selkou and Roe, 2002; Gardner *et al*, 2004).

Although shipping labour has always been more mobile, relative to many other industries, this mobility has become more pronounced in the past few decades as a result of the increased mobility of shipping capital. Furthermore, most ship-owning countries have either abandoned or significantly relaxed their crew nationality requirements (Alderton *et al*, 2004) due to growing pressure from shipping companies seeking to employ cheaper foreign crews hence allowing ship-owners to source labour internationally. A few countries like China, India, Taiwan, Italy and Norway still require that either all or a certain proportion of the crew on-board their ships are their own nationals. However, when considering that more than 51% of the global fleet is registered with Open Registers (UNCTAD, 2006) and that most of the advanced nations

have eliminated such requirements, there is little doubt that the majority of seafarers serve on-board foreign registered ships. This practice is growing as more and more seafarers join the emerging, and fast expanding, global labour market for seafarers (Alderton *et al*, 2004; Wu, 2004, 2005; Wu and Morris, 2006).

As a result, the number of seafarers from high-cost OECD countries has declined and, although OECD officers still play an important role in staffing the global fleet, most of them are nearing retirement. Their number is also much smaller as compared to the large number of junior and middle-rank officers from developing labour-supply countries (BIMCO/ISF, 2005). This declining trend is threatening the maritime skills level of many TMNs and by extension their entire maritime sectors. These sectors depend heavily on people with seafaring skills and experience for employment in shore-side maritime related firms providing essential services to the industry (Gardner *et al*, 2004).

The UK government's concern is that the pool of qualified British officers is not sufficient to sustain the growing need for essential technical skills in the shore-side maritime sector. At the same time there is concern that without increasing the supply of junior officers the existing pool will not be able to sustain the anticipated growth in the UK fleet following the recovery strategies that the government has adopted over the past decade. The government, therefore, considers the decline to have reached critically low levels and fears that, with time, the sector will face an acute skills shortage which might force many shore-side maritime operators, especially those within the core maritime cluster, to relocate to overseas destinations (DETR, 1998).

The Alexander Report, which, following the publishing of the government shipping policy document; *Charting a New Course*, investigated the possibility of introducing a tonnage tax as the main recovery strategy, clearly recognised the importance of seafaring and the dangers of falling numbers of British officers. It states that:

Our shipping industry and the skills of our seafarers have long been part of our success as a trading nation... Without a revival, especially of the number of trained officers, there will soon be a shortfall well below the needs of the shipping and shore-based related maritime industries [Alexander Report, p.3].

For the purposes of this thesis, I focus attention on the decline in the numbers of officers rather than ratings. This is because the UK as a supplier of ratings has long ceased to be

competitive because of the increasing dominance of low-wage labour supply countries in this market. The UK does not see any need to compete in the supply of ratings and is, instead, working on ways of promoting ratings, through further, accelerated training, to become officers (DETR, 1998).

The decline in officer numbers clearly presents a major concern for the government because of falling levels of maritime skills and the threat that with insufficient maritime skills, Britain would cease to be the world's leading shipping centre. The shipping policy White Paper; *Charting a New Course* explains:

....present day seafaring skills still underpin Britain's leadership in many international [shipping] businesses [Charting a new Course, p.1]

From the wording of the policy document, there seems to be clear recognition of the danger that the decline in the numbers of qualified officers and the lack of cadet training will eventually lead to the demise of British shipping and the entire maritime sector in the UK. Seemingly, the government also recognises the fact that the decline is driven by forces of an international rather than national nature, specifically, forces of economic globalisation and changing international demand and supply patterns. There is, therefore, a recognition that effective counter measures must be designed to take into consideration important developments in the shipping industry globally. The government document goes on to say:

The globalisation of the world economy has reinforced the inherent and unique internationalism and fluidity of the shipping industry.....As a result, the UK shipping industry has faced growing low-cost competition abroad - especially from fleets of the newly industrialised countries of the Far East and increasingly from ships crewed with both officers and ratings from South East Asia and from the former Soviet bloc.....the decline in the UK merchant navy has been steeper than in many others, and has accelerated over the last couple of years .....ship-owners have found it too expensive to continue to operate with British seafarers.....Against a background of increasing globalisation, key contributors to this situation are: the impact of unequal competition; labour and regulatory costs; and flag competition [Charting a New Course, p.11].

In the following section I briefly examine the motivation behind the UK government's intervention in the decline in the number of national seafarers. There was of course

always the ‘Ricardian’<sup>2</sup> choice of concentrating in areas where the UK would have comparative advantage and let those countries better placed to supply labour do so as suggested by Selkou and Roe (2002). However, state policy attempted to ensure an increased supply of British seafaring officers.

## 5.2 The Case for Government Policy

The state’s interest in the shipping industry was discussed, in chapter three, with the conclusion that states have great interest in the industry for both strategic and commercial reasons. States, especially the Traditional Maritime Nations, have had an interest in shipping for many centuries and have, at one time or other, registered and owned large and strong merchant navies, which have served their military and conquest purposes in times of war and trade, and their economic purposes in times of peace. It is with large and strong naval forces that political and economic empires have been built.

The prosperity of the global economy largely depends on efficient transport, especially shipping, since over 95% of world trade is transported by sea (see DETR, 1998). A large, efficient and strong merchant navy may facilitate success in international trade relations and secure a greater share of its benefits. Lord Alexander observes, concerning British shipping, that:

[The] shipping industry and the skills of our seafarers have been a crucial part of our success as a trading nation.....But concern for a strong shipping industry is not just rooted in nostalgia. For, with the growth of world trade, the shipping industry is continuing to expand globally. Not surprisingly, many countries prize a successful shipping industry and want to share in this growth [The Alexander Report, p.3].

At the same time, and perhaps more importantly, states, like the UK, benefit from the large number of shore-side maritime related businesses that shipping supports as well as the employment it creates. Although some of these countries still quote strategic and national security as reasons for their interest in shipping, nowadays the state’s interest is mainly driven by economic interests. Many Traditional Maritime Nations have, in the

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<sup>2</sup> This is based on the theory of comparative advantage, developed by David Ricardo in the early 19<sup>th</sup> Century. It states that countries should concentrate in producing and exporting goods in areas where they enjoy the highest comparative advantage.

past few decades, gone out of their way to protect national shipping industries with various tax policies.

As far as national economies are concerned, shipping is therefore a commercial catalyst, not just in the growth of maritime activities, but also to the entire economy of a nation. It is also a big revenue source for governments. In the UK, for example, the shipping industry is ranked as the fourth largest service-sector exporter, greater than telecommunications, film and television, and computer services and 95% of UK trade is carried by sea (DETR, 1998). It is for this reason that *Charting a New Course*, the UK's shipping policy paper states that:

The Government attaches great importance to the UK shipping industry..... [and] does not accept that the long decline in the British merchant navy should simply be allowed to continue. It seems inconceivable [to me] that, as an island nation, we could contemplate abandoning our historic involvement with the sea [Charting a New Course, p.3]

The policy paper continues to underscore the importance of shipping to the UK's economy, which it considers both unique and greater in comparison to many other industries. It summarises what the government considers to be the industry's main areas of importance as follows:

Shipping has an importance for the UK which differentiates it from other industries..... Efficient shipping is vital to our economic well-being: 95% of our external trade by weight (77% by value) and 7% of domestic freight tonnage (but around 25% in terms of tonne kilometres), moves by water. The competitiveness of our exporters and importers requires that international shipping markets are open and not unnecessarily expensive. [Charting a New Course, p.4].

For similar reasons, the different Traditional Maritime Nations have responded in various ways to the decline of their shipping industries. The UK's strategy and the motivations behind it are well documented in the policy paper and, seemingly, the government admits that the huge decline in the industry is partly because it had been neglected for a long time by successive governments. It seems that, in the 1990s, the government came to a realisation that the country stood to lose the benefits of an industry which previous governments had taken for granted. One government policy official explained in an interview:

It is unimaginable that we had let the industry decline so much but great achievements have been made in the past five years..... Previous

governments have neglected the industry and left ship-owners to face unfair international competition leading to the decline we are facing.... This government has however done a lot for shipping [Government Interview]

By the mid 1990s Britain had lost a large proportion of its registered trading fleet. It had lost a large proportion of seafaring employment leading to an erosion of the local seafaring skills base and was facing the threat of losing its core shore-side maritime related industries. All these areas needed to be addressed and corrected if the industry was to be retained. The government, as evident from the policy document, decided that direct economic intervention, mainly in the form of reduced corporation tax, was the best way forward.

Whereas it seems clear why the government wanted to intervene and try to rebuild the UK fleet, there are many people, in the industry, who have questioned the need to spend a lot of effort and resources on rebuilding the pool of seafaring skills when the same can be acquired easily and cheaply from abroad. Selkou and Roe (2002), for example, argue that the UK has long lost its comparative advantage in the supply of seafaring skills and feel that the government's efforts are driven by nothing other than nostalgia. The government, however, maintains that being an island nation and highly dependent on international trade for survival, the UK must maintain a strong pool of seafaring skills (see DETR, 1998). A government official explained:

We are an island nation and our trade with other nations largely relies on the strength of our shipping. Without a strong merchant navy force the strength of our shipping is gone [Government Interview]

Over 75% of industry managers interviewed supported the view that there is no use trying to hold on to a pool of seafarers because, as one explained, "UK trade does not necessarily depend on British staffed ships" [Shipping Company, Interview 1]. In the words of another manager:

With or without British officers, ships will still sail and cargo will still move" [Shipping Company, Interview 13]

Just like Selkou and Roe (2002), they also think that developing countries are better placed to supply shipping labour while developed ones concentrate on the technology, finance and management. The government, however, describes this position as short sightedness. In response to these views a government official said:



It is only those companies with a short-sighted approach to business who promote such views. Many serious companies are working with us because they recognise and support our view that a strong domestic shipping industry is important to the British economy [Government Interview]

The government insists that it is essential to recover the UK seafaring labour pool because as the fleet grows UK based operators will need UK national officers. Most importantly, they say, a strong pool of qualified seafarers will maintain a steady supply of essential technical skills to the shore-side cluster of firms which are essential for the sector and the economy. The official went ahead to say that:

It is not only the deep sea businesses that stand to suffer from such short-sightedness. It is already emerging that the decline in qualified officers is affecting shore-side maritime firms because they are experiencing a shortage of people with the essential technical skills [Government Interview]

The approach taken by the government for boosting skills and thus retaining the shore-side maritime cluster of firms is to increase the supply of qualified and experienced British officers. This argument is based on studies conducted by Cardiff University (Gardner and Pettit, 1996), the London Guildhall University (McConville, 1997) and a follow-up study by Cardiff University in (Pettit *et al* 2005) which clearly highlight the problems of diminishing numbers of British seafarers, including the advanced age profile of officers and the increasing demand for people with seafaring skills and experience to work ashore.

The Shipping Working Group set up in 1997, by the Deputy Prime Minister (Mr. John Prescott), to look into ways of reviving the industry emphasised the urgent need to halt the erosion of seafaring skills and boost the general maritime skills base (DETR, 1998). The British shipping policy document which drew upon the SWG report, also further emphasised the need for appropriate strategies to achieve this revival. It explains:

The following measures, which draw on the proposals made by the Shipping Working Group, are designed to increase the UK skills base, both by increasing seafarer training through meeting the challenges of perception, training promotion, funding and access to training berths; and by optimising available and potential skills.....We need to assure ourselves of a continued supply of people with seafaring skills and experience not merely to man our ships but to fill a wide range of jobs in the shore-based maritime-related sectors of the economy [Charting a New Course, p.22]

The Alexander Report of 1999, which was the result of an independent enquiry into a UK tonnage tax, as the main recovery strategy for the industry, also highlighted the importance of a strong pool of UK national seafarers and stressed the urgent need to act. It pointed out that:

The stock of skilled seafarers is dwindling and their average age is increasing. Without a revival, especially of the number of trained officers, there will soon be a shortfall well below the needs of the shipping and shore-based related maritime industries [Alexander Report, p.3].

The point of emphasis seems to be that the wider maritime industry depends on the shipping industry to recruit and train seafarers who would eventually come ashore to sustain its operations, especially in the technical management areas. The policy document continues to explain:

....the training has to be carried out by shipping companies, whereas the ultimate end-user of seafaring skills is the shore-based maritime-related sector [Charting a New Course, p.22]

So, the long decline in numbers and the ageing profile of the pool of qualified and experienced officers means that the general maritime skills base is untenable. It also seems clear from the wording of these documents that the government's main concern has been with the decline in the maritime skills base rather than the number of 'active' seafarers. The option for many shore-based maritime related companies, in the face of declining technical skills, has been to look to overseas supply. Some have even considered relocating operations in search of the skills. The Alexander report clearly recognised this as a threat and stressed the need to retain the UK shore side maritime industries by ensuring a sufficient supply of skills. It says:

I am obviously very aware of the importance and quality of these shore-based City and law-based industries. Their value is well summarized by the Baltic Exchange. London is the world's largest provider of maritime services with a value assessed by British Invisibles of some £1.5-2 billion a year..... [shore-side] agencies here are sustaining over 4,500 jobs, contributing £100 million in tax revenue, and bringing work to City firms which specialize in services related to shipping.....Without a national shipping industry and the associated skills base, London's position as the world's biggest maritime centre would be vulnerable [Alexander Report, p.17].

According to government policy officials taking part in the study, the problem of shrinking and ageing pool of officers has become obvious. In the past decade, there has been increased demand for people with seafaring skills and experience to work in

technical management positions in shore side maritime related firms. The number and/or size of these firms has seemingly increased in the past few years as a result of the condition built into the tonnage tax which requires all shipping companies wishing to benefit from the tax to set-up strategic and commercial management bases in the UK.

One of the officials explained:

We have seen an increase in demand for people with sea going experience to fill positions in the maritime related industries ashore, especially in the past few years with the increase in the number of companies joining the tonnage tax and moving their operations to our shores. If we do not find a quick solution to this problem we risk losing the entire maritime sector. This is beyond contemplation considering the importance of shipping to the UK [Government Interview]

In an interview with one shipping company personnel manager he too suggested that the industry could easily face a crisis soon by pointing out that his company was already importing skills from overseas:

If you look out there you will see a very large number of foreigners.... We have been forced to import all these people because it is becoming very hard to get qualified British people to work in positions like technical marine management and others.....and it will certainly get worse [Shipping Company, Interview 5]

However, although a few companies seemed concerned about a possible maritime skills crisis, over 70% of my company interviewees did not seem very bothered. Many argued that there will always be skills available even if not from the UK. A government source however dismissed such views as “the discouraging short-termism of the industry which makes everything ever so complicated” [Government Interview].

The strength of the government’s argument for a stronger pool of qualified British officers, therefore, seems to lie in the need to maintain a steady supply of shore-side maritime skills. This problem was clearly highlighted in the Alexander Report. It emphasised the need to boost the maritime skills base and stressed the central and critical role that the shipping industry plays in the development and sustenance of such skills:

The need for more officers is highlighted by the strength and requirements of our shore-based infrastructure.... Most of these jobs were [always] filled by the most fully trained officers with Class 1 certificates.... Practical seafaring experience generally remains the key element in the mix of

competences which is sought by shore-based sectors in appointing seafarers [Alexander Report, p.17].

The focus for the state to intervene therefore seems clear; the shipping industry is considered crucial to the economy and can not be left to disappear. Without restoring the pool of national officers the country risks losing that very important shore-side maritime cluster which, not only provides employment to millions of British people, but also earns the country a lot of revenue and ensures the continued prosperity of UK's international trade. The objectives of the intervention strategies adopted were equally well spelt out in the form of terms of reference for the Shipping Working Group:

- To enable the maximum economic and environmental benefit to be obtained from shipping;
- To reverse the decline in the UK merchant fleet;
- To increase the employment and training of British seafarers; and
- To encourage ship-owners and the wider maritime industry to commit more resources to seafarer training (DETR, 1998).

One essential point to explore, in the process of trying to understand the state's response, is the specific interpretation that the government gave to the problems of decline. Because effective solutions often follow accurate interpretations of the causes of the problem, it is important to try and examine the state's diagnosis of the causes of this particular problem. This is the main subject of the next section.

### **5.3 The Problem**

Clearly, the state recognised the need to intervene and stop the decline in both tonnage and seafaring labour. The state has maintained the argument that the decline poses a threat to the future of British shipping, the survival and prosperity of the UK's shore-side maritime sector and the wellbeing of the general economy (DETR, 1998). The effectiveness of any intervention strategy adopted by the government would, however, be determined by the specific diagnosis of the problem. The government seems to have adopted a simple narrative to explain the decline. This narrative describes a situation where in the 1970s and 1980s, increasing operating costs and growing competition

pushed many British ship-owners to seek cheaper sources of labour overseas. In addition to the decline in the UK fleet this led to a situation of diminished cadet training capacity because shipping companies were no longer training British cadets. A government official explained:

Companies in the 70s and 80s stopped training cadets in the UK because they wanted to employ cheaper foreign labour so as to reduce costs. Training completely stopped and previous governments did little to encourage it. This is what the current government is trying to do: encourage companies to recruit and train more UK cadets [Government Interview]

According to government policy officials participating in this study, the neglect of the decline for a long time diminished the British seafaring tradition (see also Obando-Rojas et al, 1999). The consequence was that many young people today know little about seagoing careers and feel less inclined to go to sea in the face of many more shore-based career alternatives. One policy official observed in an interview:

The decline in officer numbers is due to a combination of factors but most importantly it has a long history behind it.....the huge decline in UK fleets obviously meant that training opportunities also declined [Government Interview]

Most important here is the fact that, the state understands the decline in seafaring skills to have been strongly linked to, and preceded by, the decline in tonnage. That declining UK tonnage led to a fall in employment for UK seafarers and diminished demand for UK officers. Furthermore, it reduced the cadet training capacity as the following quote suggests:

Because ship-owners were going after cheaper crews they stopped employing British officers and naturally they stopped training UK cadets, [and] that is where the problem started from [Government Interview]

The government also understands that the prolonged lack of employment for British officers and lack of cadet recruitment and training negatively impacted upon the society's perception of the career which might have led to a decline in the enthusiasm of British people towards the seafaring occupation. According to a government source:

During these years of decline the momentum of our seafaring tradition was interrupted such that now we have to try and re-cultivate awareness and interest among British youth [Government Interview].

According to these government officials the worst effect of the prolonged period of decline in the fleet, employment and officer numbers has been a growing distance between shipping and seafaring activities and people's lives. One explained:

Now many people no longer have contact with shipping and the new generation knows very little about seafaring careers [Government Interview].

The government's view on the impact of this decline in seafaring skills is well documented in the main shipping policy documents like *Charting a New Course* and came out clearly in my interviews with the policy officials. Evidence from these documents show that the government's position was that this decline not only affected deep-sea shipping skills but, and perhaps more importantly, shore-side maritime skills. Primarily concerned with the effects of a skills shortage to such an important sector, the government saw boosting cadet recruitment and training as the best way to increase the supply of qualified junior officers. These officers would, after some years of sea experience, transfer essential skills to the shore-side maritime sector. One government policy source explained:

It is important that we increase training activities; it is the only way we can ensure a steady and reliable replenishment of such important skills [Government Interview]

Another official added:

If we do not have a steady supply of maritime skills coming through from the sea, you can imagine what could happen to London as a centre for international shipping... It is very important that the pool of qualified officers is maintained.... The government, as you know, is doing everything possible to make sure of this [Government Interview]

The government's emphasis on 'shore-side maritime skills', as opposed to 'seafaring skills', in both the documents and interviews is significant and, perhaps, reveals its central interpretation of the skills problem. From the wording of the various policy documents and the interviews it seems that the government's main interest in the British pool of officers is only as a means of producing and transferring seafaring skills to the shore. This might lead to one important but disturbing question: Is it possible, therefore, that the government had long given up on the local pool of seafaring skills and was, instead, only concerned with shore-side maritime skills? A government source had the following to say:

We will be lying to ourselves to expect that the UK can ever play a major role in staffing the international fleet. That market is gone. However, we cannot give up on the shore-side skills base; that is important else there will be no Maritime London [Government Interview].

Should it be the case that the government's main concern was not with seafaring skills, but rather, shore-side maritime skills, then it might explain the lack of force behind the strategy. However, there would still be one puzzle: if the government was not keen on rebuilding the pool of seafarers for its own sake, why did they not find more effective, shore-based, solutions instead of the more complicated route via seafaring, which the companies seemed to oppose?

A possible answer to this puzzle is that the government was always aware that rebuilding a huge pool of sea-going staff would be difficult because of the competition from low-cost labour supply countries, although there was urgent need to increase the supply of shore-side skills. Unfortunately developing shore-based training solutions would be hard and could take a long time because it would involve a complete change in the current system of producing skills for the industry. The only option was therefore to convince shipping companies that training officers in order to replenish and sustain shore-side maritime skills was ultimately to their own advantage because, although they could get seafaring crews from low-wage countries, they could not rely on the same for their operations ashore. This also comes out in one government interview where the official remarked that "after all, it is these same companies who require the skills in their shore-side management activities" [Government Interview].

While analysing the government's interpretation of the problem and considering its impact on the form of the response adopted, it is important to consider the fact that the government was working with other stakeholders whose interpretations inevitably impacted to some extent upon its perception. There was pressure from unions and from corporate industry to ensure that the government's strategy effectively represented their different interests. In the next section I will examine the consultative process underpinning the development of the strategy and consider the influence of the industry and the unions on the outcome.

## 5.4 Designing an Approach

In the process leading to the development of a comprehensive shipping policy which would set out the government strategy for the recovery of the industry, the government did not work in isolation. It engaged in a consultative process involving all the major stake-holders including seafarers' unions, and the corporate industry. In 1997 the government formed the Shipping Working Group (SWG) consisting of representatives from key stake-holders in the industry including trade unions, Maritime London<sup>3</sup>, the Chamber of Shipping, Ports and Harbours and various relevant government departments (DETR, 1998). This group was charged with the responsibility of examining the problems facing the industry. It came up with recommendations upon which the White Paper, *British Shipping: Charting a New Course* is based. The main objectives detailed in the policy were therefore drawn from the recommendations of the SWG report. These are summed up as:

...to develop the UK's maritime skills, secure British seafaring employment, enhance the UK's attractiveness to shipping enterprises, and gain safety and environmental benefits [Charting a New Course, p.1].

This consultative approach was necessary, according to the government, because the decline in the industry touched on, and affected, all parties related to maritime business (DETR, 1998). It was also a problem that had been left to grow so big that only a combined effort of all interest groups could resolve it. The shipping policy document, *Charting a New Course*, clearly emphasised the need for all stake-holders to continue working together to stop the decline and reverse the trend in order to make the British maritime sector strong again:

More than an action plan is required [to reverse the decline]. [The objectives of *Charting a New Course*] will be attained - and the maritime economic future of the nation secured - only over time and through a committed and sustained partnership between the Government, the maritime trades unions, the UK shipping industry, 'Maritime London', the ports and the other maritime-related sectors [Charting a New Course, p.1].

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<sup>3</sup> Maritime London is the term used to refer to a collection of shore-side firms offering maritime services in the city of London. These include Finance, Insurance, Legal, Brokers and Agency, Survey, ship management and consultancy, firms.



It further described and stressed the need for 'partnership and synergy' as the only way to achieve positive and lasting solutions to the decline:

The piecemeal measures taken to date have not succeeded in reversing the present vicious circle of decline because they have not addressed the complexity of the situation.....It is evident therefore, that success in creating a 'virtuous circle' of growth rests greatly on the synergy generated by the integrated policy proposals. This can be achieved only by a committed partnership between all the various interests - the ship-owners, the maritime-related industries, the maritime unions and government - to ensure full implementation of the 'package' [Charting a New Course, p.21].

The government also maintained that in order to effectively address problems in such a complex industry all interested parties needed to work together because "individual interest-group strategies would only promote specific interests and would be ineffective in the long term" [Government Interview]. It recognised that all maritime interests were conjoined and had to be addressed as one. For example, the government identified the fact that the burden of developing and maintaining a steady supply of maritime skills rested with ship-owners and pointed out that it was a burden which these companies would not want to continue to carry unless it was made worth their while (DETR, 1998). For this reason all parties affected by the decline in skills needed to coordinate the process of recovery:

.....maintenance of the UK maritime skills base required by the shore-based sector of the economy depends on increasing the recruitment and training of British seafarers - a burden which will continue to fall, in the main, on UK shipping companies. Even with the aid of government grants, these companies will have little incentive to make this investment unless they consider it viable to employ such seafarers [Charting a New Course, p.21].

Following the adoption of the policy the government constituted an independent commission of enquiry into a UK Tonnage Tax which was chaired by Lord Alexander of Weedon. This commission investigated and reported on the viability of a tonnage tax as a possible strategy for the recovery of British shipping. In the same spirit of 'partnership and synergy' the commission was also made up of representatives from all the major stake-holders in the industry. When it reported (*Alexander Report 1999*) the commission recommended the adoption of a UK tonnage tax as the main strategy for the recovery of shipping. The aim was to make the UK a more friendly investment and

business environment for ship-owners and operators in order to encourage growth in the industry, both afloat and ashore. The report explains:

It is accepted by all those I have consulted, including Government departments, the industry and trades unions that without a user-friendly and virtually tax-exempt environment there is no real prospect of achieving the aim of Government policy to revive the industry. A tonnage-based form of corporation tax is the means proposed to achieve this fiscal environment. Evaluation of it was at the core of my terms of reference [Alexander Report, p.3]

After all the consultations and deliberations the UK tonnage tax was agreed upon as the main government strategy to spearhead the recovery of the UK's shipping industry. Because of the diversity of perspective and interests comprising the consultative process described above, that is, the union perspective, the corporate perspective and that of the government, one would reasonably expect a conflict of interest since each group would be pursuing its own agenda. In the following section I examine and discuss this 'clash' and explain how it might have influenced the process and the final result. It is essential to examine how the government handled the diverse agenda that must have been presented by the different parties. This might help shed some light on the puzzle as to why the strategies are inconsistent with the state's diagnosis of the problem.

## **5.5 Conflicting Interests**

I have already indicated that the government had to work through a complex of conflicting stakeholder interests in the process of arriving at a comprehensive response strategy. The three most important stake-holders, in this case, were the corporate shipping industry, represented by the Chamber of Shipping and the seafarers and shipping professionals unions, represented by (NUMAST) - the National Union of Maritime Aviation and Shipping Transport (now called Nautilus-UK), the National Union of Rail, Maritime and Transport Workers (RMT) and the Transport and General Workers Union (T&G) and the Government.

The unions pushed for the training, employment and general welfare of British seafarers and their recommendations to the SWG included encouraging all UK-based ship-owners and operators to train British cadets and make training berths available on all suitable vessels. With regard to employment, the unions' recommendations centred on

the need to ensure, through state legislation, that more seafaring jobs were created and protected on-board all British flagged ships (DETR, 1998).

The corporate industry, on the other hand, proposed that the government help reduce their cost burden with regard to training and employing British seafarers (DETR, 1998). Their argument was that British officers were much more expensive than those from low-cost developing countries. Hence, if the government subsidized the cost-difference, they would be willing to employ more British officers. In addition, they called for National Insurance contribution alleviation and the expansion of the Crew Relief Cost Scheme<sup>4</sup> for those companies which met the minimum training commitment as ways of encouraging operators to employ British junior officers (See DETR, 1998).

Seemingly, the companies' main interest was to push for an improved business environment for their operations because, according to one industry manager, "there is sufficient supply of seafarers and we do not really rely on the British source" [Shipping Company, Interview 10]. Their major concern was that the cost of operating ships under the UK register was too great, such that UK ship-owners and operators were finding it difficult to compete with their counterparts from low-cost flags. They recommended the introduction of a more favourable tax arrangement for resident companies and enhancement to the rate of depreciation allowance to make capital investment more profitable (DETR, 1998).

While there certainly was common ground in the need to see UK shipping come out of the decline and grow, the two main stake-holders were pushing two separate and conflicting positions. The unions' called for more involvement by the industry, both at sea and ashore, in funding more cadet training. The same goes for their call for the provision of employment opportunities for British seafarers on UK-flagged ships. These proposals went against the cost-cutting agenda of the corporate industry.

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<sup>4</sup> The Crew Relief Costs Scheme provides assistance in meeting the cost of flying British crew to and from distant ports. The scheme aims to encourage ship owners and managers to employ seafarers resident in the British Isles. Section 76 of the Merchant Shipping Act 1995 allows financial assistance to companies for travel costs for crew members who are U.K. resident. The government contributes £1.4m to this scheme annually.

It was, therefore, largely a 'battle' of interests between shipping capital and shipping labour in which the main difficulty for the state was in arriving at strategy that would effectively serve both sets of interests. The dilemma was how to convince ship-owners to train more British cadets and employ more British junior officers when it was clearly not in their short-term commercial interest to do so. By looking at the design of the tonnage tax it seems as if the government's fear of 'tonnage flight' meant that corporate interests prevailed. This is because the tonnage tax delivers more 'tangible' benefit to ship-owners than to seafarers. It gives ship-owners enormous tax reductions but requires no UK officer employment commitment on their part. The Minimum Training Obligation contained in the Tonnage Tax only requires ship-owners to recruit cadets and contribute 50% of the total expenses of their training but, as the unions argue, "if the companies do not want to employ the junior officers they undertake to train, the training obligation is meaningless in the long-run" [Union Interview].

What this implies is that, whereas the government finally had a clear strategy in place for increasing UK tonnage (offering tax reductions to ship-owners and improving the general business environment), they did not have any for seafaring skills. The most persuasive explanation for this is that the government was most strongly influenced by a fear of 'capital flight' and this caused it to abandon any efforts to make a stronger case for seafarer employment. Like the government, the unions were also influenced by the same fear and did not push convincingly for their case fearing that companies would decide to flag out as a result of pressure to employ British junior officers, resulting in a further loss of employment for British officers. The impact of this upon unions would be a further decline in terms of membership and, ultimately bargaining capacity. The data therefore seem to strongly suggest that the design and adoption of the government's response was heavily influenced by a fear of capital flight such that the overall response favoured shipping capital interests more than the interests of seafaring labour.

## **5.6 The Strategy**

The tonnage tax was introduced into UK law by the Finance Act of 2000 (HMSO, 2000). It is mainly a tax incentive via which the government sought to reduce shipping companies' tax burden by offering a friendlier and predictable tax system based on the total tonnage operated rather than the total profits of a company. A training element was

included to commit the companies to train UK cadets in order to increase the supply of British junior officers (Lord Alexander, 1999; Selkou and Roe, 2002).

Prior to this, however, and with regard to the need to increase the number of officers, the government, following the proposals of the Shipping Working Group on how to increase funding for cadet training, put in place a scheme called SMarT – Support for Maritime Training. The aim was to channel government funding for the recruitment and training of cadets in the UK. This scheme was introduced in April of 1998. The main objective was to increase the number of officer trainees, which had dwindled over previous years to a mere trickle, through increased financial support for cadet training from the government.

The SMarT scheme is divided into four categories:

- (1) SMarT 1 funds trainees following a programme of training leading to a Maritime and Coast Guard Agency (MCA) first certificate of competency as a deck, engineering or dual officer;
- (2) SMarT 2 funds junior officers following a programme of shore-based training leading to a second certificate of competency as a deck, engineering or dual officer;
- (3) SMarT 3 funds ratings following programmes of shore-based training to develop their skills and;
- (4) SMarT 4 funds officers already holding certificates of competency following shore-based training to update their skills in order to meet the new requirements of the revised *Standardisation of Training, Certification and Watchkeeping* (STCW) 95.

This fourth category was necessary because following the revision of the STCW 78<sup>5</sup> in 1995 there was a requirement to upgrade seafarers' training to the standards and requirements of the new STCW 95. The objective of this new version was to provide a standard for training officers worldwide so as to ensure a uniform quality of officers due to the growing diversity of nationalities joining the global seafaring labour market. All those officers who were working at sea before 1<sup>st</sup> August 1998 and had not completed the requirements for the STCW 78 certificate would be required to take the new STCW 95 certificate after extra training.

A fifth category was added to the scheme recently (in 2004) which targets new entrants and other supernumerary ratings following apprenticeship and other courses of more than fifty-two weeks in length. This scheme is a long term government funding commitment. It will increase the industry financial support from £6.4 million in 1999 to £23.4 million in 2007 (Lord Alexander, 1999:18).

Although this scheme was introduced much earlier than the main policy strategy – tonnage tax – it has come to play an important role as a supporting mechanism. It is now the main vehicle for channelling the government's part of the cadet training funding under a joint training commitment established as part of the tonnage tax whereby shipping companies pay half of the total cost of training cadets while the government pays the other half. The primary objective of the scheme is to enable as many young British people as possible to train as officers by providing funding. The full course costs around £40,000 per cadet for a three to four year programme. Providing the funding in this way therefore ensures that all those school leavers who would like to train as officers are not denied the chance and so that the government maximises the opportunity to get as many young people to enter the programme as possible by eliminating financial obstacles.

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<sup>5</sup> The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW) is an International Maritime Organization (IMO) which sets minimum qualification standards for masters, officers and watch personnel on seagoing merchant ships. The Convention was the first to establish basic requirements on training, certification and watchkeeping for seafarers on an international level. Previously the standards were established by individual governments, usually without reference to practices in other countries. It was adopted in 1978, entered into force in 1984 and was significantly amended in 1995.

With regard to boosting growth in the pool of British seafarers an important training element was included in the tonnage tax. This training element takes the form of a requirement that all participating companies recruit and train one UK cadet per every fifteen officer slots entered in the ships 'manning' certificate:

The formal training offer made by the industry as a precondition of eligibility to the tonnage tax is a "minimum training obligation", "to recruit each year one UK officer trainee for every 15 existing officer posts, regardless of whether the existing post was currently filled by a UK officer or one from another country." After three years this would mean in broad terms that there would be one officer cadet under training for every five officer posts [Alexander Report, p.17].

A third and more recent initiative which, like the SMarT scheme, is complementary to the tonnage tax is '*Sea Vision*.' It is a coordinated national campaign led by the British Chamber of Shipping to raise awareness of the sea and the maritime sector. Its two main objectives are to raise awareness and increase understanding of the sea and the wider maritime sector, and to attract young people to participate in maritime activities and careers. The government works in partnership with the Chamber of Shipping, the Merchant Navy Training Board (MNTB) and other maritime bodies and institutions to organise promotional events and activities in schools and youth centres around the country. The ultimate aim is to correct the negative social perception of the profession and rejuvenate the shipping and seafaring tradition of the British people in order to create and maintain a viable source of British officers to sustain the maritime skills base:

Sea-vision UK campaign is driven by industry, from the chamber of shipping as you already know. Funded by industry to a large part and it is all about raising awareness, along side, the merchant navy training board also do a lot work to promote and encourage awareness of careers at sea, its a big job [Government Interview].

A fourth and closely related initiative in which the state has played a greater role is the development of a new *foundation degree*. This is also a supporting initiative intended to promote and enhance the image of the seafaring career. In order to encourage more young British people of higher academic quality to join seafaring the government is experimenting with this new training path for cadets with an elevated academic status which allows those who are interested in degree qualifications to achieve them in seafaring.

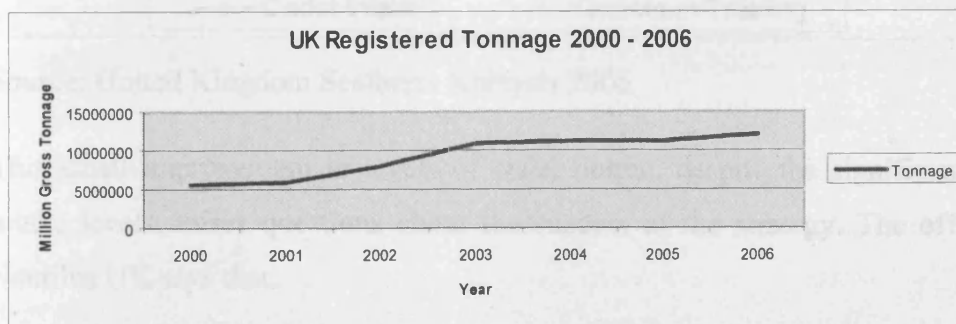
All these different initiatives make up the government's comprehensive recovery strategy but, as I said earlier, the main element is the establishment of the Tonnage Tax and the Minimum Training Obligation contained within it. In this thesis I therefore refer to them as 'the tonnage tax package of initiatives'.

## 5.7 Assessment

As already discussed in chapter three, the objectives of the government's strategy for shipping were threefold: first, to boost growth in the UK fleet by creating a friendly and attractive business atmosphere for ship-owners; second, to increase the supply of seafaring skills through increased cadet recruitment and training; finally, to boost growth in the shore-side maritime cluster of industries so as to maintain the strength and influence of the city of London as the international centre for maritime business. One important characteristic of this strategy is that it is almost entirely supply oriented in the sense that it is designed to address supply rather than demand issues.

There is too much emphasis on state-prescribed supply initiatives which do not take demand into serious consideration. This is an important characteristic because it is inconsistent with the government's diagnosis of the actual problem which highlighted predominantly demand related issues. Furthermore, a recent review of skills in the UK shows that an effective approach to skills development is one which is demand-led rather than supply oriented (Leitch Review of Skills, 2006). Data from World Fleet Statistics, presented in the chart below, indicate that UK registered tonnage has increased significantly since the introduction of the tonnage tax in 2000. From 5,531,986 GT in 2000, the total tonnage of the UK fleet grew to 12,149,988 GT in 2006 which represents a big improvement within five years.

Fig. 13: UK Registered Tonnage 2000 – 2006



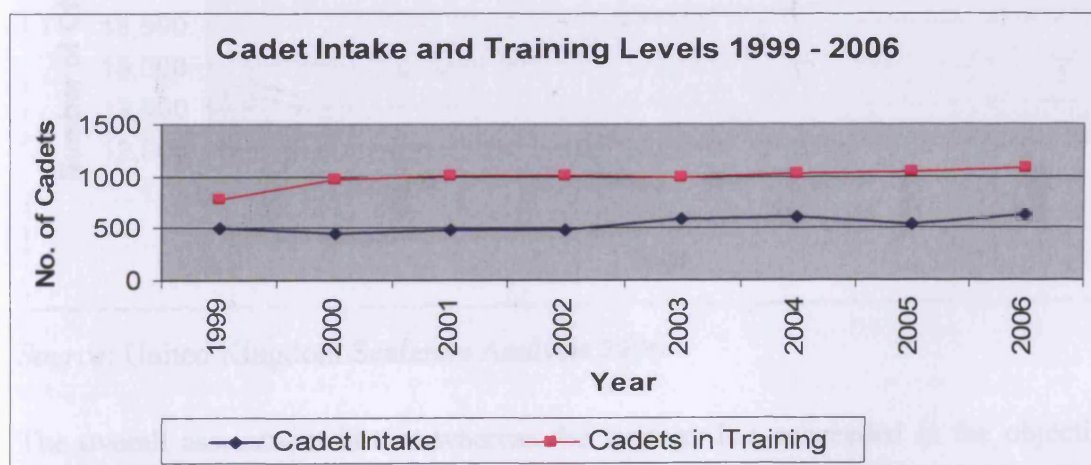
Source: Lloyd's Register – Fairplay: World Fleet Statistics 2006



Although there has been some improvement on the side of cadet training, the increase is not great. Government statistics indicate a rise in the number of cadets joining training between 1999 and 2006. There has been a 30% growth in cadet intake. Though this growth is significant, measured against the target set of 1200 cadets a year, it is not enough to sustain the UK's seafaring skills needs because the decline in the skills base was very great.

Cadet in-take and training declined drastically in the period between mid 1970s and late 1980s. From an annual intake of 2,315 in 1975 it fell to 1,274 in 1980 and down to 162 in 1987. From then it recovered slightly to between 400 and 500 in 1999 (House of Commons, 1993; Employment Link, 2004). Since the tonnage tax was introduced, with its training commitment, there has been a significant improvement on these figures to around 630 in 2006. The number of cadets actually in training in each year, which would suggest the annual output levels for junior officers, has, however, not improved much. From 981 cadets in 2000 the number has only slightly increased to 1090 in 2006. Figure 14 shows the cadet intake and training trend since the tonnage tax (see figure below).

Fig. 14: Cadet Intake and Training Levels 1999 - 2006



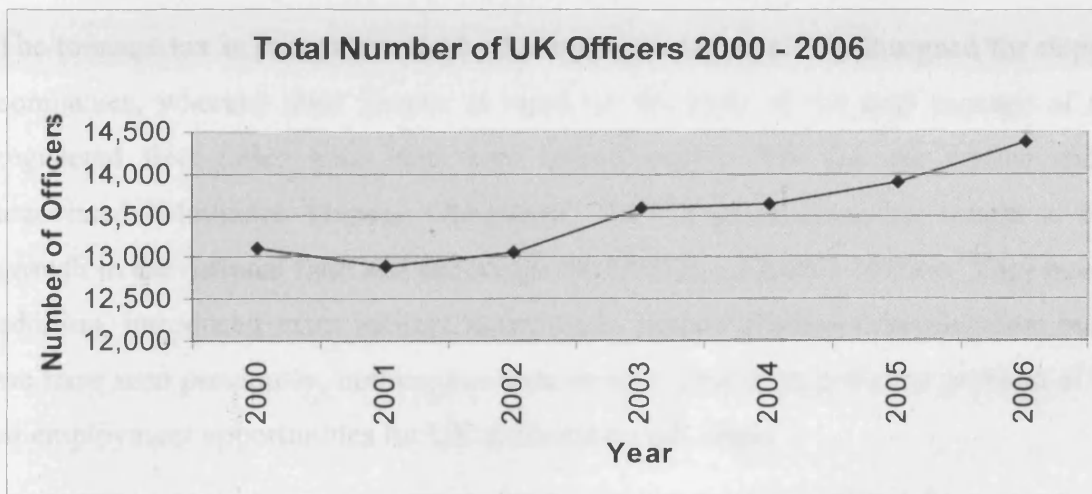
Source: United Kingdom Seafarers Analysis 2006

This small improvement in levels of cadet output, despite the significant increase in intake levels, raises questions about the success of the strategy. The officers' union, Nautilus UK says that:

Sadly, since *Charting a New Course* was published in December 1998 there has been growing evidence that the measures put in place to develop the industry's workforce have been inadequate [Employment Link, 2004, p.1]

According to the 1996 study, it was determined that the UK needed a yearly cadet intake of 1200 in order to maintain the minimum maritime skills base (Gardner and Pettit, 1996). With the introduction of the tonnage tax it was hoped that this target would be met within the first five years but unfortunately this has not happened although it is important to acknowledge that there has been a 30% increase in cadet intake levels between 1999 and 2006. The main problem seems to be that this increase has not translated into an increase in the number of qualified junior officers graduating from the training programme. Consequently the total number of qualified British officers has not changed significantly since 2000 and, evidence from the industry shows that the little increase is being quickly absorbed into a market that is already experiencing a shortage.

Fig. 15: Total Number of UK Officers 2000 - 2006



Source: United Kingdom Seafarers Analysis 2006

The overall assessment is that whereas the strategy has succeeded in the objective of attracting ship-owners and increasing UK registered tonnage, it has failed to increase the number of junior officers. The surprising outcome of this analysis is, however, that the Minimum Training Obligation and all the associated initiatives have led to a significant increase in annual cadet intake levels. The important question therefore is: why has this increase not translated into an increase in the annual output of qualified junior officers? The answer lies with corporate officer recruitment and employment policies and practices, the subject of the next chapter.

## **CHAPTER SIX**

### **The Company Approach**

#### **Introduction**

Chapter five described the complex context of conflicting stakeholder interests from which the government had to work out a common response strategy for the declining UK shipping industry. However, the assessment at the end of the chapter concluded that the strategy adopted has not been successful in relation its objective of increasing the number of British junior officers. To begin to explore why this is the case, I consider the position of the companies in this process. After all, the critical partner in the process of developing and adopting the tonnage tax package of measures is the shipping companies. They were targeted as the main beneficiaries of the tax package as well as the implementers of a largely supply based approach.

The tonnage tax is primarily a form of corporation tax, specially designed for shipping companies, whereby their income is taxed on the basis of the total tonnage of their registered fleet rather than their total annual profits. Via this tax regime and its associated “Minimum Training Obligation”, the UK government has sought to boost growth in the national fleet and encourage the training of British officers. They have, in addition, introduced extra indirect measures to support seafarers’ employment but, as we have seen previously, nothing has been done to directly address the problem of lack of employment opportunities for UK seafarers on UK ships.

The tonnage tax package of initiatives has so far failed to effectively tackle the crisis in shipping labour in the UK despite the increase in company involvement in cadet recruitment and training. The main question here is why this has been the case? In this chapter I will analyse the interview data collected on shipping companies’ post-tonnage-tax recruitment and employment strategies, for merchant navy officers, in order to consider why the government strategy has not been as successful as initially expected.

The overall objective of the government in introducing the tonnage tax was to encourage growth in the UK registered fleet and the shore-side cluster of maritime related industries. Additionally the government sought to stimulate the recruitment and

training of British cadets. What the tonnage tax did not do was specifically address the employment of qualified British junior officers. A number of important questions are addressed in this chapter: How have company recruitment policies and practices been affected by the tonnage tax? What drives and determines the direction of company recruitment policies? And, in what ways have these policies rendered the tonnage tax strategy ineffective with respect to skills development.

The chapter is organised into four sections. Section one introduces a possible explanation for the failure of the tonnage tax by examining the prevailing attitude of UK-based shipping companies towards its design and focus. Section two presents a discussion of the recruitment policies and strategies of UK based companies and their determining factors. Section three is a discussion of the impact of these company policies on the performance of the tonnage tax and will examine how companies have approached and executed their training obligation by analysing company managers' accounts of their commitment to cadet recruitment and training. Finally, section four concludes the chapter with an overall assessment of the implications of company recruitment and employment policies on training levels in the UK and examines the reasons why companies use arguments about quality and reliability to justify and legitimise the arguments about cost.

## **6.1 The Industry View of the Tonnage Tax**

As already stated, the tonnage tax was designed to achieve three main objectives: (1) To revive the diminished UK registered fleet; (2) to expand the cluster of maritime related firms and industries and; (3) to increase the number of qualified British junior officers and boost the maritime skills base. Chapter three established that whereas much has been accomplished, through the strategy, with regard to the first two objectives, the last objective, that is, increasing the number of qualified British officers has proved difficult to achieve. According to the Department of Transport (DfT) data a significant number of ship-owners have brought their vessels into the tonnage tax regime, many of which have since been transferred to the UK register. This is reflected in the increase in UK registered tonnage from 5.5 to 12 million GT between 2000 and 2006 (Lloyd's Register – Fairplay: World Fleet Statistics, 2006).

In a highly globalised industry such as shipping where the possibility of capital flight is probably greater than anywhere else, and labour, though locally based, is organised and

accessed globally, the influence of companies on related state economic strategies is likely to be significant. The success or otherwise of a strategy like the tonnage tax Minimum Training Obligation, which aims to develop and sustain an individual, national labour segment, therefore, largely depends on the attitude and response of the companies based within the state.

According to shipping company managers the tonnage tax has several shortcomings. Their concern is mostly with the cost of operations and the general business atmosphere in the country. Many presented the view that the government could have done, and should do, more for the industry in order to encourage more capital investment. For example, they argue that the government could “re-introduce 100 percent depreciation allowance for ships and take measures to bring back ship-building” [Shipping Company, Interview 11]. Many, however, agreed that the tax savings offered by the tonnage tax arrangement were substantial, which explains why many of them have opted to bring their ships and a substantial amount of their ship management operations (back) to the UK. A government official explained that “many owners [were] already seeing the benefits of the tonnage tax and bringing their ships into the UK register” [Government Interview]. According to the official, “the UK fleet [has] responded with good growth in the past few years”.

The issue of increasing training and employment for British junior officers is however more complicated and industry managers had different things to say about it. The strategy is clearly not working in this area and there seems to be divided opinion as to whether the tonnage tax is adequate and well balanced enough to achieve all its intended objectives. Although many of the managers did not seem bothered about this particular issue, there were a few who supported the view that the number of officers in the UK should be encouraged and aided to grow but they argued that the government had not done enough in this direction and suggested that, from the way the strategy was designed, it seemed that increasing the pool of seafarers was not top of the government’s list of priorities. Some argued that the strategy was primarily aimed at fleet recovery and encouraging capital investment in the industry with cadet training and employment being just a secondary objective. One such manager said:

...if you look at the tonnage tax critically you will realise that it was never really meant to focus on cadet training and employment from the start, it was only hoped that it would result in some increased training. The tonnage

tax was always a financial instrument to encourage ship-owners to operate their vessels under the UK regime [Shipping Company, Interview 17]

Their interpretation of the strategy was that, it was influenced by the fear of tonnage flight, whereby national governments are in constant fear of introducing measures which might upset ship-owners and drive them out of the UK register. Confirmation for the view that tonnage flight was a major factor shaping the strategy was given by union and government officials. One union official, for example, observed that “the government is just scared that the owners will up and go if forced to employ more British junior officers” [Union Interview]. A push for employment is one of the things that might cause capital to move elsewhere (See Sorensen, 2004; Fourcade-Gourinchas and Babb, 2002; Hall, 2003). In an interview with one of the government policy officials he explained that “the government is aware of the dangers of pushing companies too hard” but added that “this does not mean that we are doing nothing, we are in negotiations with companies to make sure that a lasting solution is found” [Government Interview].

The greatest criticism of the government strategy, especially from those industry managers who support efforts to increase the pool of officers, is that it contains no effective blueprint for recovering the pool of seafarers. In response to a question on this a government official said:

When [the tonnage tax] was being developed all parties hoped that the training commitment in itself would lead to employment. All parties believed that once people had trained seafarers they would employ them and that this would then automatically lead to an increase in the numbers of junior officers and more enthusiasm [Government Interview].

What this suggests is that there was no clear strategy for increasing employment for British junior officers since it was only “hoped” that employment would “automatically” follow. There is wide consensus though that the government, through the tonnage tax, addressed only the supply side of an equation which could not be effectively solved without tackling the demand side. Even the employers (the ship-owners and operators) acknowledge the fact that without boosting employment opportunities for British junior officers, the seafaring career will continue to be perceived as a career without prospects for the British. This would mean that attracting and retaining many young people of suitable quality and disposition would be difficult. One training manager observed that:

The problem with the tonnage tax is that none of its financial incentives really translate into any benefit for the seafarer. There is little encouragement directly to the seafarer and, to make it worse, it does not really focus on creating jobs for the cadets that go through the system. It has done little to address the problem of diminishing job opportunities since it does not compel the owners to employ so the owners train British cadets but they are not willing to give them jobs because they are too expensive, [Shipping Company, Interview 3].

It seems, therefore, that it was not enough for the government to just 'hope' that employment would follow. According to many people in the industry, including, some company managers, training managers and union officials, it was clear from the beginning that creating employment was key to achieving the overall objective hence the government should have pushed strongly for employment as a key component in the strategy.

So, seemingly, many industry managers agree on the necessity of subsidising employment opportunities by the state as a way of stimulating growth in the British pool of qualified junior officers. Many of them however maintain that the circumstances which led employers to seek low-wage foreign labour have not changed. They insist that the cost of operating ships is still very high and that British junior officers are still much more expensive as compared to their counterparts from Eastern Europe, Asia and elsewhere in the developing world. Furthermore, the British source, in the opinion of many employers, is not reliable as most officers tend to retire early from sea service. Many therefore argued that, whereas they can not agree to any formal employment commitment, as proposed by the unions (see Employment Link, 2004), appropriate government incentives, especially those that could mitigate cost, might encourage British ship-owners to employ more British junior officers. One such manager explained:

Unless the government is willing to subsidise shipping companies I don't think any of us are willing to commit to employing any more British junior officers than we necessarily can. It is becoming even more expensive to employ the British as cost increases and you are not going to convince a ship-owner, keen on surviving cut-throat competition to employ a British junior officer when he can get good Polish officers at a much less price [Shipping Company, Interview 17].

With regard to the tonnage tax as an incentive for registering and operating ships from the UK, most of the companies seem satisfied and, as stated earlier, many of them have



brought their vessels into the tonnage tax regime and even transferred them to the UK register. One manager observed:

The tax benefits are substantial, compared to the normal corporation tax, this is a great relief from the heavy cost burden that has crippled British owners in the past many years [Shipping Company, Interview 12]

Even the cost of training cadets does not seem to bother the companies greatly though some think that the state should consider subsidising the total cadet training cost as is the case in other EU countries like the Netherlands. One HR Manager explained that the amount they have to spend on the training scheme is reasonable though more state subsidy would be even better:

The 50/50 training cost-sharing arrangement is reasonable. It certainly makes it easier for companies but maybe the government should be thinking in terms of 100% training subsidy like in the case of the Netherlands in order to encourage even more training activity [Shipping Company, Interview 12].

So, the tax reduction is 'substantial' and the training cost arrangement is 'reasonable' but, the data clearly suggest that the overall arrangement does not necessarily encourage companies to consider employing more British junior officers. Very few of the companies interviewed actually train with the view of employing. This suggests that many companies view the training obligation simply as a condition to be met in order to participate and partake in the benefits of the tonnage tax regime. With relation to the intention to employ cadets, one Operations Manager explained:

We don't guarantee employment to any of our cadets simply because we can't. We tell them we will do our best to get them employment... We cannot guarantee jobs at the beginning of a three year training programme because you never know what happens three years down the line maybe circumstances may change, fleet decline or even expansion [Shipping Company, Interview 4]

A Human Resource Manager of another company explained:

We train alright but that does not mean very much... I don't want you to get me wrong, I have nothing against training British officers but who is going to employ them? If we train then we should employ but we can't... it is just too expensive... I don't want to give young people false hopes... It is a sad situation, I agree, but that is the way of open markets... we must live with it [Shipping Company, Interview 13]



Many of these company managers stated that, even in better circumstances, they were unwilling to employ British junior officers because of the availability of cheaper yet equally suitable alternatives overseas:

There is very little reason for many companies to revert back to employing British officers. The fact is that officers from these other countries are much cheaper but equally well qualified. So the government would have to dig deeper for a way to convince us that we need them [Shipping Company, Interview 11].

The company managers participating in this study clearly indicated that it did not really bother them whether or not the decline in the pool of qualified British officers continued. What mattered to most of them was the cost of operating ships and, as long as they were able to get enough officers at the right price, they were happy to continue employing foreigners, as the following quote for a company manager suggests:

... it does not matter who operates the ships as long as ships are running efficiently and cost effectively. Does it bother me that the pool of British officers has diminished? I'd say, it makes no difference [Shipping Company, Interview 17].

This discussion clearly reveals the prevailing company attitude towards the tonnage tax and the Minimum Training Obligation. This attitude certainly influences the shape of the companies' officer recruitment and employment policies. In the next section I will examine factors which drive their recruitment policies.

## **6.2 Understanding Company Recruitment Strategies**

One of the most important determinants of the success, or otherwise, of state strategy in relation to employment and the recovery of local labour markets is industry employment policies. This is especially so in shipping where employers have a wide range of sources of labour available to them from around the world at varying prices. It is in turn influenced by the corporate profit motive which forms the main driving force in company operations. In order to maximise profit, companies look for ways to minimise their operating costs. As has been pointed out in earlier chapters of this thesis, ship crewing costs are substantial but, more importantly, of all the major cost items involved in the operation of ships, labour is arguably the most variable in a context where many other costs are not under the control of operators. Ship-owners have, therefore, over the years, designed crewing policies which enable them to increase their competitive advantage in terms of cost effectiveness. These policies direct their

recruitment strategies and have, over the years, resulted in increasing the prevalence of seafarers from low-wage developing countries.

The international wage structure for seafarers is highly complex and a wide range of nationalities participate in the seafarers' global labour market. All these nationalities come from countries with different standards and varying cost of living which impact upon wage expectations and produce considerable variation in wage scales across the globe. Certain countries, like the UK, apply national minimum wage limits to seafarers but these are generally restricted to those working on-board ships in domestic trades and, therefore, leave the wages of the majority of seafarers serving aboard international vessels to be fixed freely by ship-owners and operators. Consequently, operators, especially those of FoC ships, have a wide discretion on wage scales, in spite of efforts by the International Transport Workers Federation (ITF) to establish minimum rates of pay for FoC crews. Consequently, it is common practice for seafarers of a different nationality to be found working on the same ship, performing the same duties as the rest, but receiving a different pay rate.

According to my company interviewees, the challenges for ship-owners in recent years go beyond cost. Apparently increasing global competition for the provision of shipping services coupled with growing consumer and societal awareness has forced some ship-owners and operators to re-examine their strategies and redesign their employment policies (Sampson, 2004; Bloor *et al*, 2006). In doing so, they have attempted to arrive at a balance between remaining cost competitive and satisfying consumer and societal demands for a clean, safe, and environmentally friendly shipping service. As a consequence, company recruitment and employment strategies, worldwide, have become more complex, taking not only cost but also 'quality' into account when sourcing labour. In the following subsections I will examine and discuss some of the major factors which influence the officer employment policies of UK-based shipping companies.

### **6.2.1 Cost**

From the accounts of many of the industry managers interviewed for the study, it seems that increasing competition and rising ship operation costs in the 1970s and 1980s forced ship-owners to find cheaper means of operating their vessels in order to remain competitive and profitable. Chapter two and three explored the developments in the

industry, during this period, which led to the rapid growth of Open Registers and their extensive transformative impact on world shipping. More than anything else, it is this development that offered an ‘escape route’ from ‘crippling’ costs for many ship-owners and operators. By ‘flagging out’ vessels to less stringent and low-cost flag-regimes, ship-owners were able to benefit from, not only lower corporation tax rates but also, a reduction in crewing costs and generally lower overhead costs (Metaxas, 1985; OECD, 1996; Marlow *et al*, 1997; Marlow, 2002). Some of the major ship operation cost items for shipping firms include stores, repairs and maintenance, insurance, administration and crewing, as shown in Figure 16 below which tabulates the operating cost of three different ship types. It shows that crewing costs make up the largest percentage of the total operating costs for all the ship-types shown, that is, 52%, 63.1% and 50.3% for the container ship, the bulk carrier and the multipurpose vessel respectively.

Fig. 16: Annual Operating Cost Figures for three Different Ship-types

Vessel Name	Container Ship	Bulk Carrier	Multi Carrier
Light Weight Tonnage	5,600	11,483	13,700
Year Ended	31-12-06	31-12-06	31-12-06
Currency	USD	USD	USD
Operating days in 2006	365	365	365
<b>Crew Wages</b>	<b>601,009</b>	<b>1,272,805</b>	<b>971,382</b>
Stores	184,996	150,593	270,660
Repairs and Maintenance	217,952	355,145	476,436
Insurance	167,147	249,647	336,843
Administration	175,903	219,876	191,627
<b>Total</b>	<b>1,347,007</b>	<b>2,248,066</b>	<b>2,246,948</b>

Note: Container ships are cellular vessels which are built to carry only containers. Bulk carriers are built with large holds for the carriage of large quantities of dry homogeneous cargoes like grain and coal. Multipurpose vessels are those which carry all types of cargoes in small packages. These are labour intensive and have been largely replaced by purpose-built vessels like container ships. Container ships and bulk carriers do not normally require large crews. A container ship of the size given here will carry a crew of around 16 while the bulk carrier will have around 22 and the multipurpose one will have 30.

Source: One UK-based shipping company participating in the study.

Most of the cost items shown in the table are generally considered 'more fixed' or costs which operators have little control over. For example a ship must incur most of the administration expenses shown in the table as well as repairs and maintenance whether or not it is active or laid-up. The ship's hull must also be insured at all times and the stores expenses are largely fixed. Crewing costs are, however, variable. It is important to note, however, that although some of these cost items are considered fixed, ship-owners can still find ways of manipulating them by, for example, varying sources of various commodities and services. Room for manoeuvre in the 'more fixed' cost items is however not as big as in crewing whereby by changing the nationality of the crews a ship owner can significantly vary most of the crewing costs, both wage and non-wage. One of the reasons for the lower wages bill for 'container ship B', for example, is the nationality composition of the officer crew. The other ship-types have a percentage of officers from high-wage countries like the UK, Canada and Ireland which increases the overall wage bill. Other factors to consider in determining the level of the wage bill include the size of the ship and the type of ship.

A ship owner may also significantly reduce the amount of corporation tax and registration fees by shifting vessels to a low-cost Open Register thus cutting down on administration expenses. At the same time the owner will avoid the costly adherence to international conventions on safety and environment protection which many of these flags do not strictly enforce. Under stricter flags there is far less room for such manipulation and operating costs are, therefore, much higher. Since crew wages comprise a significant part of the total cost of ship operation, as the table clearly shows, the chance to recruit cheaper crews is always attractive to operators. It is for this reason that, over the years ship-owners have increasingly flagged out of strict flag regimes and successfully taken advantage of labour from low-wage labour supply countries especially in Asia and Eastern Europe. With the end of the cold-war and the collapse of the Soviet Union since the late 1980s, Eastern Europe has become a major source of seafarers due to the long shipping and seafaring tradition that existed in some of the ex-Soviet countries (Wu and Veiga, 2004). Furthermore, the collapse of the Russian shipping industry, and that of other former soviet countries, left behind a large unemployed but well qualified and experienced pool of seafarers in the region which subsequently became available to Western European ship-owners at very low prices.

The most popular sources of officers for the companies I interviewed were India, Philippines, Poland, Croatia, Ukraine and Russia, and the main determining factor in sourcing seafarers from these countries was given as cost, as the following extract from an interview with the manager of one company shows:

All companies are struggling to survive crippling costs and competition and will take the slightest opportunity to break even. Labour is one of the biggest operating costs facing shipping companies but it is also the most variable, hence the opportunity to employ cheap crews.... is always welcome [Shipping Company, Interview 15].

Many operators, therefore, capitalise on the variability of the crewing cost item to reduce their overall ship operation costs. The following interview extract illustrates the point about varying the prices of seafarers by changing sources:

....the cost of other nationalities is much cheaper so the owners are looking at the cost of putting people on board their ships and if we find a nationality that we are quite happy with like Croatian or Polish then we go for them.....we are turning more and more to Eastern Europe and Asia for officers in recent years [Shipping Company, Interview 6].

British officers are generally considered to be relatively expensive to employ by all shipping companies, including those that do employ them. Many company managers suggested that they could not afford to employ them and even those who could explained that they had little compelling reason to continue doing so because they were able to source crews much more cheaply from elsewhere. Many companies are therefore not so much unable as unwilling to employ British officers because the ultimate objective is to maximise their profits by taking every chance to reduce operating costs, as the following extract demonstrates:

British officers are too costly and companies are not willing to take them on considering that there are cheaper sources out there of people who can do the job as well and are properly qualified. As I have indicated, shipping is a very competitive industry and in order to remain profitable we are having to be very careful with cost and that means reducing cost without affecting quality and compromising safety. So we are going for foreign seafarers but are being careful to get the best and as long as they are available there is no reason why we would want to continue using the British officers who are way too expensive [Shipping Company, Interview 15].

There is emphasis here on the centrality of the cost element as a driving force in company recruitment policies. With time, seemingly cheaper foreign officers could be expected to replace all British officers on ships operated by UK domiciled companies

unless the government finds a way of ensuring their continued survival. This replacement is likely to include the senior positions of master and chief engineer which have, hitherto, been more or less reserved for British nationals on many UK registered vessels. One company manager explained:

....they [the British] are over twice the cost of a Russian or a Ukrainian or a Filipino and we are talking ITF wage rates so there is no undercutting. We did have, up to two years ago, a number of British masters and chief engineers but time has got hard in the multi-purpose sector. ...we had to replace them [Shipping Company, Interview 13].

A further disadvantage for the British junior officers is that, whereas many employers consider them of good quality and would readily employ them if they were less costly, the quality of the cheaper alternatives from developing countries has improved over the years. It is now the case that many companies, such as the one represented by the quote below, see no particular advantages in employing British junior officers over other nationalities and therefore no reason to incur that extra expense. This could explain the reports that the majority of officers below the rank of master and chief engineer are currently from developing countries (BIMCO/ISF, 2005), and it certainly reinforces the view that foreign officers are replacing those from industrialised countries. The following quote from yet another industry Human Resource Manager reinforces this widely held industry view:

Why will an employer go for a British officer, pay him an x amount of dollars when you can go to the Philippines, get a perfectly good, well qualified, officer for half the price, it does not make economic sense [Shipping Company, Interview 22]

A further problem in employing UK officers was identified by many managers as one of supply and sustainable 'manpower' reserves. The quote below is illustrative of this concern:

The British source of officers is not reliable. Most of our guys no longer want to stay at sea for long and we want to avoid juggling personnel too much; not good for business and it is costly as well. The Polish officers that we acquired with the vessels have been with us till now but since then we have lost many British officers who are too eager to leave for shore-side positions. So we look at this as well [Shipping Company, Interview 13].

The perception of UK seafarer employers therefore seems to be that the British pool of officers is both expensive and unreliable and no longer any better qualified than officers

available elsewhere at lower rates. This perception might be one of the factors making it difficult to achieve the objectives of the tonnage tax with relation to increasing the supply of qualified British junior officers.

The main argument behind the tonnage tax is that as more ship-owners subscribe to it, they will train more British cadets under the Minimum Training Obligation. This will lead to an increase in the supply of qualified junior officers. However this primary argument leaves out the question of employment for these cadets such that, whereas the companies are forced to train as a requirement, they are under no obligation to employ. According to government interview data, the issue of employment was never dwelt upon much during the design of the tonnage tax. As already explained, the government officials taking part in the study explained that it was only assumed that increased tonnage, plus increased training, would automatically lead to increased employment for British junior officers. The employers are however, evidently, not willing to employ UK junior officers. Furthermore, it is heading to a situation where even senior British officers are no longer necessarily a favourite of UK ship-owners as the quote below demonstrates:

We used to reserve the top four posts for British officers but times have changed, other nationalities have come up the ranks and proved their worth, not forgetting that they are much cheaper. It goes back to the question of cost. Now we don't employ any British at all [Shipping Company, Interview 13]

One major consequence of this situation is that, because cadets are being trained but not getting job opportunities to propel them up the ladder of experience, the strategy is not effectively addressing the problem of declining numbers of qualified and experienced British officers. Instead, the senior ranks are now being filled with foreign officers. Consequently the negative perception about seafaring that originated with the loss of employment for British officers in the 1970s and 1980s is perpetuated.

Although cost is by far the greatest influence upon company recruitment policies, the weighting it is given seems to vary from company to company. For some companies it is the single most important factor while for others it is one amongst the top factors. This variation seems to be influenced mainly by the size and specialisation of the company such that for many of the smaller companies cost is certainly the single most significant factor. They justify this with the argument that it is becoming increasingly

hard for them to compete with many of the larger and wealthier companies serving the same trades. For this reason, every opportunity to reduce ship operation costs is valuable and low-cost overseas labour presents this opportunity. The view in the following extract from an interview with one company HR Manager sums up what many small operators explained:

We are a small company and therefore the primary challenge is always finding cost effective crews; cost competitiveness. There is always pressure on the market place to find the crews as cheaply as possible and this is more so for small rather than big companies who have the resources. The additional pressure is finding people with certain qualifications and experience at an affordable cost [Shipping Company, Interview 15].

The larger, wealthier operators, like the oil majors and global container giants thought differently. For them, there are other factors like environmental safety, the standard of service they provide and, prestige, all of which sometimes force them to recruit labour that is not necessarily as cost effective as they would like it to be. A series of tanker accidents since the Torrey Canyon accident in 1967 have put the spotlight on oil, gas and chemical transporters. To avoid this negative scrutiny, which might be damaging to business, many of these major operators seek to provide the highest quality of service (Sampson, 2004) and adhere to all international conventions like Safety of Lives at Sea (SOLAS) and Marine Pollution (MARPOL). Furthermore, they want to avoid any possible disruption of operations by ITF action and Port State Control (PSC) inspections which could be costly. For these reasons they often take proactive measures to ensure that their operations are up to the expectation of international and local regulations, consumers' expectations, insurers and environmentalists. The manager of one such company explained:

Cost is always a factor...but our main drive is quality of operations. Significant risk is involved in transporting oil or gas round the world and we have invested a lot of money in building sophisticated ships. We cannot then risk everything that we have built by putting cost first when considering crews to man these ships. ....so cost is important but not to the extent that you will accept poor quality. If we have equal quality then we look at cost [Shipping Company, Interview 5].

The manager of another company said:

Cost is obviously an important part of the equation but in the services we are operating in it isn't the 'be all and end all' of ship operation [Shipping Company, Interview 15].



The picture is not, however, as straightforward as it might appear from such a straightforward account. It is not a simple large/small; wealthier/poorer company dichotomy. In an industry where smaller does not necessarily mean less wealthy a lot depends on the type of trade pursued by the company. The bigger companies like oil majors and container giants have the capacity to weather cost storms much more easily than their counterparts in the general tramp<sup>6</sup> trade but there are also much smaller operators in highly specialised, up-market, trades who control huge capital assets. Such companies will mostly employ local officers, not because they do not mind the cost but, because their operations are confined within a particular country or region. For these companies it would be more expensive to employ foreign seafarers since they have to incur the extra cost of transporting them to the ships and repatriation at the end of contracts. When they operate within a certain confined region, for example Europe, it is much more convenient and less costly to employ from the local market. This, however, does not mean that the British have an advantage here because, with the expansion of EU membership, cheaper officers are now available from low-wage member-countries in Eastern Europe like Poland, Croatia and Romania.

The major players, with significant influence on the global seafaring labour landscape are the oil majors which diversify their operations into different specialist trades like LNG and LPG and chemicals, and the global container giants. However it is not just the trade or the type of ships they operate which makes them influential in the organisation of the seafaring labour market; it is also because, by sheer size and the global spread of their operations, they tend to retain large pools of highly trained and qualified labour unlike tramp operators where seafarer turn-over is higher.

It also seems as if, by the fact that these larger companies have branches and subsidiaries all round the world, they have a higher capacity to invest in diverse local labour markets hence, influence patterns in the global demand and supply of seafaring labour. The Operations Manager of one such company explained:

Because we operate in and maintain large officers in many parts of the world, you will find that we train cadets and maintain large numbers of

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<sup>6</sup> Tramp is the term used to refer to ships operating on the spot charter market. Because their trade is erratic, they operate on the lower market side and most 'rust-buckets' are found here. They are more open to market forces and hence thrive on manipulating costs and the freight market.

officers from the various countries. We have a very elaborate training scheme, both for our shore-side managers and cadets, which involves recruiting bright young people as management trainees as well as cadets from all over the world.....Much as we benefit from low cost labour from around the world we also train a lot both in developing countries as well as developed [Shipping Company, Interview 19].

The study however shows that this is the exception rather than the rule. Many companies seem contented with recruiting foreign junior officers with little training input.

From this brief analysis it seems that all companies irrespective of size or trade consider cost to be one of the most important factors in deciding where to recruit crews. This makes cost the most influential factor in determining the recruitment and employment policies for officers within the industry.

### **6.2.2 Quality, Safety and Environmental Considerations**

As I have indicated, many of the ship-owners and operators I interviewed explained that with growing international environmental concerns and tightening international regulation, companies are increasingly forced to be more careful about how they operate their vessels. This includes careful consideration of crewing issues, strict adherence to staffing regulations and, making efforts to ensure that the crews working on board ships are well trained and properly qualified. One manager explained this as follows:

Safety of the vessel is ultimate.....the ability of the crew to operate the vessel effectively, professionally and safely....., so we take a lot of trouble in ensuring that the ships are manned by competent people [Shipping Company, Interview 25].

This, however, does not apply to all operators; company practices vary greatly and there are indeed many who still operate 'rust buckets' because they want to minimise costs and maximise profits. Indeed, although many of the 'traditional' Open Registers have ratified and do enforce most of the IMO conventions on safety and environment, many of the 'new' ones accommodate most of the worst ships in the world fleet, those which still merit the 'rust bucket' description.

According to many managers, the policies of many shipping companies relating to crewing have evolved and changed over the years. Whereas previously ship-owners and operators sought cheap labour and cared less for quality, they are now forced by circumstances to pay more attention to the quality of their crews in terms of standards of

national education systems in source countries, the quality of cadet training and, the system of certification. Although the cost element still remains the most significant item on their policy agenda, it is now joined by the need to offer a safe and efficient service. The manager of yet another company said that in his company "...policy on officer recruitment is now driven by two elements; cost and quality" [Shipping Company, Interview 10].

Another manager explained that, whereas in the past some companies got by with aiming to provide the cheapest service, this strategy can no longer work because the industry is becoming more regulated and the customers (shippers) expect not only affordable but also high quality services. Another manager explained that apart from individual state regulations and international conventions, market circumstances, and the sensitive nature of shipping, are forcing operators towards self-regulation. This coupled with increasing pressure from environmental concerns, means that many ship-owners and operators now increasingly compete on the basis of who can provide the best quality, safest but also affordable shipping services to customers. One company manager said:

In the 60s, 70s and 80s you got away with providing a shoddy service as long as it was cheap. Ship-owners went for the cheapest of everything, including rusty ships. Nobody bothered to scrutinise the qualifications of crews...hence the term rust buckets. Now you present one of those and nobody will touch it. It is not because of the law, or the IMO conventions, the customers simply won't touch it. The environmentalists will be after you and the ITF will be your worst nightmare... you will definitely go under... [Shipping Company, Interview 22]

This quote represents a view that was shared by the large majority of the companies I visited and it demonstrates what might be an increasing tendency towards self regulation and what has been referred to as "market-in-virtue" (Bloor *et al* 2006) and 'virtuous' competition (Braithwaite and Drahos, 2000). The notion of 'virtuous' competition or 'markets-in-virtue' has evolved from studies, in recent years, into the concept of 'smart' regulation or what Bloor *et al* (2006:538) have described as "a multi-faceted and flexible system of governance that seeks through incentives to promote proactive compliance by regulatees" (See also Dorf and Sabel, 1998; Gunningham *et al*, 1998; Braithwaite and Drahos, 2000; Sabel and Simon, 2004; Sampson, 2004).

As indicated by Bloor *et al* (2006), the highly international nature of shipping makes it an appropriate ground for the growth of this kind of regulation and, indeed, by looking at recent developments in the shipping industry, elements of ‘smart’ regulation, identified by the various authors above, are evident. To begin with, from the 1940s to the 1980s, as discussed in chapter three, the industry went through a systematic process of de-regulation; national states, faced with the growing influence of Open Registers and the threat of tonnage flight, eliminated regulations on ship registration, crewing and almost all other aspects of ship operation. It is this de-regulation that catapulted the industry from a tightly regulated and nationally controlled one in the 19<sup>th</sup> century to the most globalised and deregulated one by the turn of the 20<sup>th</sup> century (Sampson, 2004).

Shipping companies are effectively ‘stateless’ or, more accurately, the nationality of ships and their owning/operating companies is often fictitious as observed by Kahveci and Nichols (2006). They can register their vessels wherever and staff them with whatever nationality of seafarers without state restriction. The result of such developments, in the decades following World War Two, until about the 1980s, was increasing deterioration of ship quality and shipping standards, the growth in numbers of untrained or poorly trained seafarers on board ships and, consequently deteriorating services and safety. All this happened because the situation permitted operators to go for the cheapest possible option in all aspects of ship operation including ship maintenance and staffing, hence the term ‘rust bucket’ came to be used to describe the type of ships that dominated international waters and characterised FoC standards.

Since the early 1990s, however, the industry is seeing a slow but steady elaboration of what can be termed as ‘enforced self-regulation’ in the industry (Bloor *et al*, 2006). This form of regulation is not the direct act of governments but rather a mixture of market pressure and the ‘promise’ of better commercial results pushing ship-owners and operators towards self-regulation. Another emerging form of regulation is ‘smart regulation’ whereby companies are forced to improve the standard of their ships in order to avoid costly action by, for example, Port State Control. There is no doubt that IMO conventions like MARPOL and SOLAS have had great impact but their implementation on the ground is more by the ‘smart’ system rather than by the flag-state machinery which has largely failed as a system of regulation. Recent studies have examined these two forms of regulation (Sampson, 2004; Bloor *et al*, 2006) and have shown that ‘smart’ and ‘enforced self-regulation’ are supposed to force operators into

proactive compliance with international conventions. In the 'interview 22' extract in page 139, the manager is describing a situation where operators are compelled to proactively comply with international conventions because, according to the manager, any operator who attempts to present a poorly maintained ship from a register of dubious reputation will, most likely, be driven out of the market by pressure from the ITF, Port State Control (PSC), insurers, classification societies and cargo owners, who are becoming increasingly sensitive to matters of safety and quality standards. In order to attract good business and remain profitable and competitive in the market, operators now have to provide a high quality, efficient and safe shipping service. In other words they are driven by a combination of pressure and incentives into 'markets in virtue' (Braithwaite, 2005), or 'virtuous' competition (Braithwaite and Drahos, 2000). Although these forms of regulation offer a potentially effective alternative to the flag-state regime, their potential is yet to be fully harnessed. At the present, they are not as effective as they could be. Furthermore, evidence of their application is so far restricted to the tanker sector (Sampson, 2004; Bloor et al, 2006).

Following popular perception, one would expect that this new wave of self regulation and competition based on quality rather than cost would influence a change in company recruitment policy to favour officers from Industrialised Maritime Nations with all their training facilities and their long standing seafaring traditions. Apparently this has not been the case. Companies are in search of both high quality and low costs. The move towards self regulation with regard to crewing matters has influenced many companies, according to the HR Managers participating in the study, to develop overseas labour sources to their required standards by investing in training infrastructures and programmes in various labour supply countries. Also by paying more attention and monitoring the recruitment process they are able to get "the best at a competitive price" [Shipping Company, Interview 15].

According to many of the industry managers I interviewed this still works out much cheaper than employing a British officer, as one explained:

It does not necessarily mean that we will, in that case, resort to employing the British. No, we put measures in place to ensure that we are getting the best. Let me tell you one thing, even after all the investment in recruiting and training Polish cadets, including all the internal company training programmes we offer, it still works out much cheaper for us at the end of

the day. So, there you go, we kill two birds with one stone; we get quality at a good price [Shipping Company, Interview 1].

The impact of such argument is detrimental, not just to the employment of qualified British junior officers by UK based companies, but also, and most importantly, to cadet training. It raises many pertinent questions about the appropriateness, therefore, of the tonnage tax as the main strategy for the recovery of British shipping skills

### **6.2.3 Reliability of Supply.**

The other determinant of company recruitment policies is the sustainability of labour supply. Many of the company Human Resource Managers I interviewed explained that, in addition to the main determinants (cost and quality), the sustainability of a source of labour is a major and important consideration. They explained that, apart from low wages, sustainable supply is the main attraction for companies to developing countries, accessing the huge reserves of skilled labour.

By contrast, this is increasingly becoming the discouraging factor for many companies when considering developing their labour in high cost countries like Britain. According to many industry managers, the once rich and strong seafaring tradition in the UK is disappearing. One manager, who was a former master mariner, explained that over the years his company had noticed an increasing unwillingness among the new generation of British people to commit to seafaring, unlike other nationalities and the older generation of British officers. Thus:

It is not like the old days when your family was in seafaring and you just had to follow suit. The seafaring tradition was strong then and shipping was more visible on our shores. Now, that tradition is largely dead and young people want to join “sexier” professions than seafaring. Even those who join do not want to stay for long [Shipping Company, Interview 25].

This, according to him, means that, aside from the decline in the general supply of labour due to the demographic structure of the British labour market, attempting to rely on the British supply would be unwise because officers do not want to stay at sea for long. In the long run it would cost the company a lot to develop the source with little economic benefit. Another manager associated this trend to the increasing availability of a wide variety of career choices for the British youth and changing perception of sea careers among them. He explained:

The British youth are spoilt with choice nowadays. They are unable to commit to the kind of lifestyle that seafaring offers because seafaring is not an easy life; it means many months away from family and friends doing very hard work for long hours, in dangerous situations. Our economy now offers many, much more comfortable and easier career choices ashore. Seafaring, like many other vocational careers, has also come to be perceived as a career for those who are not academically successful and this puts off many would be good quality officers [Shipping Company, Interview 5].

According to many employers, in the shipping industry, therefore, the British source of seafaring labour has become unreliable. Another manager compared the level of career commitment between officers from new labour supply countries and that of the British, and most of the developed high-cost Nations, and concluded that British junior officers no longer wanted to commit to a long career at sea, unlike previously when the average officer served between fifteen and twenty years at sea:

Those who are really interested in working in the maritime sector want to work ashore. Very few are willing to give the kind of commitment that the industry expects. The Polish, the Croatians and the Filipinos are more reliable in this sense. We are beginning to see the same lack of commitment from the Indians as well; they used to be a very reliable source [Shipping Company, Interview 1].

Of all the managers I interviewed for the study around 95 percent argued that British people are no longer willing to work at sea and therefore very few wanted to train as sea cadets. Looking at training trends in the UK over the past three decades, the intake levels dropped to less than 1000 in the mid 1990s from over 4000 cadets per year in the 1970s. Many company managers used this decline to support the argument that British people are no longer interested in seafaring careers. They argued that this, combined with decreasing retention rates for qualified officers reinforced the industry view that British officers are not reliable (See Obando-Rojas, 1999; Gardner, *et al*, 2001). However in the absence of empirical evidence to support this supposed 'lack of interest and commitment', it is difficult to ascertain the correctness of the assertion. Indeed there is evidence to the contrary given that cadet intake has increased since the introduction of the MTO. Furthermore, considering that there is obvious preference for low-cost officers among operators, one wonders the extent to which this claim might actually be designed to make a case and create justification for companies' preference for foreign officers. Whether the claim is true or not, the economic motivation for employers to invest in developing seafaring labour locally is clearly undermined by this perceived lack of reliability. As one manager explained:

What is the economic sense in investing in training and developing a labour source that is not going to last. British people no longer want to go to sea, period! We know it and we have seen their level of commitment decline over the years. When they join, they don't stay for long. So it does not make for a viable economic undertaking [Shipping Company, Interview 17].

There are a number of possible explanations proffered for the increasing unreliability of the British source of shipping labour. These include: increasing alternative career options for the youth in land-based IT related industries, the perception that seafaring is a hard, stressful and emotionally draining occupation (what one manager described as, 'the disturbing false notion of comfortable lifestyle among the youth these days' [Shipping Company Interview 17] and, the perception that "seafaring has become a third world occupation" [Recruitment Agency, Interview 8].

The issue of unreliability and 'lack of interest', which the employers here present to justify their recruitment policies, will be revisited in chapter seven in which the views of cadets will be analysed. What seems clear from this analysis of the factors driving company recruitment policies is that most of the UK-based employers prefer to recruit foreign officers. The next step is to try and understand how this affects cadet training activities and undermines the government's efforts to increase the number of qualified junior officers in the UK.

### **6.3 Companies' Commitment to Training**

The accounts of shipping company managers on their commitment to cadet training seem to vary from one to the other and, seemingly, depend on a number of factors but, primarily they are influenced by individual companies' recruitment policies and strategies. Some of the factors identified in the data include the size of the company, the trade specialisation of the company and to some extent the socio-historical roots of the company. Size is the most significant factor here because when talking about the number of officers employed by a company I am referring to the total company pool rather than on a ship-by-ship basis. In this way, the influence of larger companies is greater because they are able to draw on a large labour pool as opposed to smaller ones with fewer vessels.

Many of the big companies seem to have elaborate training programmes and train the largest number of cadets in the UK as well as elsewhere in the labour supply world. According to them, because of their size and the kind of services they offer, they cannot



afford the 'short-termist' approach that the smaller and 'general-trade' operators follow. They further argued that, quality, reliability and efficiency are the greatest considerations which, in one way or the other, link with the quality and experience of crews running their vessels. This also explains the tendency towards 'proactive compliance' with regulations or 'smart' regulation on the part of some companies. According to company managers, companies go to great lengths to establish a prestigious market position in order to attract the best business and avoid unnecessary, costly delays and inconveniences caused by Port State Control and ITF inspections and detention.

In an interview with the commercial manager of one such company, he explained that the company's rigorous training programme had nothing to do with any external training commitment. He explained that the company had its objectives and targets and did not need external pressure in order to act in any direction. He pointed out that his company was not in the tonnage tax but had always trained British cadets for its own projected future needs:

No, we are not in the tonnage tax.....We have always trained cadets in the UK, even when all other companies stopped 20 years ago.....We are committed to quality and we train for our needs and to our standards both here in the UK and in our other sources overseas[Shipping Company, Interview 5]

This does not, however, mean that cost is of no consequence. When I inquired about the cost factor and whether his company had moved to take advantage of low-wage labour from overseas, he said:

Of course we have, who wouldn't? [But] we do not just go to the open market and 'cherry-pick'. We are very careful and we prefer to train our own people so we invest a lot of money on training programmes in many countries....We are a big company, our ships are registered in many countries and we develop and make use of local labour in all those countries [Shipping Company, Interview 5]

Most of the big companies aired more-or-less the same view. For the smaller companies, however, the story was different. Some of these companies claim that they face the brunt of global competition more than their bigger and wealthier counterparts who benefit greatly from economies of scale. Their reliance on foreign, low-wage, labour is therefore greater and, because of this, some said that the minimum training commitment is just a requirement they have to fulfil:

To be honest with you, we train because we have to. As I said earlier, we don't employ British junior officers at all so taking on British cadets is rather meaningless to us.....we have always held the opinion that it is unfair to train young people, give them career hopes then don't give them jobs after their training. It is wrong, we don't like to do it, but we do, what I can say... [Shipping Company, Interview 13]

Those companies with vessels operating in European coastal trades and ferry services are more likely to employ British than foreign officers hence they are likely to employ more of the cadets they train. According to the operations manager of one such company, if a training company needs British junior officers, it "gives the training commitment practical meaning" [Shipping Company, Interview 2].

Others who indicated a greater commitment to the training obligation included operators of highly specialised, high-tech vessels like Liquefied Natural Gas (LNG) carriers, reefers and Liquefied Petroleum Gas (LPG) carriers and chemical carriers, although, these were often affiliated to, or integral parts of, the larger companies discussed above. According to one manager most operators in these trades have more confidence in the training programmes and facilities in industrialised maritime nations like Britain than in developing non-maritime countries hence they recruit more from such markets for these specialised operations:

Although we are, of late, getting highly qualified people from less industrialised non-maritime countries like Poland, Croatia, and the Philippines, we have always relied on officers from developed countries because these trades are very sensitive and delicate and we have confidence in the training facilities and programmes in countries like Britain..... There is therefore some benefit for us to train British cadets [Shipping Company, Interview 5]

An interesting category of companies, who also expressed greater commitment to training British cadets, is that comprising family-owned companies. For these companies, although few in number, training and employing British cadets seems to be more for nostalgic and patriotic rather than economic reasons. The manager of one such company explained:

We continue to train British cadets and employ some, not because we heavily rely on the British pool anymore but, because being a family company which has used British seafarers for over a century and half, we feel an obligation to continue training and we have continued to do so even before the tonnage tax was introduced.... I guess it is a matter of tradition [Shipping Company, Interview 12].

Such companies once dominated British shipping in the days when it was a family-owned and operated industry and they recruited seafarers locally and trained them through the traditional apprentice system. Their vessels were UK registered and mostly plied European coastal routes. Even when they started operating internationally, they still retained their traditional base in the UK and drew their crews from the local pool. From the 1980s onwards, though, such companies have experienced stiff international competition. With these have come cost pressures to flag out vessels and employ foreign crews. This pressure has driven many, either completely out of the market, or transformed them into the global outfits that now dominate global shipping through mergers and takeovers. Very few remain intact but are often small and exert little influence because they are unable to continue training and employing large numbers of British officers. The disappearance of these traditional family-owned British companies has obviously had a huge and negative impact on seafaring labour in the UK

It seems that, perhaps, the tonnage tax minimum training commitment is undermined by the lack of that essential link which the manager quoted earlier describes as “practical meaning” (p. 152). Although, according to government officials, all the companies are indeed training, many do not have any real commitment to the training obligation because they do not require the cadets they train. Because of this, it has been suggested that there are many problems in the process of cadet intake and training which results in two outcomes: high drop-out rates and a poorer quality of the junior officers coming out of the process. Many of the training agencies attribute this to that ‘missing essential link’ – employment – as suggested in the following two quotes:

If companies needed British junior officers, they would train more and pay more attention to the process, unfortunately they don't and it affects the whole exercise [Training Agency, Interview 9]

This view confirms the effect of the absence of the ‘practical meaning’ link and emphasises the difficulty of the task of trying to increase local training activities without this link. According to another interviewee, this is possibly the link that is missing from the tonnage tax training commitment:

Many of the cadets soon realise that the sponsoring companies are not necessarily going to employ them. In addition to other factors this is a major reason for the high dropout rates and the overall failure of the strategy [Recruitment Agency, Interview 8].

The view is that unless the sponsoring companies are able to assure their cadets of a future in the career they have embarked on dropout rates will continue to rise. Unfortunately the companies are not in a position to do this because they are not committed to employing their cadets. As the personnel manager of a company explained, “we do not want to lie to our young people, the fact is that we do not have jobs for them, saying otherwise would be a blatant lie” [Shipping Company, Interview 2].

## **6.4 Implications**

The above outline of company recruitment policies should not be taken to mean that all UK-based companies no longer genuinely invest in the training of British cadets. I have explained earlier that those companies operating ships within the tonnage tax have a commitment to train as a qualifying pre-condition. There are companies which train on their own accord, for their specific manpower needs, irrespective of the tonnage tax training commitment. The important point to explore here is the extent to which the prevalent policy among companies is influenced by state efforts to increase cadet training in the UK.

Company recruitment and employment policies are, seemingly, linked with cadet training activity. Economic logic dictates that a company will only invest willingly in the training infrastructure and programmes of countries of interest as sources of labour. Unless, therefore, UK domiciled shipping companies have genuine recruitment and employment interests in the UK, they are less likely to, willingly and genuinely, commit substantial funds and energies to developing the British shipping labour force. How much commitment they put into training is therefore proportional to and dictated by their commercial interest in the UK seafaring labour force. Whereas the foregoing analysis of company recruitment policies does not show a complete lack of ‘manpower’ interest in the UK for ship operators, it does, however, suggest that interest in training activities by these companies is limited by the fact that they have no employment interest in the pool of British junior officers.

Those few companies which spend money and energy in training British cadets do so because they have a long term interest in the source. They therefore go to great lengths to make sure that their cadets are chosen well and treated well both in college and at sea. They are interested in training, employing and promoting their cadets through the ranks

to senior positions on board and eventually ashore. The manager of one such company explained:

Apart from spending time, money and energies in developing and maintaining our labour sources worldwide, we are committed to maintaining a long-term core pool in the UK. It makes sense to us because we prefer to have a significant number of British senior officers on our ships....we feel confident.....so we must invest in training [Shipping Company, Interview 5].

This clearly indicates that those companies which train and retain most of the cadets they recruit are those whose recruitment policies support strong staff and skills development. Unfortunately, according to the evidence in the data, such companies are very few. The majority are mostly interested in seeking cheap labour and do not want to invest anything in developing it anywhere in the world. For such companies, the Minimum Training Obligation is just a criteria and not a genuine commitment to develop seafaring skills in the UK.

The analysis of the data in this chapter strongly suggests that the main driving factor behind company recruitment policies is cost. The other factors, of quality and supply, are secondary, though not insignificant, to most companies involved in the research. This has pushed many companies to invest in training officers in labour supply countries instead of reverting to their traditional sources in developed countries.

The same may be said about supply. Many companies have cited unreliable supply of shipping labour in developed countries as one of the reasons for seeking officers abroad. This may be so now but only to a very small extent. It is worth remembering that the diminishing supply of seafaring labour in the industrialised maritime countries has come about as a direct result of companies' recruitment practices over the years. These practices are motivated by the quest for lower operations costs. It is therefore more correct to say that company policies have influenced diminishing labour supply in developed countries rather than otherwise. Companies however seem to quote these factors as a justification to their arguments on costs, most likely, because it mitigates their profit driven corporate practices which have led to the near demise of, once great, pools of highly qualified officers in industrialised countries while driving the wages for seafarers worldwide down.

In the next chapter I will revisit some of the issues raised and discussed here and examine further how company recruitment policies have affected training efforts in the

UK. I will examine further some of the arguments introduced here about the wavering commitment of many UK-based companies regarding the training of British cadets and critically assess the claim by many of the industry managers that British people are no longer interested in sea careers.

# CHAPTER SEVEN

## Cadet Training in the UK

### Introduction

Having looked at the companies, their officer recruitment policies, and general response to the tonnage tax in relation to cadet training, I will now focus on the actual organisation and process of cadet training and discuss the various issues which might be hindering the successful rebuilding of seafaring skills in the UK. This chapter also presents the ‘other side of the story’ and will focus on cadets, their expectations as trainees and their training experiences. It discusses the views of training college staff and those working for training agencies with reference to the cadet training approach, establishment and policy.

As a Traditional Maritime Nation, with a long shipping and seafaring tradition, the UK has a well established seafarer training programme. The structure and organisation of this programme is complex and involves many bodies and interest groups. The basic programme brings together five main bodies as detailed below:

- **Training agencies** advertise cadetships, recruit and allocate cadets to colleges and take care of them during their training programmes on behalf of “sponsoring” companies;
- **Training colleges** are responsible for designing and running training programmes, and maintaining equipment and facilities;
- **Shipping companies** are the main training sponsors in conjunction with the government and who may directly recruit cadets, allocate them to colleges and support them throughout their training;
- **The Merchant Navy Training Board (MNTB)** is the industry’s body responsible for coordinating the development and promotion of seafarer training and qualification, and works closely with the government and colleges in developing and promoting cadet training programmes and;

- **The Maritime and Coastguard Agency (MCA)** is the government agency responsible for monitoring the standard of training and certification of seafarers and operates a Seafarers Training and Certification branch which administers and regulates the training and certification of personnel in the Merchant Navy.

Although all these bodies play a vital role in the training of seafarers, the primary responsibility for recruitment and training rests with the colleges, shipping companies, and training agencies which make up the core training structure. These parties are meant to work together to ensure a high standard of training, good training experiences for cadets, and, ultimately, a high output of well qualified and competent junior officers. General evidence, however, suggests that the number of qualified junior officers has not increased sufficiently, as anticipated. The question as to why this is the case forms the main focus of this chapter.

The discussion in chapter five has shown that many companies lack the motivation to train cadets in the UK because they have no particular commercial interest in British junior officers. The data from ex-cadets, training agencies and cadet colleges show that, because of this lack of motivation, companies are not actively and positively underwriting cadet training hence not encouraging their retention in the industry. Instead, companies with a training commitment, as part of their obligations under the tonnage tax, are passing their 'duties' over to training agencies. Data collected from cadets, and the staff of training colleges, suggest that this is having a highly detrimental effect on the quality of training provision and is resulting in high dropout rates.

One of the problems is that cadets commit to training at a very young age, normally between 16 and 18, and require a great deal of support which many training agencies do not seem prepared to give. This, and the non-committal attitude from sponsoring companies, who are also potential employers, is driving increasing cadet wastage and frustrating government efforts to increase shipping skills. The problem, therefore, is not just that of demand and supply. Shifting patterns of international demand and supply for seafarers form part of a socio-economic vortex of factors which ultimately lead to the demoralisation surrounding the entire cadet training establishment in the UK and many other industrialised nations. Seemingly, the real problem is caused by a breakdown in the local shipping skills development system (Obando-Rojas *et al*, 1999).



I will argue in this chapter that the industry has ‘conveniently’ adopted the mantra that seafaring is no longer attractive to the British people and that youth in Britain are no longer enthusiastic about sea careers. This discourse serves to perpetuate and legitimise companies’ unwillingness to train and employ British junior officers for their economic expedience. The chapter is organised in six sections. Section one describes how cadets are selected and allocated to colleges and highlights the role of training companies, while section two examines the role of training colleges and describes the various cadet schemes they offer. Section three explores the main problems which affect the entire process of selection, allocation and training after which section four discusses the resulting training atmosphere and cadet training experiences and assesses the implication on training outputs. Section five describes the dilemma presented by the conflict between the interests of labour and capital interests and suggests that this dilemma creates structural failures in the cadet training system which undermine cadet retention. Section six critically assesses the arguments developed in earlier sections in relation to the ‘myth’ of ‘diminishing career attractiveness’ as presented by the industry.

## **7.1 Cadet Selection and Allocation**

The cadet selection and allocation process primarily involves three actors, shipping companies, training agencies, and cadet training colleges. Mainly, however, it is shipping companies and their training agents which coordinate the selection exercise. On the surface, the process appears simple. Shipping companies and/or training agents advertise training positions in accordance with either their manpower needs or their training obligation under the tonnage tax. They then process applications and allocate successful candidates to the various colleges to begin their training. In recent years, however, it appears that this role is being taken over by training agencies and shipping companies are taking on a more background and supervisory role.

In the UK merchant shipping training establishment, shipping companies are the main sponsors of cadets under the Minimum Training Obligation established under the tonnage tax regime. These companies, however, often fulfil their training obligations through specialist training agencies who take over most of the responsibility for cadet training, as agents, on behalf of their ‘principals’. Once the shipping company has indicated the number of cadetships available to fulfil its training quota, the training agency advertises them, mainly targeting O-level and A-level school leavers. They then

sieve through the applications and select the most eligible candidates for the cadetships who are subsequently put through a rigorous selection process until the desired number and quality of cadets are picked.

During the training process the agencies continue to play an important role in representing the shipping companies in areas such as managing cadets' subsistence remittances. They allocate trainees to training berths for practical sea training and all other duties necessary for the successful completion of the cadets' training, although this latter role may be closely supervised by some companies. Training agents are therefore very important and their role is key and central to the entire training equation.

The role of training agencies does not begin and end with recruitment and training. It has become their responsibility to actively promote careers at sea as well as market the various cadetships offered by their principals. Whereas formerly individuals used to apply directly to shipping companies for training positions, now they often apply directly to training agencies who advertise such positions on behalf of the shipping companies. Their role is clearly summarised in the interview extract below:

Our duties are many. In addition to recruiting and allocating cadets to colleges on behalf of our clients, it is our responsibility to promote and market seafaring careers and therefore we have an important role to play in keeping the seafaring tradition alive [Training Agency, Interview 21]

There are many such training agencies in the UK but only three stand out as the major players and command about 90% of the cadet recruitment and training market amongst them. Two of the agencies I interviewed represent a clientele of eighty-two companies and the third which doubles in ship management as well as training has established its own training institutions in a number of labour supply countries in order to enhance its capacity to train and supply seafarers on a global scale. Though based in the UK all the major agencies operate internationally and, because of the nature of their role, some of them are gradually evolving into training-come-officer recruitment companies.

My interviews with training colleges and shipping companies confirmed the central role played by such agencies by revealing that nearly all cadets in the UK are recruited by training companies. The following interview with a college source demonstrates this:

We do not recruit any cadets directly; all our cadets are allocated to us by training companies acting on behalf of shipping companies.... It is mostly

the training companies we tend to deal with rather than the main sponsors on matters directly relating to cadets and their training [College Interview 2].

Apparently the reason why most shipping companies prefer to delegate most of their training responsibilities to agencies is that it is a big task for which they have no capacity in terms of time and personnel. Furthermore, as the following interview extract from a company source indicates, they feel that the more specialised agencies are better placed for this kind of work:

We simply do not have sufficient resources to enable us get directly involved in the whole exercise. It is too time consuming so we leave it to the training companies who are better placed to do it [Shipping Company, Interview 15].

Although data from training agents and cadet college staff might suggest that all companies delegate the entire training responsibility to their agents, it appears, from company interview data, that some of them do get involved in some or most of the training process. Seemingly such companies often vet the qualifications of their cadets and take an active supervisory role in the entire training process. This second company source demonstrates this clearly:

We are involved from the first step all the way to the end. We use training companies, alright, but that is just because they have the facilities and the know-how. They are much better equipped for this role than we are but that does not mean that we let them run a free show [Shipping Company, Interview 5].

As suggested in chapter six, some companies, such as the one represented by the quote above, have adopted such active involvement in training because they are more likely to employ their cadets at the end of the training as junior officers on their ships. One company executive in charge of cadet training explained:

These are our cadets and people who we are likely to employ as officers on-board our ships, so we monitor closely and give all the support necessary [Shipping Company, Interview 10]

The executive quoted above explained that the company has an active training programme aimed at developing a sustainable pool of sea-staff and they, almost always, employ their cadets as long as they perform well in their training. Because of this they find it in their best interests to ensure that they get the best quality cadets and that the cadets get the best training possible.

Many companies, however, have no such long term interest in the cadets they recruit hence see little benefit in getting so involved. The quality of cadets recruited and the quality of training they get is therefore of no immediate consequence to them. Unfortunately this kind of company attitude engenders an unsupportive approach on the part of their training agents which, as I will explain in later sections, leads to poor training experiences for cadets many of whom decide to drop out of training. In this respect, it is perhaps easy to imagine that the training agencies representing such principals, would similarly adopt a non-committal approach towards the cadets in question. The training agent's attitude will, in most cases, be as 'good' as that of its principal as the following extract from an interview with a training agency source demonstrates:

We represent many types of companies, some of which are more responsible than others. I know many training companies have been accused of not taking good care of cadets but I want you to understand that we can only be as good as the company we represent. Ultimately we are only agents .  
[Training Agency, Interview 9]

As I have already indicated, cadet recruitment in the UK is mostly carried out by training agencies. Training colleges do not get involved in the selection process and only a few shipping companies get directly involved in actual selection. Some shipping companies may advertise training positions and colleges routinely advertise the training programmes they offer but there is always reference to training companies for further information on application and sponsorship.

Training companies attract applications by vigorously advertising and promoting the cadetships offered by their principals through the media and career promotion activities organised in colleges, schools and career centres around the country as the following extract shows:

We run advertisements of the programmes we offer through both print and electronic media and we try to invent innovative ways of attracting the attention of the appropriate age and quality of people in our adverts.  
[Training Agency, Interview 21].

There are some sponsoring companies which take a more active role in this process and they will often dictate the selection process to ensure that they get the type of cadets they want. One company personnel manager described his involvement in this process as follows:

We like to make sure that we are getting the best candidates so we set some guidelines for our agents to follow and also monitor the process closely. The final selection stage is here at our offices where we invite the candidates, talk to them show them around and make them feel at home ... it is important to establish that relationship right from the start and begin to build confidence in the lads [Shipping Company, Interview 5]

After the selection process is completed, the cadets are allocated to various training colleges to begin their training. In the next section I will describe the role of training colleges in the UK and outline and describe the various cadet schemes they offer as well as describe the various training paths available to British Cadets.

## **7.2 Training Colleges and Cadet Schemes**

Training colleges form the central units in the cadet training establishment and are responsible for the actual design and running of training programmes and schemes as well as examinations in conjunction with the MCA. Their responsibility is to acquire and maintain high quality training equipment and facilities and to provide training for cadets. Although there are many training outfits in the UK, there are only five main recognised institutions spread across the country and they run a range of training programmes which cover a wide spectrum of maritime education and training from 'deck' and 'engine-room' officer cadets.

The fact that most of these institutions are associated, and collaborate, with fully fledged and well established universities is an indication of their aspiration for excellence in cadet training. According to the staff of the various colleges participating in the study, this collaboration enables them to tap into the advanced facilities and wide range of expertise available in these universities in order to strengthen the development and administration of their education and training programmes.

Once the trainees have been allocated, the colleges take up the responsibility of transforming them into qualified junior officers through a number of training schemes. Throughout the training the college administration works closely with the other responsible parties, shipping companies, training agencies and the MCA in order to ensure the smooth running of the training programme. For instance the MCA and the colleges work closely together, monitoring and assessing the cadets' ship-board practical training, administering final examinations and conferring qualifications to those who pass.

The colleges run a variety of schemes for cadets whose general structure and content depends on the cadets' entry point and training path. These are all designed to prepare the trainees for the MCA Officer of the Watch (OOW) examinations. There are also other parallel support courses provided by the colleges for serving officers who wish to advance their careers as well as independent shore side programmes for shore-side management personnel (see appendix 6).

The mainstream seafaring courses cover the whole spectrum of marine education including navigation, operations, mechanical and electrical engineering, communications, safety and catering. The entire cadet programme is organised in such a way that trainees cover theoretical courses and practical college-based programmes, using simulators, and sea-based practical training on-board various merchant vessels. All the training schemes offered in all the colleges operate mainly under the auspices of the International Maritime Organisation Standards of Training and Certification of Watchkeepers (STCW 95).

The average period for whole cadet training course is three years from the beginning to the point of qualification with a third mate's OOW ticket. During this period cadets go through five to seven training phases which are divided into college and sea-based training alternately. By the time they qualify, cadets are deemed to have acquired sufficient theoretical knowledge, and ship-board practical skills, to enable them to perform their duties as competent junior officers at sea.

There are three routes to the final officer qualification and certification: the Higher National Diploma (HND) in nautical studies, the newly introduced Foundation Degree (FD) in maritime studies (from September 2006) and the Bachelor of Science (B. Sc) degree in maritime studies. In order to equip cadets with both academic knowledge and practical ship-operation skills the HND and the B.Sc courses are accompanied by NVQ (National Vocational Qualification) qualifications such that, while HND and B.SC are college-based and provide the academic and theoretical knowledge, the NVQ is ship-based and provides practical skills and is based on successful completion of an MCA portfolio of practical assignments. This portfolio which, in the end, is an indication of the ship-board skills the cadet has acquired is monitored and assessed by the training officer on-board and forms the basis for MCA certification at the end of the programme. On successful completion of the course, cadets are awarded NVQ level three in addition

to their HND or B.Sc (Hons). The Foundation Degree is slightly different in the respect that the MNTB has introduced an emphasis on management as well as practical seafaring skills.

Though the structure of the courses offered may vary slightly from one institution to another, the general schemes follow the structure described above and, for every path (HND, B.Sc and FD), there are both deck and engineering schemes. In addition to the mainstream cadet training programme outlined above, nautical colleges have, in recent years, started offering an increasing number of other courses designed to develop skills for the shore-based maritime sector. It appears that the reason for this, as one cadet administrator explained, is that:

There is need to respond to changing market requirements. There is a big demand for qualified people to work in these shore-side management and operations firms, people who do not necessarily need seafaring skills, so we are trying to tailor our programmes to reflect this demand [College Interview 1]

It seems that, as the maritime sector grows and becomes more complex, there is a need for expansion and greater sophistication in training programmes to cater for the changing requirements. One important development in the past two decades is a gradual move away from absolute dependency on overspill from shipping skills to cater for the needs of the wider shore-side maritime sector. Because the shortage in shore-side maritime skills is becoming more evident and the flow of seafaring skills to the shore is becoming less reliable, the industry is beginning to experiment with alternative and shore-based ways of raising the required labour. This is being achieved by designing training programmes which are 'tailor-made' for shore-side maritime technical and commercial operations and management personnel. In the words of the personnel manager of one shipping company:

People working ashore need not necessarily be holders of masters' tickets. We can train people specifically for the jobs ashore by developing tailored courses complemented by stints at sea for some practical sea experience. Who said that you have to be a qualified and experienced ships officer in order to manage ships.... Not necessarily [Shipping Company, Interview 22]

However, because the shore-side maritime sector still continues to rely on skills developed 'at sea' and, as an indication of the changing times and the growing sophistication of the industry, there are extra courses designed to equip serving ships'

officers with management skills. As the training administrator of one training company explained:

The time when seafarers were considered simply as 'deck' and 'engine-room hands' is gone; the work of an officer is very demanding and complicated. Officers are managers of the ship and the ship is a complete and complicated establishment; there are HR issues, cargo management, IT and communication management and so forth. Training schemes are changing to accommodate these aspects which were never considered before [Training Agency, Interview 21]

Such officers are therefore supposed to be well prepared for their eventual role as shore-side ship managers. An MNTB official explained that apart from raising the professional standing of seafaring, these changes are also in response to the high demand for people with seafaring experience to work in management positions ashore. Officers coming through these new training schemes are well equipped with the appropriate skills so that when they want to move ashore, they are able to fit in without the necessity for extensive retraining. They do not just possess seafaring skills but also the enhanced maritime as well as academic qualifications to match those of other management personnel ashore. As noted by an MNTB official:

Officer training now has a higher academic and management skills content which means that we are equipping the cadets with essential knowledge and competencies necessary for the shore-side management positions they will eventually fill... At the end of the day they have the same degree qualifications as their counterparts in IT related firms but with the added advantage of being highly skilled in their specific field of maritime management [MNTB Interview]

The end result of these innovations, it seems, is to make the training more 'meaningful' and appealing and ultimately rewarding for both the individuals and the industry while at the same time meeting the changing skills demands in the industry as well as the wider maritime sector.

Such courses are designed either as full-time management programmes or as part-time and on-going courses for continuous in-service skills enhancement for officers. Some of them include maritime safety management training, cargo and ship handling, security training, engine-room systems and management short courses. Some companies have even introduced Computer Based Training Programmes (CBT) on-board for both deck and engine-room personnel in order to ensure that their personnel are continuously engaged in training so as to keep their skills updated.



## **7.3 Cadet Selection and Training**

There are a number of issues which are likely to affect cadet selection, training and, ultimately, the overall training output. It appears that these are problems relating largely to the prevailing training and employment environment in the UK, although, views on what the main problem is seems to depend on perspective. In this section, I will present and discuss data showing how the various main 'actors' in the training structure (training colleges, training agencies, shipping companies and cadets) interpret and understand the problems hindering successful seafarer skills development and replenishment in the UK.

### **7.3.1 The Corporate Perspective**

A majority of shipping companies and training agencies seem to believe that the problem is created by a combination of three factors, that is, lack of interest in seafaring careers, the young age of cadet trainees and a generally low academic aptitude of applicants to cadetships. The overall corporate argument, therefore, presents the image of a society in which the youth are both incapable and unwilling to undertake sea careers.

According to many of the Human Resource Managers of shipping companies interest in seafaring careers among the youth in the UK has declined to a level whereby the society can no longer supply merchant navy officers. As I have already indicated in chapter six, about 95% of those interviewed expressed this concern. In the view of one training agency manager, it is becoming increasingly difficult to attract young people to work at sea. He said:

....but it is so difficult to attract enough [candidates] to pick and choose from. We just get a handful of applications each year because it is no longer a particularly attractive career. People are no longer interested to work at sea; it is a real difficulty [Training Agency, Interview 9].

A HR Manager of one company seemed to share the same view that British youth do not want to go to sea and went ahead to explain that:

Very few British youngsters want to go to sea as a career... it is very difficult to make a life at sea. It is quite remote when you are at sea even with the internet and the e-mail systems being set up on board. There is that need to be in contact with friends and family [Shipping Company, Interview 13].

From the data, it appears that almost all shipping companies and training agencies support this argument and some of them came out very strongly to defend it as the following extract from an interview with one company manager indicates:

Our company is involved in cadet training and recruits cadets from the UK but this has been decreasing with time mainly because the number of British people wanting to go to sea seems to be drying up. Seafaring is simply not an interesting career anymore. I wouldn't go back to sea whatever it paid, and even if you paid me double what I am paid here I wouldn't consider it. There are many other better and less stressful alternatives for the young people in Britain and they are clearly taking them [Shipping Company, Interview 22].

Another HR Manager described his company's frustrations in the process of trying to meet the Minimum Training Obligation as follows:

It is difficult, I tell you, and it is frustrating. Getting people who want to join the merchant navy is proving to be very difficult. It seems that most of our young people would prefer a career ashore rather than go to sea and maybe one can understand but it is hurting our efforts to recruit British cadets [Shipping Company, Interview 14]

What is interesting to note is that most of these interviewees started their careers as officers at sea and many of them hold masters' or chief engineers' tickets with many years of seafaring experience. The strong belief in the diminishing attractiveness of seafaring as a career for British youth therefore seems to be based on their personal experiences or in a comparison to the times of their service. However, the near unanimous and 'sweeping' declaration that British people do not want to go to sea anymore, is not backed by any concrete evidence. It sounds like a well rehearsed popular 'tune' among corporate industry practitioners.

There were some managers, albeit few, whose views on the matter did not fit in with this wider corporate perspective. These strongly dismissed the idea that seafaring was no longer attractive and suggested that the problem lies elsewhere. In the following extract, for instance, the manager clearly thinks that the view is incorrect:

The view that a career at sea is not interesting is rubbish, I don't agree with it. Our business is so interesting and so diverse but the job is as interesting as you make it and so we have tried, over the years, to make the jobs of our officers rewarding [Shipping Company, Interview 2]

On the issue of attracting young people to sea careers a few of these companies and agencies were of the view that there were many people wanting to go to sea but that getting them in, as the following extract suggests, depended on the efforts of individual companies to reach them:

Everything needs hard work, a lot of hard work. So, you can not sit and expect good cadets to come to you. We go out, work hard and get the cadets and we don't complain [Shipping Company, Interview 5]

This view is in line with that of yet another company manager who explained that he believed that there is still a lot of seafaring potential and interest which companies could cultivate. His view was based on the experiences of his company in the process of recruiting and training cadets during what has come to be termed as the 'bad years', the 1970s and 1980s, when cadet training in the UK ground to a stop. He said:

I think there are still a lot of people out there who would like to go to sea. You will still find a nucleus of interested people out there but I think the problem is that the profession is not well advertised and promoted.... It is traditionally promoted and sold as a romantic career involving lots of travelling and adventure but you will find that much of that is gone and we need to change our promotion strategy and portray it as a worthwhile, rewarding professional career; that is what people want [Shipping Company, Interview 2]

Another company manager explained that, although the level of interest seafaring attracts, from the youth today, might not be as high as three decades ago, it is not the case that there is completely no interest:

We always get letters asking for apprenticeship so I think that there are still many people out there who want to go to sea. It might not be as it used to be years ago but speaking from our perspective, we do not seem to struggle to get them [cadets]. It is not a problem that affects us at the moment [Shipping Company, Interview 16].

It is both interesting and revealing to note that the companies which do not seem to promote the view that seafaring is no longer interesting to the British are those which have been identified by some agencies, colleges and seafarers' unions as being actively committed to training and employing British officers. A senior union official said of such companies:

A few companies have stuck to a strict training programme over the years, even in the bad years. What is even better is that they are committed to

employing British officers.... We know them and we thank them [Union Interview].

This might be an indication that those companies which truly want to train and employ are bound to be more enthusiastic and optimistic in their view of the training situation whereas the rest will often project this bleak image of the situation. It is therefore likely that this popular misconception is for the implicit convenience of those who do not wish to continue training and employing British officers. The senior union official summed this argument as follows:

It is a very convenient but, unfortunately, wishful and infectious thinking on the part of employers; imagine who would be happy if indeed no British youth signed up for cadetships... It is a very convenient argument and it is meant to justify their lack of commitment to train and employ British officers [Union Interview]

A particularly strong argument, on the same lines, was presented by one training agency manager who explained that his company was not facing any difficulties in attracting people to their cadetships. In his comments, the manager suggested that the problem lies more in a failure to retain cadets rather than to attract young people into the training programme:

There is no evidence to suggest that young people are not interested in these cadetships, I must say that each year we are inundated with applications; we are receiving an average of 3000 enquiries each year, I don't see that a sign that young people are not interested [Training Agency, Interview 21].

This argument was also supported by a few shipping company managers.

Therefore it seems as if the general view of shipping companies and training agencies is that efforts to increase the numbers of British junior officers are being frustrated by, among other factors, but mainly, a growing lack of interest in sea careers among the youth in Britain. Although the majority of these corporate actors hold this view there are some who do not agree with it. Instead they suggest that the problem lies elsewhere.

Another factor that has been identified by shipping companies and training agencies as contributing to the failure to increase British junior officers is the average age of applicants to cadetships in recent years which, they argue, is too young. Most of the interviewees in this category clearly held the view that seafaring is a difficult profession

whose training requires a lot of patience, determination and endurance. One company manager and ex-mariner explained:

The work of a ships' officer is not easy; there are many difficulties and challenges and one should be ready and willing to endure long hours on the job. This is something that demands both mental and physical capabilities which most of the cadets nowadays do not seem to have [Shipping Company, Interview 16]

Many therefore argue that the age at which most British cadets commence training, that is, between 16 and 19, is too young hence; many of them lack the physical capacity, and the discipline, to successfully complete the programme. One training agency member of staff explained:

Because of the young age of the cadets, many are unable to cope with the difficult and demanding training programme, especially at sea but also you will find that some lack the patience and discipline to study hard and master some of the difficult subjects of the course [Training Agency, Interview 9]

Considering the average age of my cadet interviewees it was clear to me that the average age of cadets falls between 16 and 19 but, whether or not this necessarily means that most of them are physically and intellectually incapable to withstand the training is debatable and would require a lot more evidence. The shipping companies and their training agents, however, seem convinced of this and, to further prove their point, they point to yet another factor, low academic aptitude, which, according to many of them, contributes significantly to the difficulty in increasing shipping skills in the UK.

Many training agency managers argued that, in addition to the age problem, many of the candidates who apply into the cadet programme, nowadays, lack the academic qualifications and general aptitude to successfully complete the course. Their view is that for one to successfully go through the officer training programme and qualify with the right level of skills, they must have the ability to handle such subjects as mathematics, physics, chemistry and geography. Whereas it might be correct to say that the cadets need the ability to handle these essential subjects, there is no evidence presented to show that, with proper coaching, the cadets in question cannot muster sufficient competencies.

The companies and agencies continue to argue that the problem is two-fold. Firstly, they are being forced, by circumstances created by government policy, to target school

leavers with lower, specific subject and overall, grades than they normally would consider, and, secondly, only those school leavers with low grades are targeting seafaring because they are locked out of university and are considered unsuitable by other middle-level professional training institutions.

Both the shipping companies and training agencies believe that this has come about as a result of government policies which are aimed at promoting university education at the expense of middle level colleges and vocational courses like seafaring. One Manager explained:

Because of the government's keenness to get more people to undergo university degree courses we have very much reduced the number of people that traditionally might have looked at a sea going career, because you are looking at group of people that are essentially practical but have a certain amount of academic talent but are not interested in going away to take a degree. So, that pool of people that used to be there has shrunk very much because they are being pushed to take degree courses [Shipping Company, Interview 25].

A training agency manager also supported this view. He explained that over the past few years the government had drastically lowered university entry points in order to make more people go through universities and obtain degree qualifications in pursuit of the government policy objective that at least 50% of the population should have university education. As a result, all the other middle and lower level colleges have had to lower their entry points:

We have lowered our entry qualifications very much because the government has decided to drastically cut down university entry points...this is a political thing, just to be seen to be putting more people through universities, so they have come up with this policy that at least 50% of the population should have university education. Many of the candidates we take can hardly cope with the course content, especially the sciences, which are compulsory for all. We have had a few dropping out as a result. It makes work harder for us and reduces the quality of the officers we produce in the country [Training Agency, Interview 21].

The shipping companies' managers further claimed that they were hard pressed to get the right numbers of good quality cadets because of the combined effect of reduced applicants and the prevailing academic aptitude. As noted in the extract below from a company source:

For example, this year we were requested to train eleven cadets. I was only able to find nine. Also, those nine cadets were only lower GCSC grade. Normally, company requirement will be A-level or top GCSC grades. So, it's extremely difficult to find suitable candidates. Also the numbers which are requested [Shipping Company, Interview 10].

It, therefore, seems that there are two parts to the corporate perspective described here; the first one is that there are not enough people coming in because the career has lost its appeal to the general British society, and the other is that the British youth of today are not of a seafaring quality either because of the average age at which they join cadet training or because of the prevailing academic aptitude of the available applicants.

These two parts to the argument seem like two parallel and contradictory views. One is that there are no people interested in the career and the other is that there are people but they are not of the required quality. However, the message that runs through the two is that the number of people interested in sea careers has decreased drastically such that it is not easy to get enough cadets to meet shipping companies' Minimum Training Obligations. Moreover, the few that are available are not of the right quality which implies two things: first that many of them will not be able to complete their training and, second, those who finish are not necessarily good officer quality. Either way, the companies are arguing that the British source of officers is not reliable both in terms of numbers and quality, an argument that has been dismissed by training colleges. As we shall see in the next sub-sections the credibility of this claim is challenged by cadet data.

### **7.3.2 The Training Colleges Perspective**

The training college perspective is interesting because, while it concurs with that of companies and agencies in relation to age and academic aptitude, it disagrees with the argument that British people no longer want to go to sea. Most importantly, the training colleges disagree with the way the corporate industry presents its argument which, one college staff described as "clearly inaccurate" [College Interview 2].

Primarily, the training administrators in these colleges take the view that there is a strong interest in sea careers among British youth. One cadet administrator made it clear that there was no problem with getting cadets:

Numbers wise, in the last three to four years, we have had no problems; we have done very well [College Interview 2].

Another college staff member reiterated this view and emphasised the point that the UK still had a lot of seafaring potential and people in many regions still considered seafaring a good career:

We get as many trainees as we can handle every year so we cannot say that our training programmes have become less attractive. There are still many people out there who see seafaring as a good career and lately there are even more because conditions are improving and it now offers many possibilities beyond the sea... The majority of the people doing the course come from a seafaring background or a member of the family is a seafarer ... They are there because they want to be officer of the watch, you can offer them a degree, master's certificate but what they are concerned with is that they want to go to sea, so that is why they are there [College Interview 1].

Concerning the age of cadets, the staff I interviewed, at the various colleges, agreed that many of the cadets they were receiving in recent years were much younger and explained that this sometimes created discipline problems because some of them still carried the 'high-school mentality'. One of the interviewees explained:

Our biggest problem with the age of the cadets is discipline. First of all you are talking about students, just out of high-school, some of whom are quite young.....getting the message across to them that they are now in a disciplined environment...that is a problem because of the way our schooling and our education system is, there is not enough discipline; we expect them to be on time and dressed properly, that can be a big challenge [College Interview 2]

However, it does not seem as if the age is a big hindrance to the cadets' training performance. Nonetheless, a cadet training officer in one of the colleges explained that in very few cases a cadet might be too young and physically incapable of completing the course, especially at sea. This interviewee however seemed inclined to think that such cadets would be able to complete the programme successfully if given the appropriate support from their sponsors:

Age only becomes a problem when there is no proper support for the cadets. Some are clearly too young and it shows from their physical build and their behaviour. In college we can handle the discipline part but out there at sea some senior officers might not have the patience. These are the ones who cannot complete the course, it is not such a big problem, I don't think [College Interview 1]

Regarding academic aptitude the college staff who participated in the study agreed that over the years the colleges have been forced to take people with lower school grades



with the consequence that many have difficulties in handling certain aspects of the academic content in the course, especially, subjects like navigation (for deck cadets), mathematics and physics which are essential and compulsory for all cadets and important to the training. One administrator explained:

This is a big problem; many of the cadets simply do not have the academic capability for the course and it is something that has to be considered seriously because it makes our work difficult and might, inevitably, affect the general quality of officers that come out of the system [College Interview 3].

This quote suggests the possibility that, as a training agency manager quoted earlier said, government policy has pushed down university entry requirements so much so that training programmes like seafaring have been forced to take candidates with very low grades in essential subjects. It does not suggest, however, that nothing can be done to improve cadets' abilities in the problem areas of the course content. Clearly, the interviewee implies that with more effort and hard work, this should not be a problem of the magnitude implied by some training managers and shipping company executives. It is therefore possible to argue that the training programme needs revising so that those cadets whose competency in certain essential subjects requires improvement can be supported with extra coaching in order to bring them up to the appropriate standard.

According to one cadet training officer in one of the colleges, in order to solve this problem, the college had designed a bridging course meant for those cadets whose qualifications need upgrading:

For example, to do the HND programme they now need five GCSEs, C grade and above but if you are looking at C grade maths it is a very low pass mark and it is not sufficient for them to take on the content of a deck officer or an engineer training. This is why many of them struggle. So we now have built in an academic ramp into our course which we have done successfully but still tutors have to work very hard with students to get them through some of their course work and exams [College Interview 2].

This indicates that what is required is an overall upgrading of the training programme so that low schools grades will not be a problem big enough to push cadets out of the system prematurely.

So, from the data, it appears that colleges are not in agreement with the general argument presented by the corporate industry to explain the failure in increasing British

junior officers. They particularly do not seem inclined to support the argument that British youth are not interested in sea careers and, although they agree that there are challenges arising from the cadets' young age and low school grades, they do not consider these fundamental problems. What, then, do they consider to be the main problem?

The few shipping companies and training agencies that were quoted earlier as opposing the general corporate 'lack of interest' argument suggested that the problem might lie elsewhere. Indeed, one training agency manager, also quoted earlier, indicated that the problem lay in retention rather than attraction. The cadet administrators I interviewed in the various colleges are convinced that this is the case. Many explained that their colleges were experiencing as much as twenty to 30% wastage rates per cohort. One such interviewee explained:

We have not failed to bring people in. I don't think that is where the problem is: I think that there needs to be measures to ensure greater retention to ensure that most of the cadets actually complete their training. At the moment we are, unfortunately losing between 20 and 30% of the cadets in every cohort. So you see, I don't think that is the problem at all [College Interview 3]

Apparently, most of the dropout cases happen when the cadets go to sea for their first sea training phase after the initial college phase. Some, however, stay on after the first sea-phase but subsequently drop out either during the second college phase or the second sea-phase. In any case, the majority of dropout cases happen between the first and second sea-phases as one cadet administrator explained:

Most of the cadets leave during the first sea-phase. Some come back to college after the sea-phase and declare that they are quitting or simply don't turn up so we only get to know from the companies that they have quit. A few leave during or immediately after the second sea-phase [College Interview 1].

Many of the shipping companies and training agencies have used such statistics to conclude that the high wastage rates are due to the fact that the cadets are either too young or too 'soft' to cope with life at sea. College staff, on the other hand, suggest that, although some cadets might be too young or too 'soft', premature termination of the course would not occur if the sponsoring companies and their agents established effective follow-up and support systems for their cadets to provide them with necessary help and encouragement. The training officer of one college said:

Yes, many of them drop out in their first sea-time. It is possible that they find sea-life different and perhaps more difficult than the life they are used to, but, I think, this could be solved if sponsors took more care of their cadets, take pains to break them in gently, if you see what I mean..... We get reports from students about training officers who are impatient and treat the cadets badly and of poor working conditions on some of the ships, this does not help at all [College Interview 2].

Some of the areas that college cadet administrators think need attention in order to improve cadet retention rates include: careful selection of training berths, improved training and living conditions on-board ship and establishment of an elaborate support mechanism to help cadets through the training period.

#### **7.4 The Cadet Perspective: Training Experiences and Implications for Training**

The cadets participating in the study had already dropped out of the programme. The aim of interviewing them was, therefore, to try and establish their reasons for terminating their training prematurely. This allows me to critically assess the various arguments offered by the corporate industry and the training colleges. All the interviewees were in the age bracket of sixteen to twenty-one and all of them had dropped out within one year of the interview date. I was also able to establish, through the interviews, that the majority of them dropped out during their first sea-phase but a few left in the second sea phase, and that, although, a few of them dropped out due to personal reasons, the majority quit due to reasons related to the nature and conditions of training.

According to the corporate industry low officer outputs levels are due to a lack of interest in sea careers in the UK combined with high cadet wastage rates caused by a lack of capacity, both physical and academic, on the part of cadets. The training colleges, on the other hand, believe that the problem is caused by a lack of genuine commitment, on the part of companies, to train UK cadets. In dismissing the corporate argument that the British are not interested in sea careers, the college staff argued that many cadets are admitted into the programme, but shipping companies and their training agents have failed to actively support them during training thereby prompting many of them to drop out and seek other career alternatives.

After careful analysis of cadet interview data, on why they decided to terminate their training, I have isolated two broad themes: the first one relates to training experiences, especially at sea, and their influence on cadets' decision to quit, and, the second one relates to cadets' career anxiety and uncertainty. Both will be dealt with in turn.

#### **7.4.1 Cadet Training Experiences at College**

The training of cadets is divided between college and sea time but always begins with a college phase. The quality of cadets' experiences during this phase largely depends on the quality of living and training facilities available in the colleges and the nature of support that the colleges offer, academically and socially. Most of the cadets I spoke with expressed satisfaction with their training experiences at college and all of them thought that the training facilities in their colleges were particularly good. One cadet explained:

The training facilities in [...] are superb, very good, which makes learning interesting and the lecturers are superb guys. Many are master mariners and they know their stuff. About facilities in college I have no complaint at all [Cadet Interview 3]

Some of the facilities praised by the cadets include well equipped libraries, engineering workshops, modern simulators and classrooms and lecture theatres equipped with modern communication technology. The cadets felt that the quality and adequacy of the facilities made the learning process easier and more enjoyable.

With regard to the living experiences the views were mixed. Some found life in college good while some did not. Careful analysis of the data reveals that a big part of the reason for this difference in experiences was influenced by the nature the relationship between cadets and their sponsors and the type of support each cadet received from them. Some cadets received sufficient support including generous allowances and continuous emotional support while others were largely left to their own means and therefore did not have a particularly good living experience. Cadets in the latter category experienced problems with basic subsistence as one such cadets explained:

The money I got for upkeep was not enough so I had to get cheap accommodation outside college but still I could not get anything decent and have enough money left for food and other things. It was tough. Some of the other cadets were well treated; they got good money for accommodation in college, books and all and lived well....I think it is just my company that was mean [Cadet Interview 7]

Another cadet explained:

I honestly think they should increase the money. There is no point promoting it as a fully sponsored opportunity if we can hardly get by on the allowance. [Cadet Interview 4]

A few of the cadets I spoke with, on the other hand, expressed satisfaction with their overall college experience and cited reasonable subsistence allowances and adequate support and encouragement from their sponsors. One such cadet explained:

My sponsoring company was good to me; I received a lot of support..... It was three of us with the same company and we had direct telephone contact with a personnel person in the company itself and we were treated very well.... [Cadet Interview 6]

There was one particular aspect of college life which many cadets identified as presenting a problem, that is, difficulties with certain aspects of the course content. Many cadets, it seems, have difficulties in coping with subjects like Navigation, Physics, Mathematics and Chemistry. One cadet explained:

Some subjects were very difficult, I found maths and physics very difficult..... I was never good at these subjects even in school so I found them quite hard [Cadet Interview 1]

One deck cadet described navigation and 'charting' as "nightmare":

Navigation is very complicated but all deck cadets must be good at it..... I had to struggle and maybe it is because I am a little slow.... It was a real nightmare [Cadet Interview 10]

The issue of problems with the course content is one which came up in several interviews with both training administrators and managers who expressed a general view that the academic aptitude of the cadets recruited was not up to the required standard. However, as I have argued earlier in this chapter, it is not clear, from the colleges and companies' interview data, whether this is a problem caused by cadets' academic ineptitude or the structure of the courses and general training standards. Nonetheless, a few college staff implied that with hard work and appropriate course structure, most of the weaker cadets can be helped to gain competency and confidence:

In my view many of the problems are just due to lack of confidence. Many of the lads lack confidence at the beginning but, with time and proper coaching, many eventually do catch on [College Interview 2]

Ultimately, such issues contribute to a generally poor training experience for many cadets at college leading to far reaching consequences for the industry as we shall see in the next section. The overall assessment of the cadets' views on their experiences at college, however, indicates that the majority were fairly satisfied with college life as opposed to life and training at sea which many described as difficult and unpleasant.

### **7.5.2 Cadet experiences at Sea**

The accounts by shipping executives taking part in the study suggest that there have been great improvements on-board recently built merchant ships which have improved the living and working conditions for the crews on-board. However, accounts of experienced seafarers indicate that newer ships are not necessarily better than older ships in terms of the facilities and conditions they offer. For example, the much talked of e-mail and satellite communication facilities on-board modern ships are, in most cases, only available for the master and senior officers and often for official communication purposes.

Not all new vessels are equipped with satellite television facilities and where they are available; the programmes will not always be in a language understandable by all. In times of increasing work pressure and fatigue (Smith *et al*, 2006), due to reduced crews on-board, the television plays an important role as a means of relaxation and recreation on-board after work. The accounts of many experienced seafarers, many of whom are now shore-side company managers, revealed that, furthermore, the increasing sophistication of ships, and shipping in general, has robbed crews of the camaraderie social atmosphere which characterised life on-board older ships. Ships are now manned by only a handful of people often from different parts of the world, working under enormous pressure and only meant to be together for a brief period in most cases (Ellis, N, 2007).

Moreover, the same age-old and ongoing company quest for lower costs is leading ship-owners to install smaller accommodation cabins and, generally, poor quality living facilities. The result is that the improvements often hailed as changing life on-board ships for the better are largely cosmetic. The manager of one shipping company, a former captain, wondered:

How [can] a ship owner, who has spent so many millions of pounds building a modern ship settle for the cheapest facilities for his crews? It surely beats me, but they do, all the time [Shipping Company, Interview 13].

It appears, therefore that the living and working conditions for seafarers on-board have not necessarily become better with newer vessels. On the contrary, because there is evidence of growing work pressure and increasing fatigue on board modern ships the importance of having good accommodation and facilities on-board is underwritten (Smith *et al*, 2006).

It is into such a high pressure, and often difficult working environment, that cadets are often suddenly introduced in their first sea training phase. Data from interviews with training agencies and college staff, discussed earlier, has shown that it is during this sea-phase that many cadets drop out. Cadet data suggests that many of them find their first sea-experience unbearable. Furthermore, the training experience at sea is created by a combination of factors, of which the quality of living and working facilities on-board are one. Other factors include crew composition, the nature of work, loneliness and isolation during the long periods away from home and the general suitability of the ship for training purposes.

One college training administrator, an ex-mariner, observed that many cadets found sea training hard because, "The shipboard environment is basically and primarily a workplace which no amount of improvement can turn into a home" [College Interview 1]. This, unfortunately, seems to suggest that the general lifestyle on-board ship, however improved the facilities, will always remain alien to even the longest serving officer and difficult even for the most enduring person. This however, should not be taken to mean that nothing can, or should, be done to improve conditions on-board. It should, on the contrary, be an impetus for ship-owners to try harder to make the lives of seafarers more comfortable.

Considering the poor living and working conditions on-board some of the ships, the sea training experiences for cadets, most of who are very young as described previously, are often unpleasant. It appears, from my interviews with ex-cadets that the first sea phase is the major test of the ability of one to survive the training. For many, the type of life they encounter on-board is a total surprise irrespective of how much the college prepares them. This further confirms the observation by a training administrator that "no

amount of instruction in college can really prepare the cadets for their first experience of life at sea” [College Interview 2]. Cadet interviews confirm this because they reveal that most of the cadets are not prepared for the type of lifestyle they encounter when they first go to sea. One of them explained:

I knew it would be a tough lifestyle but I also expected it to be a lot of fun, you know, but it was much too tough [Cadet Interview 7]

With regard to training and living experiences at sea, for cadets, a number of themes have emerged from my analysis of the cadet data. These themes represent the issues brought up and identified as contributing to poor sea training experiences for cadets. They include; inappropriate nature of work, loneliness and isolation, insensitive and unsupportive behaviour of senior officers on-board and the shore-side management and a generally difficult lifestyle.

#### (i) The Nature of Work

One of the main issues raised by the cadets was the nature of work they were expected to perform while on-board which, many considered difficult and inappropriate. Many of the cadets seemed to feel that they were being used by the companies as extra labour rather than trainees. One cadet explained:

It did not feel like training at all on that ship, we were working like slaves... So I was all the time with the crews doing hard work and receiving no instruction relevant to my training [Cadet Interview 2].

In an interview with a training company manager, however, such complaints were dismissed, h/she said that cadets expected to be “in white gloves on deck handing down instruction to others and looking out of the bridge window since they are training to be officers” [Training Agency, Interview 21]. Whereas it might be true that some cadets might go to sea with this notion, it seems unlikely that there were so many of them as to warrant the kind of generalised and strong views that the manager expressed. One college cadet administrator explained that although cadets are expected to work hard, as part of their hands-on training process, they were not to be taken as “extra deck or engine-room hands to be used and exploited” [College Interview 1]. This, according to this training administrator, is what many ship-owners put cadets through on-board their ships at sea. Furthermore, the “white gloves” views of the training manager might perhaps be an illustration of the type of unsupportive attitude that seems to be emerging



strongly as a characteristic of some of the sponsoring companies and their training agents.

It certainly did not appear to me that any of the cadets I interviewed could have joined with the 'white glove' illusion as suggested by the training manager. They might have been young, and some might have looked physically small, but all of them explained that, when they went to college and eventually to sea, they knew it would be tough. One cadet described this as follows:

I expected that I would be assigned to various officers in different sections at different times to work with, practise skills and be assessed by the training officer, but no, I was there mainly as part of the crew and did not know what was going on with my training and when I approached the training officer about it he got very cross [Cadet Interview 1].

(ii) Lack of care and Support both from Senior Sea Staff and Shore-side Management

The issue of insensitive and unsupportive attitudes from senior officers on-board came up frequently as one of the main reasons behind cadets' decision to drop out of training. Many of the cadets complained about impatient and insensitive officers. One cadet, for example, described his situation as follows:

I did not enjoy the training, especially at sea... it was hard work and I did my best but the chief officer kept threatening to send me away...that I was lazy. When I complained to the training company they just did nothing, not even respond [Cadet Interview 3]

The cadet interview data confirm that while many cadets are prepared to do hard work, they are not prepared for the unsupportive training atmosphere in which they find themselves. The following extract demonstrates this:

Oh no, I went in knowing well what to expect.... I would be stupid to expect it to be easy. It is just the attitude of my training company and the other officers on-board that discouraged me [Cadet Interview 7]

The issue of poor relationships between cadets and their training officers came up in a majority of the interviews. According to one cadet the training officer on his ship "behaved as if I was an inconvenience on-board if I was not somewhere out of sight washing and scraping" [Cadet Interview 1].

Perhaps the worst account of this lack of concern for the welfare of cadets came from one cadet who was forced to quit because the master could not let him take time off to

be with his fiancé who had just miscarried and the company ashore offered no assistance in spite of the fact that the cadet appealed for intervention:

I had many problems after I started the training but it was clear to me that no one cared; my father died while I was away at sea the first time...the captain complained that I had overstayed when I rejoined the ship... I was really unfortunate because during the next sea phase I was told that my girlfriend had miscarried. This time I was told I could not go...when I complained to the training company they said if I left I should not come back... [Cadet Interview 9].

Although there were few similarly extreme accounts of insensitivity from sponsoring and training companies, there were many more descriptions of less serious scenarios which, cumulatively, indicate a bigger problem with the way these companies relate to their cadets.

### (iii) Loneliness and Isolation

One big problem which cadets face at sea seems to be loneliness and isolation. This could be partly because, as the data across the board indicates, many of them are young and have not been exposed to life away from home before. But it could also be because the conditions under which they have to live and work are stressful and, as much of the data suggests, because there are not sufficient support mechanisms for those who need it. Looking at the cadets participating in the study it was clear to me that many were clearly capable of handling the strain of the long periods away from home while some could, clearly, only do so with support. Whatever the case, loneliness is a major problem but one which can be easily solved with support from sponsors, including constant counselling for those cadets who would benefit from it. One such cadet gave the following account:

You don't have anyone to talk with and everybody is busy and you miss home.... I missed home....everything, my family my friends, everything, hanging out with my mates....I just missed it all [Cadet Interview 10]

Another cadet explained:

At college it was easier because you make friends and you go out and it is like home....but at sea, it is not the same....you can't really make friends and it is not the same [Cadet Interview 3].

This sense of isolation came out very strongly in the account of one cadet who described how his cousin passed away while he was at sea and, when he came home after the funeral, he just felt afraid to go back to sea. Although he went back, he decided to quit soon after because he could not shake off that feeling of dread:

I was not able to get off in time to attend the funeral and when I came home I just imagined if it had been someone closer to me, say, like a sister, a brother or a parent [Cadet interview 6].

This is clearly a drop-out case which might have been prevented with proper counselling and emotional support. As the cadet put it himself:

There was no other problem about the training which I could not handle. After my cousin's death I just felt too far away from home [Cadet Interview 6].

Seemingly, one main factor which causes this loneliness and a feeling of isolation is the lack of adequate communication facilities on-board. In some accounts the ships had telephone and e-mail facilities which the crew and the cadets could use to communicate home. In most cases, however, such facilities were only available for official communication and, for the crew, only in cases of emergency. Many cadets who were on such ships had no way of communicating with their families which increased their sense of isolation and enhanced the feeling of loneliness. One cadet explained:

The telephone, you could only use it in emergency cases, not to just talk to your parents unless in an emergency....e-mail as well. They were only for official communication but if you are friends with the master or chief officer you might get to make frequent calls home [Cadet Interview 1].

In other cases the loneliness and isolation came out as a sense of frustration arising from work pressure and lack of shore leave at the ports of call. Many cadets expressed the constant hope that they would be given some time off to, as one cadet put it, "go into town, make a phone call or just walk around and get some fresh air" [Cadet Interview 5]. The cadets, however, described situations where, port calls were dreaded because there was always too much pressure to either finish loading or discharging activities within the shortest time possible:

The port was probably the worst point because you knew you were in port but you could not get off the ship....this is where the work was hardest, I guess, because the clock was ticking.... It would have been a great relief to go ashore even for an hour or so [Cadet Interview 10].

Loneliness, isolation and work pressure are some of the problems that have been identified elsewhere as causing depression in many seafarers worldwide (Ellis, 2007; Kahveci, 2007). It is, therefore, not surprising that cadets should find it even harder to cope with the pressure at sea.

#### (iv) Difficult Lifestyle On-Board

Difficulty of lifestyle at sea is a problem that was identified by all cadets although different cadets had different reasons for finding it so. The majority of them raised issues related with food, accommodation and recreational facilities as the main reasons they found life unbearable on-board. One cadet described his ship as “old and run-down” and described poor living conditions on board:

My first sea-phase was on-board an, old rundown, ship with the worst conditions, honestly.... The accommodation cabins were few and horrible and we had to share. There were basically no decent facilities of any sort on board that ship, no entertainment, no communication, nothing!..... It was very hard for me [Cadet Interview 1].

Even where cadets were placed on-board relatively new ships, still issues of small sleeping cabins and a generally uncomfortable atmosphere came up.

However, contrary to popular ‘myth’ that the multinational nature of present-day crews discourages British cadets, there were no accounts indicating that this was a problem in spite of the fact that I put this question to my cadet interviewees directly. Apart from a few accounts of difficulties with language, conflicting cultural perspectives and practices, there was not much to indicate that cadets were particularly put off by working with foreign nationals. Certainly there was no indication that it led to cadets choosing to terminate their training programmes. In fact one cadet described the multinational composition of the crew as “probably the only good thing on that ship...makes it all more exciting” [Cadet Interview 1].

Another cadet said:

Most of the people on that ship were from different countries but many could speak English so language was not a problem and many of them were really friendly and fun [Cadet Interview 3]

It seemingly only becomes a problem when the sponsors are not careful with the process of assigning cadets to ships such that a cadet ends up being the only British, or indeed, the only English speaking person on-board, as in the case described below:

They put us on an all [foreign] crewed ship and not many of them could speak English. Initially there were two of us [British cadets] and so I had someone I could speak with.... It was very difficult to relate to the others because we just could not understand each other. But the other British cadet left after a few weeks and so I was all alone and it became very lonely [Cadet Interview 4].

In another account a cadet found himself as the only English speaking person on-board a ship with a predominantly Eastern European crew. After complaining he was transferred to another ship and although he eventually quit, the decision had nothing to do with that incident. It was rather a combination of many factors which created a bad experience for him.

Cadet experiences, both at college and at sea, have a big impact on the quality and quantity of skills produced at the end of the training process. As I have already indicated earlier in this chapter, there seems to be a large number of cadets who become discouraged along the way and prematurely drop out to seek other options ashore while some stay on to the end of the training but one might put a question mark on the competency of many of those who complete considering how much the general atmosphere might undermine their confidence in the profession. It is important to note that the problems discussed above relate to all, if not most of the cadets, including those who felt well cared for by their sponsoring companies. The difference only lay in the way such problems were addressed. Whereas some companies and their training agents took pains to solve cadets' problems and make them as comfortable as possible, the majority left them to their own devices. It is the cadets of companies in the latter group who dropped out the most as confirmed by one training manager:

From my experience here I can tell you that the companies which take good care of their cadets and consequently experience less incidences of cadet dropout are those that take good care of their cadets. Cadets require a lot of support and encouragement because, to be honest, the training is tough, especially at sea and most of the cadets are very young. Some companies are willing to give this support but the rest just don't care [Training Agency, Interview 11]

It is therefore fair to conclude that the overall problem is mainly one of lack of support rather than any of the reasons presented by many shipping companies and training agencies, which would not lead to increased dropout rates if such support were available to all cadets.

#### **7.4.3 Employment Prospects**

According to the Mckinnon Report “Junior Officers Employment Study” (2006), the industry, and the government, argues that there is no lack of employment for British junior officers. However, the evidence from my research indicates diminishing confidence among cadets about their future career prospects. Many cadets were clearly anxious about whether or not they were going to get jobs at sea and the data show that the situation is directly contributing towards high cadet wastage rates in the UK. Furthermore, the Mckinnon Report, which is based on a questionnaire survey involving UK based shipping companies, draws its conclusions from company statements of expectation rather than a solid commitment by companies to employ British junior officers.

Employment prospects are one of the problems affecting skills development in the UK and this might happen in four different ways. Firstly, cadets are anxious about their career prospects after completion of training and, considering all the other factors discussed earlier, may decide to drop out and seek other more promising career options. Secondly, and less directly, the fact that UK based shipping companies are not interested in employing British junior officers means that they are not genuinely interested in training cadets from the UK. This is certainly a major contributing factor to the deteriorating cadet training experiences since the sponsors are not keen to actively support their cadets during training. Thirdly, many years of diminishing employment opportunities might have created a negative perception towards seafaring which might discourage many eligible candidates. Finally, if newly qualified officers do not get jobs, they miss out on the essential post-training experience building opportunities. From my cadet interview data and data from sponsoring company managers I am in a position to discuss the first and second possible effects of this phenomenon but I can only comment on the third and fourth effects deductively since it is outside the general scope of the study.

Many of the cadets clearly explained that they were uncomfortable with stories about lack of jobs for British officers. One such cadet was convinced that it would be hard to get a job because, as he put it, “seafaring jobs are going to foreign people who are cheaper” [Cadet Interview 3]. Such fear, according to many cadets, was influenced by media reports and stories from other sources that the profession is becoming a ‘third world occupation’ (Nautilus-UK Telegraph, 2006; Cargo Security International Magazine, 2006). The following three extracts clearly show the effect of career anxiety on cadets:

I started hearing stories from other crews that the company was really bad and one senior officer....they said the company only employed foreigners, said I was wasting time if I expected a job with them, he said. I could not take the risk [Cadet Interview 10].

And

People are talking about lack of jobs and, of course, it is discouraging.... I did not want to sit around and take chances [Cadet Interview 11]

And

They say that there are no jobs for British officers, not anymore; everybody is talking about it and it is discouraging..... Companies are employing foreigners.....they claim that the British want too much money.... Too expensive....it is very discouraging....better to find something more promising [Cadet Interview 3]

Many of the cadets taking part in the interviews explained that such fears formed a big part of the major reasons for their dropping out as the above extracts further show. Another one concluded much the same by saying:

I thought I would lose other opportunities if I waited around, so I quit and joined university instead to study engineering. Maybe I will work for a ship management company when I finish [Cadet Interview 7]

It also seems as if this scepticism about the future is encouraged by some training agents. These agents made it clear to the cadets, on recruitment, that they could not guarantee them any jobs with the sponsoring companies at the end of the training. One such cadet explained:

My company made it very clear from the beginning that there were no job guarantees.... I stayed on because my aim was to become an officer of the watch.... I was aware of some of these problems but then all other

professions have their own problems. I was willing to give it a go because I was interested. [Cadet Interview 2]

Another one added:

No, there were no guarantees but if you are interested in something, you go for it. Sometimes you don't pause to think all these things but they become too much when you are in and actually living them, I guess that is what happened here [Cadet Interview 4].

One might wonder why such cadets choose to take up the cadetships but, it appears that many do so because of the pay received for training. However, many of them explained that they held hopes that eventually they would get jobs, if not at sea, then on-shore. Many saw the programme as a good opportunity for receiving training and acquiring valuable transferable skills, particularly engineer cadets. As the following extract suggests:

The good thing about it was that that it was fully paid for opportunity to get good training, so I didn't have to worry about loan repayments..... I was not too worried then; I thought I would eventually get a job, if not at sea then ashore [Cadet Interview 2]

Unfortunately, as with the issue of limited training support discussed earlier, few of the cadets were guaranteed jobs by their sponsors. Some of the cadets explained that their sponsors made it clear that they would give them jobs but, as one such cadet put it "they made it clear that we would get jobs but depending on performance; only the best performing cadets would be given jobs" [Cadet Interview 6]. Only a very small number of the cadets, however, fell in this category. For the majority no jobs were offered and, seemingly, there were never clear indications of job possibilities on-board the ships of their sponsors. The following interview from a company HR source shows this clearly:

That is a promise we cannot guarantee to keep and so we do not make the mistake of giving one. I honestly don't know of any industry in which companies promise and guarantee employment to trainees in colleges. [Shipping Company, Interview 10].

Clearly, this exacerbated cadets' career anxieties and forced some to reconsider their decisions to join.

So, the data shows that there is a problem caused by lack of 'positive support' and encouragement for cadets from sponsoring companies. This was clearly demonstrated by the views of many HR Managers on cadet training and employment which



constituted strong evidence of a reluctance, on the part of UK based shipping companies, towards employing British junior officers.

The main argument presented by these managers was that British junior officers were too costly as compared to many other nationalities from low-cost labour supply countries. Thus, one company source explained that the issue of cost is still a big problem and that the company could not afford to employ British officers when there was a cheaper and equally suitable supply elsewhere:

I don't need to tell you that we are in business for profit, otherwise what would be the use... we cannot employ British officers, or any others for that matter, if it is not profitable for us....cost is still an issue and it would be plain stupid to employ British simply because we are based in the UK when we can do better with many other cheaper sources [Shipping Company, Interview 16]

There are three main consequences of this lack of employment opportunities for qualified junior officers on-board British ships: firstly, it is a discouraging factor to prospective candidates for cadetships; secondly, the fact that UK based employers do not rely on the British officer labour market undermines their commitment to genuinely underwrite its development in terms of training and thirdly, it has a negative impact on the confidence of cadets and could ultimately undermine the general competency of British shipping skills.

Over the years deteriorating employment prospects for British junior officers have created a bleak image of the seafaring career. In the 1970s and 1980s, when many ship-owners flagged out and employed foreign crews, many British officers were made redundant and left jobless. Many of the officers who went through this period still narrate stories of neglect and abandonment by both the government and the industry. The following interview extract from such a source shows this clearly:

The seventies and eighties....those were very bad years... we were in very pessimistic times... I wasn't offered a job when I qualified and got my second mate's certificate...that wasn't a unique experience, it was happening all over the UK shipping industry. People were being laid off and made redundant all over. Some were being sacked and re-employed the following week under completely different and certainly lower conditions because their ship had ceased to be British over-night.... I can tell you this, I wouldn't encourage my son or anybody I know to join seafaring, and it is just not worth it with all the indifference you see around from both the government and the industry [Shipping Company, Interview 2].

It is such accounts which have shaped the view that the seafaring career is not rewarding such that although a lot of ground has been gained in terms of creating awareness and calling people to sea, the overall response is still much lower than would be expected twenty years ago. As noted by one training manager:

We are now getting many more applicants but I must say that there is still less enthusiasm among young eligible British people than, say, twenty to twenty-five years ago [Training Agency, Interview 21].

Many of the cadets I interviewed expressed lack of confidence in the system and feared that they would not get employment after training, and this is perhaps a good indication of the discouraging effect poor employment prospects have on young people as they contemplate taking up training for sea careers.

With regard to undermining companies' motivation and commitment to train British cadets, the data here show that because companies are not interested in employing British junior officers they lack the essential economic motivation to invest in their training. This is in line with the basic economic reasoning which dictates that the level of an industry's motivation to develop a certain labour segment is directly proportional to its economic interest and expectation of profit from that particular segment. The following interview extract from a company source best illustrates this connection, or lack of it:

.... since we stopped relying on British officers, the whole training thing does not mean very much to us. We train because we have to under the minimum training commitment to be honest. If British officers formed a major part of our labour force then it would mean something but it doesn't. This might sound arrogant but that is the way it is; it is the reality on the ground [Shipping Company, Interview 17].

This approach has a great bearing on both the training and the overall output because, as I have suggested in previous sections of the chapter, poor employment prospects can discourage prospective candidates but, perhaps more importantly, it also leads to high drop-out rates as a result of companies' lack of motivation to train, considering that they are not interested in British junior officers. This has a direct and immediate impact on how cadets experience their training.

## 7.5 Structural Failures

According to the government and its maritime training agencies, all the tonnage tax companies are engaged in cadet training. What does this mean however in terms of actually producing qualified junior officers? Does this say anything about their actual commitment to training? Evidence shows that the annual drop-out rate, in cadet training institutions, is very high at 8% (BIMCO/ISF, 2005). The college administrators participating in the study quoted a figure of between twenty to 30% annual cohort dropout rate. Such evidence indicates a big problem with cadet retention. Steps towards improved living and working conditions on-board, creating a friendly and productive training atmosphere for cadet on-board ships and better employment terms could increase retention rates significantly. Many of the ex-cadets I interviewed mentioned difficult lifestyle on-board and overall poor training experiences as the main reason for quitting the training. One explained that:

*Cadet:* It is really the lifestyle, it is really hard life and it was my first time so it was very tough. Maybe it is the particular ship that I went on but living conditions were very poor and communication was by e-mail for which you had to get the permission of the captain who was not very friendly most of the time....no social amenities of any kind and accommodation facilities were very bad

*Interviewer:* Why do you say 'maybe it was the particular ship'?

*Cadet:* Some of my friends said that their ships were very good and the facilities were good. They even had TV and DVDs and gymnasium on-board [Cadet Interview 6].

The accounts of ex-cadets and training staff in colleges suggest that many cadets drop out during or soon after the first sea phase. It seems that the sudden change from the relatively comfortable lifestyle at home and at college with proper accommodation, good food and friends and family around is traumatic for many of these young people mainly, sixteen to eighteen years of age.

Another issue which seemingly contributes to cadet attrition is the suitability of many of the ships that offer training berths. A few of the ex-cadets explained that they found their training experience on-board frustrating and it seems that this could be partly because the ship they were allocated to was not suitable. This, as the following quote will suggest, not only refers to the physical conditions of the ship and the standard of living facilities but also the temperament of the senior officers in charge of the cadets.

There were many accounts in which cadets had to put up with impatient and intolerant senior officers. One such cadet explained that he felt like an inconvenience on-board because of the impatience with which most of the senior officers treated him:

There was two of us, cadets, on-board and almost everybody was impatient with us. We felt like we were a nuisance and an inconvenience. The worst of all was our training officer who simply did not have any time for us at all.....it was a frustrating waste of time and I was not enjoying it so when we got to the next port, I asked to leave [Cadet Interview 4]

Not all vessels are suitable for training and great care has to be taken to ensure that cadets are put onboard ships that will give them encouraging first-time sea experiences, according to one college training officer. Unfortunately, it seems as if, many of the sponsoring companies do not pay much attention to this. My interviews with cadet training colleges and training agencies also revealed another problem: only a few companies have any actual involvement in the process of training. Seemingly, once they have delegated the training duty to agencies, many do not have any interest at all beyond the funding, according to the manager of one training agency:

Some of these companies have no interest whatsoever in the cadets they sponsor. You will be surprised to know how many ever have any contact with their cadets. Their involvement rarely goes beyond delegation and cheque-book sponsorship. [Training Agency, Interview 21]

This lack of close contact between sponsoring companies and their cadets could be a discouraging factor leading to the poor cadet retention rates. The age at which cadets enter training in the UK is very young; as early as sixteen years. Such young people require great attention, reassurance and encouragement which, according to the manager in the quote above, is lacking. One of the ex-cadets I spoke with confirmed this:

*Interviewer:* In what ways did this [lack of contact with sponsor] affect you during training?

*Cadet:* I guess it would have made a difference to know that the sponsoring company cared and valued me. We knew that (...) was only an agent and we knew our sponsoring company but never met them and never heard from them.....I guess it is also, you know, discouraging, you know, because some of the guys were treated very well by their companies. They were paid well, they were paid visits and encouraged, you know....it was just discouraging (Cadet Interview 3)

Because of such issues, some training administrators in both training agencies and colleges seem to have reached the conclusion that the commitment of some of the

companies to train cadets is only as a fulfilment of the requirement for entry into the tonnage tax, as illustrated by the quote below:

Unfortunately the training commitment is no commitment at all. It is simply a requirement for companies to fulfil so that they may benefit from the tonnage tax and that is how it is being treated. These companies do not care about the quality of cadets admitted on their behalf, they do not care whether or not they complete the course and, unfortunately, many of the training companies out there do not care much since they are in business and it does not cost them a penny if a cadet drops out or not [College Interview 1]

This conclusion may not be too far off-the-mark considering that, according to the nature of company employment policies discussed in chapter six, many of the companies are not interested in employing from the British pool of junior officers. In the view of the manager of a training agency I visited, operators are not genuinely committed to training because they are not interested in the final product, the qualified junior officers:

If the companies were interested in the final outcome of the training, i.e. wanted to employ them when they qualify, they would be more involved....I can tell you this, the few companies which genuinely train and want to employ always follow-up. They get involved in the selection and they monitor the training through college and sea phases. The rest just don't care [Training Agency, Interview 9]

A greater part of the issue here might be driven by what was described by government officials, taking part in the study, as a 'short-termist' mentality by many operators, which means that their recruitment strategies do not focus on any long term labour agenda. They are happy to reap the 'here-and-now' benefits of cheaper labour in one part of the world while preparing to move to the next area once it is exhausted. This view was confirmed by the manager of one of the largest recruitment agencies in the UK who explained that:

Owners are always looking for cheaper labour and are not interested in long-term investment in any long-term labour source. Once they exhaust one source they quickly move to the next [Recruitment Agency, Interview 8]

This research and, especially, the data generated with ex-cadets, their colleges and training agencies, directly challenge the popular industry mantra that the failure to increase the number of officers in the UK is because seafaring is no longer attractive to the youth of Britain. Instead the data indicate a much more disturbing problem - poor

training experiences, disillusionment and failed cadet retention - which is caused by the discouraging attitude of the majority of UK-based employers and their apparently negative view towards cadets and the training process.

## **7.6 Assessment**

For the tonnage tax strategy to succeed in its contribution to the recovery of UK shipping, the commitment to train cadets must be understood not only as a call for financial support for cadets and their training but also as a commitment by companies to encourage and care for cadets throughout their training. It should be understood as a continuing obligation to support and promote a training tradition. It must be a commitment to positively and continuously underwrite cadet training in the UK. Such training would involve designing effective marketing and promotion activities to positively sell sea careers, developing elaborate mechanisms for supporting cadets through their training which cater for both the material and emotional needs of the cadets and creating job opportunities for British junior officers on-board British ships.

The data presented in this chapter has shown that shipping companies and their training agents, and, the training companies do not agree on the explanation for the failure to increase seafaring skills in the UK. While a majority of the companies argue that the unwillingness of British youth to go to sea is frustrating their efforts to recruit and train cadets, the training colleges, as well as some companies and training agencies, are convinced that there are many young people in the UK who would like to become seafarers. They insist that companies' failure to actively support and encourage cadets during training is the main problem because many cadets who face difficulties and problems during training are left without support and have no choice but to drop out. Their argument, therefore, is that the problem hindering seafaring skills development in the UK is one of high dropout rates rather than a failure to attract people into the programme.

Perhaps the most overwhelming evidence on this issue is in cadet interview data which confirms that many cadets are being forced to drop out of training because of the unsupportive and discouraging attitudes of their sponsors. Though it is not directly obvious from the data, careful interpretation, leads to the conclusion that diminishing employment opportunities for British junior officers on-board British ships might be the main force influencing low training output levels. There seems to be a correlation

between poor employment opportunities and companies' unwillingness to genuinely underwrite cadet training and, by extension, high dropout rates. Companies are not commercially interested in British junior officers and, it is not necessarily in their best interest to actively promote their training.

The importance of boosting employment opportunities, as the best way of encouraging seafarer skills development is clearly acknowledged by both the government and the unions. This is clearly spelt out in the shipping policy document *British Shipping: Charting a New Course*:

...promote the employment and training of British seafarers in order to keep open a wide range of job opportunities for young people and to maintain the supply of skills and experience vital to the economy [Charting a New Course, p.3]

According to the seafarers' unions the design of the tonnage tax does not show a serious commitment, by the government, to promote seafaring skills building because there is not enough emphasis on job creation. One union official argues that:

The government does not really care very much about UK seafarers. If they had been concerned about seagoing staff, they would have acted a long time ago [Union Interview]

In their submissions to the House of Commons Sub-Committee on Transport, while pushing for the introduction of an employment commitment, the unions argued that:

If the legislation is seriously aimed at the increase in UK based seafarers, there is clearly a case for establishing a method whereby these cadets are able to secure stable employment within the UK fleet [Employment Link, 2004].

Shipping companies are however, clearly unwilling to enter into any binding employment commitment because, they argue, British junior officers are too costly to employ and still remain competitive on the international shipping market. Considering that any hopes of increasing UK based junior officers are dependent on companies' willingness to employ them, the important question is: how can the government convince employers, who clearly have cheaper alternative labour sources, on the international open market, to start employing more British junior officers whom they consider too expensive? Chapter eight will attempt to answer this question.

# CHAPTER EIGHT

## Assessment; Limitations to the Tonnage Tax Response

### Introduction

The purpose of this thesis is to assess the extent to which states retain the capacity to effectively respond to economic globalisation and mitigate its negative impacts. The specific focus is the British seafaring labour market where the number of qualified merchant navy officers has diminished over the past three decades thus affecting the supply of seafaring skills as well as essential technical skills to the wider shore-side maritime industry.

The rapid and extensive globalisation of the world economy, in the past four decades, has had a big impact on states and their capacity to regulate the economic activities of giant global corporate businesses. This has come about as a result of the deterritorialisation process driven by multinational businesses and the growing influence of corporate capital on the politics of national governments. Increasingly, due to the growing international mobility of corporate capital and finance and the associated threat of 'capital flight', national governments have been forced to adopt policies which promote free market ideologies and corporate capital interests, often at the expense of other important social obligations like employment and social welfare, in order to attract and retain capital investment (Hall, 2003; Harvey, 2005).

The emergence and rapid growth of globalisation and the influence of neoliberal ideologies has rendered national borders highly porous and opened up national economies to free market practices and influences (Beck, 2005; Wolf, 2005). As a result multinational business enterprises have spread their activities world-wide and acquired immense economic and political influence. A situation has arisen, therefore, where most national restrictions on the international movement of trade, finance and capital have been eliminated with the result that the world economy is now largely controlled by few but very wealthy, highly mobile and powerful business corporations. This has triggered the argument that the nation state is no longer capable of effectively regulating the economic activities of global corporate markets. Susan Strange (1996: 4) observes that



“where states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters of states”.

The problem for national governments operating within a neoliberal paradigm is that globalisation presents two constant threats; capital flight and loss of employment. Capital and labour are both important elements of national economies but under neoliberal politics, governments have made the case for promoting capital markets over domestic labour with the argument that it is good for economic growth and that it eventually leads to employment (see Chomsky, 1999; Harvey, 2005). Furthermore, they argue that the option of promoting local labour is a difficult one in a free market economy which fosters free enterprise and encourages businesses to make the most profitable factor combinations for production (see Chomsky, 1999). They would therefore argue that to interfere with capital’s global exploitation of cheap labour is to ‘strangle’ free enterprise and undermine economic growth. This follows the abandonment of the Keynesian approach to economic management through ‘full employment’ policies, in the 1970s and the adoption of Neoliberal policies of capital accumulation (Harvey, 2005).

Global corporations have, as a result, managed to exploit cheap labour, world wide, for profit maximisation, by the enabling free-market policies which have, over the past few decades, deregulated national labour markets. States have, in addition, introduced legislation which undermines the bargaining capacity of labour and enhanced the power of employers. In a highly deregulated market situation like this, the national labour markets of high-wage countries like Britain have become increasingly prone to decline as corporations seek cheaper labour elsewhere in the low-wage developing world. The overall effect has been that wage rates have been kept low worldwide. This argument essentially suggests that neoliberal governments have actively and intentionally promoted the free capital market agenda and further enhanced the ‘symbiotic relationship’ concept that I have alluded to in previous chapters (See chapters two, three and six). The down-side of the neoliberal paradigm, for states, especially, economically advanced and high-wage states, is that it has led to a huge decline in the skills base of many sectors. The question for these states is: having initially committed to neoliberalism and free markets and entered into this symbiotic relationship with global capital, how do they respond to this consequent skill erosion?

The problem is that, over the years, especially, in the last three decades, global corporate capital has acquired considerable influence over national governments which they effectively use to guarantee and maintain their position of advantage with regard to resource exploitation. Furthermore, because of their global mobility, and the uneven structure of the global economic landscape, their greatest and most effective tool for controlling state intervention in the market is the threat of capital flight. Any government that attempts to intervene in the market and apply strict regulation to corporate activity risks the loss of capital investment.

The shipping industry is a good example of such developments. As a result of the extensive deregulation of the global shipping labour market and national governments' anxieties about loss of tonnage, ship-owners have acquired considerable influence with states which gives them a 'free-hand' in the exploitation of global seafaring labour. Corporate capital in the shipping industry has a particularly high capacity for 'international flight' due to the mobile nature of its primary capital assets, ships, and its labour force. Furthermore, the international structure and organisation of the industry allows companies to move capital assets to, and set up operations in, any country of choice with few restrictions from national governments (See chapter three for a full discussion). Because shipping assets are mobile and cheap labour is readily available on the seafarers' global labour market, the process of relocating operations from place to place is relatively inexpensive, especially when compared with land-based industries.

As a result of this global capital 'buoyancy' in the shipping industry and the resultant threat of tonnage flight, states have engaged in fierce competition with each other, for the better part of the 20<sup>th</sup> century, over shares in the international shipping industry. While emerging maritime nations have worked hard to attract as much of world tonnage as possible, Traditional Maritime Nations have fought to regain and retain 'their' ships. Unfortunately, as explained in chapter three, the struggle for tonnage has been based mainly on a strategy of reducing regulations in order to attract tonnage leading to a situation of overall deregulation (Selkou and Roe, 2004; DeSombre, 2006). In the past three decades Traditional Maritime Nations have been losing the battle for tonnage because, despite their efforts to relax regulation, many ship-owners and operators have preferred to operate under the very lax and less costly regulatory regimes of Flags of Convenience (Lillie, 2006).

High rates of corporate tax, stricter labour laws and stronger safety and environmental protection regulations, enforced by industrialised maritime flag-regimes like the UK, coupled with increasing competition from companies operating under less regulated and low-cost Open Registers, have increased ship operation costs and reduced profits. Consequently, many operators have relocated their assets and operations to Open Registers leading to a rapid and drastic decline in the shipping industries of Traditional Maritime Nations (Lillie, 2006; DeSombre, 2006).

One of the main reasons for ship-owners' and operators' decisions to flag out was to have access to cheap crews from labour supply countries in the developing world. Because operating costs are high and most of the major ship operation cost items are fixed, operators often look to crewing costs when seeking to cut overall costs. Crewing costs are seen by many to be easily manipulated by operators via a move from one source of labour to another (Klikauer, 2003).

Unfortunately in the years before the 1980s, strict crew nationality regulations imposed by traditional flag-regimes, keen to protect their domestic seafaring labour markets, meant that the ship-owners could not employ the less costly foreign seafarers available on the international market without flagging out. By flagging out to open registers, companies also avoided officer training and employment obligations imposed by their national governments. Both the training level and employment opportunities for seafarers in developed countries therefore diminished leading to a rapid and drastic decline in local seafarer labour markets. Countries like the UK and other Traditional Maritime Nations of Europe including France, Germany, Denmark and the Netherlands, therefore, lost both significant quantities of registered shipping tonnage and their seafaring skills base. Furthermore, they subsequently found that they had lost the capacity to effectively enforce environmental regulation protecting their coastal waters and marine economy because most of their own (beneficially) tonnage, and the largest percentage of the world fleet, were effectively under the legislative jurisdiction of the Open Registry regime.

This highly competitive atmosphere between flag-states led to a general deregulation of the industry (Alderton and Winchester, 2002; Selkou and Roe, 2004; DeSombre, 2006). Traditional Maritime Nations were forced to abandon their rigid regulatory stance vis-à-vis shipping labour and capital in order to stop the tonnage 'haemorrhage' and the

related skills decline. Some of the major deregulatory measures that national governments like the UK introduced included: tax concessions for shipping companies, elimination of regulations prohibiting, or restricting, the employment of foreign seafarers by ship-owners and a relaxation of ship registration conditions. Effectively, these formally strictly 'closed' registers took on an increasingly 'open' outlook.

That the growing power of corporate capital has greatly undermined the capacity of national governments to adopt and effectively implement strategies and policies which are not in their interest is, perhaps, best illustrated by the inadequacy of the UK government's response to the decline in the local seafarer labour market. After decades of decline, the UK government decided to respond with a recovery strategy aimed at rebuilding both the UK register (in tonnage terms) and seafaring skills. The response took the form of the UK Tonnage Tax and was introduced in 2000. The tonnage tax is basically a tax policy initiative which is meant to encourage ship-owners, both British and others, to register and commercially manage their ships from the UK. In return for the generous tax concessions ship operators are required to recruit and train UK cadets or to make a compensatory payment towards training in order to replenish the depleted pool of qualified UK officers.

The main motivation behind the government's response and efforts to rebuild the seafaring labour pool seems to have been the need to replenish diminishing essential technical skills for the shore-side maritime sector. Operations like, marine survey, marine insurance, ports and harbours, marine law and technical ship management, require people with seafaring skills and experience but the number of such people has diminished, over the past three decades. The UK shore-side maritime sector is thus currently facing a shortage of such skills (Brewer, 2007).

According to the government the best way to replenish such skills is through the increased recruitment and training of UK cadets who, after some years of experience at sea as officers, are expected to transfer their skills ashore. To this end, ship-owners and operators must bear direct responsibility as financial sponsors and trainers. In its response strategy, the government therefore set out to:

1. Stop and reverse the decline in the UK fleet;
2. Stop and reverse the decline in maritime skills, and;

### 3. Boost growth in the shore-side maritime cluster of firms.

Unfortunately, although the strategy has succeeded reasonably well in increasing the UK fleet, it has not been an effective stimulus in increasing the numbers of qualified British junior officers. As explained earlier, growth in the shore-side cluster was expected to come as an extension of growth in the fleet. Although there has not been any study on how much the shore-side cluster has grown, my interviews with government officials and industry managers indicated that the number of ships managed from the UK has increased as a result of the requirement that all tonnage tax ships must be commercially and strategically managed from the UK, thus expanding the sector significantly. The output of junior officers from UK cadet training programme remains low and the pool of officers has generally continued to decline in spite of the tonnage tax strategy (BIMCO/ISF, 2005; Glen, 2006). The possible reasons for this have been analysed and discussed extensively in chapters six and seven.

The question here, as described in chapter three with regard to the main research question is: having initially committed themselves to the neoliberal paradigm and deregulated local seafaring in order to promote free markets and enhance the competitiveness of global shipping capital, how successfully can governments turn around and mitigate negative effects of capital flight such as the erosion of local seafaring and shore-side maritime skills? This chapter presents a data-based assessment of the themes emerging out of the data analysis in chapters five, six and seven. It consolidates the narratives developed and addresses the various research questions guiding the study. The main focus is on the obstacles and possibilities in the process of state response and it discusses some of the main reasons for the state's inadequate response (through the tonnage tax) and explores some possibilities.

## **8.1 Government Responses to the Globalisation of Shipping**

As highlighted above and discussed in chapter three, the main strategy adopted by the government, to respond to the decline in the shipping industry, was the introduction of the tonnage tax. All companies operating their ships under the UK tonnage tax are subjected to a flat rate tax which is not only much lower than the normal corporation tax but also offers predictability and stability and thus creates an investment friendly atmosphere for ship-owners. Moreover, it was not only the immediate ships' earnings

which would benefit from the tax reductions but all of the company's businesses reasonably related to the management and employment of the ships.

Prior to the introduction of the tonnage tax, however, the government had introduced the SMarT scheme which was meant to increase funding for cadet training. This scheme, which was introduced in 1998, is divided into five different categories with the objective of covering all the possible areas in the training process including recruitment, training and funding of cadet programmes and also covering all possible paths of seafarer skills development (See chapter five for a detailed description). Another important initiative introduced prior to the tonnage tax was a scheme through which the government subsidised some of the national social security contributions and income tax for British officers employed on deep-sea vessels in order to reduce some of the companies' non-wage crewing costs. It was hoped that, as a result of such reduction in non-wage crewing costs, UK based companies would find it cheaper and therefore consider employing more British seafarers.

Alongside the Minimum Training Obligation the government, together with the industry, also introduced the *sea vision* initiative which was specifically aimed at promoting seafaring careers to young people in order to increase awareness and encourage more interest in seafaring careers. In addition, the government also introduced the B.Sc Nautical sciences and the Foundation degree training paths for cadets as a way of raising the profile of seafaring training and encouraging more people with good school qualifications to join seafaring (See chapter seven for a more detailed description). All these initiatives, plus the tonnage tax, form what I have referred to as the tonnage tax package of initiatives and make-up the government's response to the decline in UK shipping.

All the major stakeholders, among them, the government, the corporate industry and the unions, were concerned about the decline in UK tonnage and welcomed the introduction of the tax measures to encourage growth. The government was concerned about the negative impact of the decline on the UK economy while the unions were concerned about the huge decline in membership due to loss of employment and hoped that rebuilding the fleet and boosting expansion in the shore-side maritime cluster, through the reduced corporation tax, would eventually lead to an increase in jobs for British officers.

To promote the recovery of seafaring and the general maritime skills base the government included a training commitment into the tonnage tax with the specific aim of boosting cadet training activities in the UK and increasing the supply of qualified junior officers. This was done in recognition of the fact that, for almost two and half decades, UK shipping companies had stopped training UK cadets. It was therefore deemed essential to encourage companies to start training again in order to boost training opportunities for school leavers.

As explained in chapter three, the training commitment, known as the Minimum Training Obligation is unique. Although many other EU member-states have introduced variations of the tonnage tax, none of them has got such an element which, in the UK's case, binds participating ship-owners into a commitment to train national cadets. It is tied into the tax incentives offered by the scheme as a condition which must be met by all those companies who wish to participate in it and benefit from the reduced tax rates.

Under the minimum training commitment ship-owners are required to train at least one cadet for every fifteen officer positions entered on the 'manning' certificate of every participating vessel. This commitment is strictly implemented by the government and failure to fulfil the requirement can lead to a company being expelled from the regime and, possibly, being charged with a criminal offence for defrauding the government (HMSO, 2000). This is because the government is giving shipping companies big tax reductions on the understanding that they will undertake to train British cadets. Failure to train could therefore be construed as defrauding the government. Furthermore, the government subsidises the companies' training costs by paying 50% of the total training costs per cadet. In 'very exceptional' circumstances a company is allowed to make a payment of £550 per cadet position per month instead of undertaking the actual training. According to government sources these 'exceptional circumstances' are very difficult to meet. This 'window of opportunity' was provided in order to make sure that all participating companies, even single-ship companies which lack sufficient training capacity in the form of berths, still make some contribution to developing seafaring skills.

Through the Minimum Training Obligation the government's intention was to address two skills problems; declining number of junior officers to work at sea and the decline in the number of people with seafaring skills and experience to work in the shore-side

maritime cluster of firms. Following the huge decline in the pool of qualified British officers between the 1970s and 1990s, a seafaring skills gap had been created whereby there were no qualified officers to take over the positions of retiring senior officers on-board British ships. The government wanted to fill this gap by increasing the supply of qualified British junior officers with the intention that they should quickly rise up the ship-board ranks and replenish the depleted seafaring skills. Apparently this aim was driven by the fact that many UK-based shipping companies, as well as some foreign ones, still preferred to employ officers from OECD countries, but especially British, because of the added advantage of language, in senior positions on-board their vessels. Seemingly, the tendency was thought to be a combination of crews from developed and developing countries such that the senior-most positions are filled with officers from developed countries and the rest with those from developing countries.

The government's aim was, therefore, to encourage the growth of the UK pool of qualified junior officers by encouraging ship-owners and operators to undertake to train more British cadets and employ more of the qualified junior officers in order to provide them with the essential experience. However, although the tonnage tax strategy contained the Minimum Training Obligation, it lacked an essential employment element which had been identified, in the shipping policy paper, *Charting a New Course*, specifically as one of the two most important requirements for the strategy to succeed in recovering seafaring skills, the other being training. The training commitment was essential because it would increase the supply of qualified junior officers but an employment commitment was also important because, having trained the cadets, they needed jobs in order to gain the experience required to effectively replace the retiring senior officers at sea and replenish the shore-side maritime skills.

Generally, the government strategy (the SMarT scheme, the sea vision and the degree training paths introduced) is a demand-side response. It has mainly focussed on increasing awareness and boosting cadet recruitment but not in boosting employment opportunities for the junior officers who would come out of the training. This is somewhat surprising considering that, clearly, the skills problem can be traced to reduced demand for British officers as a result of ship-owners opting to employ foreign officers. In the following section I will explore and assess some of the factors which shaped such a response.



## **8.2 What Shaped the Government Response?**

As already explained elsewhere in the thesis (See chapters three and five) the design and adoption of the UK tonnage tax, although involving several interested parties, was primarily a project of the government. The government's approach to finding solutions for the decline in the shipping industry involved a tripartite consultative process involving the main maritime stakeholders, shipping companies and the labour unions. Other parties, like the ports and harbours, were involved but to a lesser extent. This approach was necessary considering the complexity of the industry and the nature of the problem itself but it was also a difficult approach because of the divergence of the interests and limitations of the different stakeholders.

The government's intention was to stop and reverse the decline, in both tonnage and skills, and prevent a total collapse of the shipping industry because of its importance to the national economy. It was essential, in this respect, to attract ship-owners to bring back their ships into the UK register and to encourage them to locate their management operations in the UK thus expanding both the registered tonnage and the shore-side maritime sector. It was also essential to boost growth in the pool of British seafarers so as to ensure a steady and reliable supply of skills, both at sea and ashore. The main constraint for the government was its commitment to the neoliberal ideology which somewhat limited the extent of its response and made the response to both labour and capital a delicate 'balancing act'. Clearly, the government did not want to upset ship-owners because of the importance of capital to the economy while, on the other, it was aware of its social responsibility to protect and expand the pool of national seafaring officer labour.

Considering the complex consultative approach that the government used to arrive at its response strategy, it is no surprise that the final shape of the response was heavily influenced by the different parties involved. The government was faced with different and largely conflicting arguments from the unions and companies and it clearly decided to go for a strategy which it was hoped could address all interests. Nonetheless, the strategy supported the corporate position on costs.

The government had to take into consideration the unions' argument about employment loss, wage issues and working conditions for seafarers. There was a lot of pressure from seafarers unions, especially NUMAST, for measures which would increase training,

boost employment and improve the general working conditions of seafarers. Some of the proposals put forward by the unions included introducing employment legislation that would make employers provide more employment opportunities for British junior officers and less for foreigners. Alternatively, they suggested the introduction of employment subsidies for those companies willing to employ British officers so as to help cover the extra cost of doing so. Their main argument was that employment was the missing essential link that would ensure rapid and sustainable growth in the number of qualified British officers. This argument was largely based on the fact that the huge decline in the number of UK seafarers was, in the first place, caused by employment loss. This was an argument whose strength the government could not ignore because, as explained in chapter six, the government had also arrived at the same conclusion about the causes of the decline. The unions also further argued that improved employment prospects for junior officers would raise the professional profile of seafaring and 'repair' the negative perception that had been created through the long years of decline and ensure that seafaring attracts more young people with high academic qualifications.

The companies' main interest, on the other hand, was a more business and investment friendly atmosphere to enhance international competitiveness and profitability. They were, therefore, especially concerned with high seafarer wages and high corporate taxation and wanted the government to secure their continued freedom to recruit seafarers from anywhere in the world and also to introduce a more friendly tax system. Their argument was based on the fact that, because of high rates of taxation at home and stringent and costly regulations, they were disadvantaged vis-à-vis their competitors operating under less costly flag-regimes. They therefore called on the government to introduce measures which would effectively enhance their competitive capacity on the international shipping market.

Their other argument was about rising crewing costs and the need to reduce and maintain them at an acceptable level. Some of the proposals in this regard included government subsidies on cadet training, national insurance contributions for seafarers and National Social Security contributions. By the late 1990s, when the government was considering its response strategy, all shipping companies, including those which had not flagged their vessels out of the UK, were recruiting and employing, predominantly, foreign crews and they were comfortable with the fact that the government had, in the 1980s, succumbed to pressure to eliminate all crew nationality

requirements. The government was therefore under pressure from the companies to maintain the status as it was, guaranteeing this freedom of companies to employ foreign seafarers on UK flagged vessels.

The government was aware of the position of the corporate industry but, more importantly, they were wary of the possibility that in case the companies did not get their way, they would not bring their business back into the UK. Worse still, many companies could easily 'sail away' to other flags and thus plunge the UK shipping industry into final collapse. It is against this background of complex conflict of interests that the government designed and adopted the tonnage tax, as its main strategy for the recovery of both tonnage and seafaring skills. My interviews with the various stakeholders, particularly the government and unions, show that this complex setting heavily influenced the shape of the response with regard to its design and eventual performance.

The government acknowledged the validity of the arguments from both sides and was keen on introducing a strategy that could address the issues presented but there were concerns about how to balance the interests of unions and those of the corporate industry. A government policy official participating in the study observed:

These are not simple issues, they are complicated.....We have to remember how many flag regimes there are and think how easy it is for the companies to simply pack and leave, overnight, ... The government has to be very careful in these matters and ultimately the objective is to protect the economy [Government Interview].

This observation was made in reaction to the discussion about the unions' proposals about introducing legislation to increase employment for British junior officers on-board UK flagged ships. The government's concern was that introducing such legislation would put them on a collision course with the companies and risk another long decline in registered tonnage from which the country might never recover. As the official continued to explain:

We have been down this road before, don't forget that we had such legislation before and the companies flagged out in massive numbers..... Now, we have made huge strides towards rectifying the decline and many owners are coming back.... It is a very delicate issue and people must understand that if we experience the same decline that we are now emerging from, it might be the last [Government Interview].

What this essentially means is that the government was more inclined to respond to the demands of shipping companies but not those of seafarer unions. This is clearly evident from the design of the tonnage tax which offers enormous tax concessions for ship-owners but does nothing towards boosting employment for UK junior officers. The tonnage tax, therefore, comes in a design that raises many important questions about globalisation, neoliberalism and state intervention in economic management, especially with regard to protecting local labour. The structure of the tonnage tax suggests caution, on the part of the state, and reveals a bias, in government thinking, towards corporate capital and therefore illustrates the immense influence of capital over the state that I have referred to earlier in the thesis.

A close examination of the training obligation, which is the only element included for the benefit of seafarers, shows that even this was designed in such a way that it did not 'hurt' capital interests. In the first place, companies are not expected to 'shoulder' the entire training burden because the government bears half of the cost. Secondly, the benefits that the companies get from the tax reductions offered by the strategy are so great that paying for half of the training obligation is no sacrifice at all. One company HR Manager said:

Obviously the tax savings very much outweigh the cost of training otherwise it will not be worth it commercially. We budget for the number of cadets that we require and obviously the savings are there. The tonnage tax is very generous to companies which is a good thing because we can now compete [Shipping Company, Interview 14]

Another manager explained, on the same issue:

You only have to look at the overall expenses of training and don't forget that the government is paying almost half and the remaining is paid by the company so the financial burden is not very heavy. You really need to look at the figures; our company saved (£...) in 2005 on tax savings compared to the normal tax which we would pay so it is not too much to ask the companies to invest just a little of these huge tax savings into cadet training [Shipping Company, Interview 10].

Furthermore, the need for more cadet training was presented in such a way as to strongly suggest that, in the long-run, it would be to the benefit of the companies because of the rising demand for people with seafaring skills to work in various technical positions ashore including technical ship managers, marine superintendents and ISM managers. The whole strategy was therefore packaged in such a way that it

appealed to and gave maximum benefit to the companies and very little of substance to the UK pool of seafarers.

Another important influence in the government response was the EU. It is important to understand that, although the tonnage tax was a national tool for combating the decline in the UK shipping industry, it had to fit in with the wider regional policy on the recovery of EU shipping. The UK tonnage tax, as I already explained in chapter three, is just one national adaptation of an EU strategy recommended by the European Commission (EC) for the harmonization of the attempts, by member-states, to rebuild their domestic shipping industries. Although individual states were given the freedom to adopt the strategy to their local circumstances, all measures introduced had to be approved by the EC.

One area that the government would have been particularly cautious in was the introduction of any additional subsidies because of the strict rules introduced by the EU to govern the amount of financial support an individual private sector can receive from the government, the EU State Aid Guidelines (Haralambides, 2006). In order to introduce the tax measure in the tonnage tax, for example, the government had to seek express approval from the EC:

The need to permit a low tax environment in the form of tonnage tax to help the European shipping industry be more competitive has been clearly endorsed by the European Union in its Maritime State Aid guidelines. The maritime transport industry is considered a special sector for the consideration of state aid [Alexander Report, p. 14]

Therefore, while the tax reductions offered by the tonnage tax are provided for in EU State Aide Policy as a way of encouraging growth in EU fleets, introducing employment legislation to restrict, in anyway, the nationality of crews working on-board UK ships, or providing subsidies to UK shipping companies in order to employ British officers, would distort the employment market even within the EU. Therefore, even if the UK government had been in a position to introduce such measures, there would have been wider regional restrictions. A government policy official explained:

The government operates within a regional policy framework and any measures we introduce must be in line with this wider framework. The tonnage tax, for example, is approved by the EC and the training commitment is within the wider EU skills development agenda. Introducing nationality restrictions for crews on UK ships would however be difficult

because it would mean that even officers from other EU states are excluded.... It is hard... even if we wanted to take that route which.... as I said earlier... is very complicated [Government Interview].

The design of the strategy, as discussed in chapter three and five, therefore strongly suggests that the government was faced with many different interests and many arguments and that the attempt to sort them out led to the design of a strategy which takes on a particular shape. As explained earlier, it is a strategy which is heavily biased towards capital interests. Furthermore, nothing in the entire process of designing it, as described in chapters three and five, suggests that the government was genuinely committed to increasing the number of merchant navy officers. Considering that in chapter six government officials were quoted as expressing doubt in the likelihood of effectively rebuilding the pool of seagoing officers, there is a strong indication that the government was aware of the enormity of the international competition for the supply of officers and the apparent futility of trying to turn the tide of globalization in the seafarers' labour market.

There is, however, one more interesting deduction from the analysis in chapters two and five which indicates the immense influence of the companies on the final shape of the strategy. Their influence was such that even the unions were in no position to exert significant force on the government in order to achieve their objective of creating more employment opportunity for UK junior officers on-board UK ships. The unions were, clearly, wary of the devastating consequences of a possible massive wave of 'flagging out' as a result of the imposition of the kind of employment legislation that would achieve this objective. They saw the danger of a further reduction in the few remaining jobs for their members and, by extension, a further, and possibly, a final blow to their capacity. This could explain why, although there were two major arguments that the government had to take into account, it is the companies' argument which finally prevailed and defined the shape of the government response.

The data therefore indicate that the tonnage tax was the product of a delicate negotiation between governments, the unions and shipping companies, and, one whose design was also heavily influenced by EU regulation. In the end, it seems to have addressed the interests of the companies but not fully taken on those of labour and the unions. The important point here, and one in which the shape of the tonnage tax illustrates the powerful influence of global capital on national policies, is that both the government

and the unions were overwhelmed by shipping corporate companies because of the fear of tonnage flight. As much as the government might have wished to address the issues raised by unions and protect seafaring labour, it was not willing to upset capital interests, by pushing through strict employment legislation which might have triggered a renewal of flagging-out and further tonnage 'haemorrhage'. Furthermore, the assessment strongly suggests that, having committed to the neoliberal paradigm and promoted free capital markets to the extent that global capital wielded such immense powers, the government was unable to break free of this commitment or deliver half-fulfilment of its neoliberal bargain with capital (See Hall, 2003).

### **8.3 The Effectiveness of the Response**

As a result of the complex setting described above and the resulting nature and shape of the strategy, its adequacy and/or effectiveness is debatable and whether or not it has succeeded largely depends on perspective. On one hand, the number of UK registered ships has increased from GT 5,531,986 in 2000 to GT 12,149,988 in 2006 (Lloyd's Register – Fairplay: World Fleet Statistics, 2006) as a result of improved investment and tax conditions due to the tonnage tax. The corporate community is therefore likely to say that the strategy has been successful. On the other hand, however, the output of qualified junior officers from UK cadet colleges has not improved and this is in spite of an apparently significant increase in cadet intake levels since the introduction of the tonnage tax; cadet intake rose from 450 in 2000 to 630 in 2006 but this translated into a dismal increase in training levels with an increase in the number of cadets in training from 981 to 1090 (Glen, 2006) within the same period.

The government's original projection for the increase in cadet intake levels was between 1000 and 1200 in 2005. This figure was the one suggested by the University of Wales Cardiff study of 1996 as being the intake level required to maintain the minimum skills level (Gardner and Pettit, 1996). A subsequent follow-up study by the same university, however, lowered this figure to around 700 cadets (Gardner *et al*, 2004). The combined force of the Minimum Training Obligation and the other initiatives like SMarT and Sea Vision have certainly led to a significant increase in cadet intake levels as illustrated by the figures described above. The fact that this increase in intake has not translated into an increased supply of qualified junior officers, however, raises one important question: Is it that the strategy is ineffective or simply inadequate in its design?

What the evidence clearly shows is that, the popular industry mantra that young people in the UK are no longer interested in seafaring careers is not correct. It shows that there is still a lot of seafaring potential in many parts of the UK which, with the right publicity and positive promotion, could be cultivated and developed leading to a full recovery of the British pool of officers.

Unfortunately, the data analysis in chapters six and seven suggest a weakness in the design of the strategy; the fact that it contains only a training commitment but excludes an employment element makes it inherently weak. The discussion in these chapters indicates that, for the strategy to succeed, it needed to have both elements. Increased employment would not only restore the society's faith in the profession as valuable and suitable for the British people but also, and more importantly, provide the essential motivation for companies to train UK cadets thus giving the training commitment practical meaning for ship-owners.

Chapters six and seven have identified a problem of cadet wastage whereby many cadets withdraw from the training programme prematurely during, or soon after their first sea phase. The analysis strongly suggests that these cadets are in effect forced to quit because of poor training experiences, especially at sea. Furthermore, chapter seven revealed strong evidence to suggest a strong link between the fact that UK-based employers are not interested in British junior officers and the poor training experiences.

The data suggest that at the moment many ship-owners and operators, who are the main training sponsors, do not have the motivation and do not see any meaning in training UK cadets because they do not rely on the UK supply of junior officers. For this reason, they have failed to put in place an elaborate support mechanism to provide both emotional and material support for some of the vulnerable cadets during their training. They have also failed to create conducive and cadet friendly on-board training conditions. Consequently the increase in intake is seriously undermined by high cadet dropout rates which reduce the output of qualified junior officers.

Considering that one of the important conclusions from the data analysis, as indicated above, was that there are many young people still interested in working at sea as officers, the message from this assessment is that the government has failed to effectively exploit the seafaring potential within the country. The key to effectively exploiting this



potential is increased employment for British junior officers and, although it might not have been obvious that failure to provide employment opportunities would lead to poor training experiences, the government, nevertheless was aware of the fact that effective development of seafaring and maritime skills could only be achieved if UK-based ship-owners increased employment opportunities for UK officers. It would have been reasonably obvious, to the policy makers involved in the design of the strategy, that increasing training opportunities without finding ways of absorbing the qualified officers would only perpetuate the negative impression created by the long decline.

#### **8.4 Possibilities of a more Effective Response.**

As I have indicated earlier, the data strongly suggest that the main problem with the government response is inadequacy in design rather than ineffectiveness. There is no problem with the implementation of the tonnage tax because, so far, it is achieving those objectives that it can be reasonably expected to achieve, that is, an increase in UK registered tonnage and increased cadet intake levels. What it has not done and can not be expected to do is increase job opportunities for British junior officers because, clearly, it was not designed to achieve this goal. However, interviews with government officials reveal that the government hoped that, by boosting growth in the number of ships registered in the UK, the number of UK-based employers would increase and that this would have a knock on effect on UK officer recruitment. This, coupled with an increased supply of qualified junior officers, as a result of the training element, would, hopefully, lead to better employment prospects for British seafarers.

This was a very 'loose' anticipation because the essential link between increased tonnage and increased training, on one hand, and employment, on the other, could not be realised. The strategy fails to give the companies any incentive to employ British officers because, while they might opt to register their vessels in the UK, they have no obligation to employ British seafarers. Moreover, companies find foreign seafarers much cheaper and therefore cost effective. The strategy therefore provided no incentive, no motivation and no compulsion to employ seafarers from the UK.

Increasing employment opportunities for British junior officers was important because, as I have mentioned earlier, once UK-based ship-owners started to rely on British junior officers, they would have a strong incentive to train UK cadets and would, therefore, put in place structures and mechanisms to ensure that their cadets received the best training

because they would employ them afterwards. It would also mean that they created a training atmosphere, both in college and at sea, which would be both conducive and productive so as to encourage more cadets to complete the training programme and join the officer ranks at sea. An employment link was therefore required to provide the essential missing piece in the tonnage tax in order to make the training commitment more meaningful and effective.

It seems to me that, in developing the case for a stronger state response that would effectively address the problem of declining seafaring skills, the government needed to introduce more radical measures. The aim of such measures would be to make companies employ more British junior officers. To this end, there are two options that the government could have pursued but each would mean either breaking away from the neoliberal commitment or moving against the EU state aid requirements. The first option would have been to introduce strict employment legislation to force UK-based shipping companies to cut down on employing foreigners and begin employing more British junior officers. The second one was to introduce employment subsidies to provide the companies with a cushion for the increased cost burden they would have to incur for employing the more expensive British officers.

With regard to the first option, there are three obvious problems for the government. First, the companies were taking advantage of cheaper foreign labour world-wide and making profits and did not want to change the status quo. Second, they had the power and freedom to relocate to any other country, if need be, to maintain the status quo. Third, the government had tried imposing restrictions on the employment of foreign crews on-board British ships before, in the form of crew nationality restrictions, and witnessed a worsening decline in tonnage and would not be willing to go down the same route. From the interview data collected from government sources it is clear that this is not a route that the government was willing to take. Having abandoned the 'full employment' approach to economic development since the 1970s, it would take a complete overhaul of the economic paradigm in order to break free from the neoliberal commitment. Unfortunately, in this era of economic globalisation, the UK is not an 'economic island' and can not simply decide to break away from the neoliberal paradigm without devastating economic consequences. The government was in no doubt about how the companies would respond to legislation restricting crew nationality.

The other alternative of subsidising the employment of British junior officers on-board UK ships presents a number of complications and the analysis in chapters five, six and seven indicates three possible reasons why the government did not go down that route. First the government was concerned about budgetary constraints and public policy considerations and second, the government's ability to offer such subsidies was limited under the EU anti-competitions laws and the State Aid Guidelines. Thirdly, such subsidies would be break with the neo-liberal project which government had nurtured over many decades.

The shipping industry is just one among many in the UK experiencing decline. As I have already pointed out earlier on in chapters two and three, a number of sectors are experiencing decline due to capital flight, notably, the manufacturing sector, in part as a result of job export and off-shoring. Public policy on support for ailing industries in such sectors demands that support measures be reasonable and well justified. The benefits of such support, to the British economy and society, must be sufficient enough to justify the support or outweigh the cost (Haralambides, 2006).

Although the government considers shipping an essential industry for the UK economy (DETR, 1998), any support measures to individual shipping companies must be well justified and this is why the government insists that:

... the amount of support an industry asks for and expects to receive must be reasonable and delicately assessed [Government Interview].

Considering the number of industries in need of support, the government argues that the shipping industry has been in receipt of enormous state subsidies, for a long time. Ship-owners in the UK have been in receipt of tax related incentives meant to enhance their international competitive capacity, investment incentives to encourage shipbuilding, ship depreciation allowances, seafarer training support and support for research and development in the industry (Brownrigg *et al*, 2001; Marlow, 2002; Joon, 2002). Seemingly, the challenge that the state faces in formulating its support policy is that, first, such support should not be seen to favour one sector more than others and, second, given that it operates within a neo-liberal agenda, it should not unduly distort the principles of free competition and free markets. As much as shipping is viewed as essential and deserving such support, therefore, according to a government official:

... other industries could argue that the economy can as well still thrive relying on non-UK ships and seafarers [Government Interview].

Even the argument for the strategic importance of the merchant navy in times of war, which the government often presents, does not seem enough to justify more radical government responses. It seems to me that, if the commercial importance of shipping did not justify special treatment, the strategic and defence argument might have been sufficient justification for the government to introduce whatever measures necessary to ensure that the pool of qualified merchant navy officers is rebuilt. The fact that this did not happen shows the extent to which the government's capacity to respond effectively is limited.

The support for cadet training, in contrast, is relatively easy to justify because it falls under the government's general programme for manpower and skills development which is geared towards enhancing skills in various sectors and industries (Leitch Review of Skills, 2006). However, as my interviews with policy officials reveal, the government is reluctant to extend this support for skills development as far as supporting employment through subsidies. A government source explained:

What justification is there for the government to use public money to pay ship-owners to employ British officers if it can not do the same in all other sectors? Soon car companies will demand the same, and the service sector and the manufacturing sector, and then we will have created a monster [Government Interview].

Another constraining factor is the limited nature of government resources vis-à-vis the unlimited demand.

This is something that the government has to contend with while designing its policies for 'positive measures', namely support for declining industries and optimising the distribution of limited resources amongst a growing amount of budgetary demands. The government finds it difficult to introduce employment subsidies because as one policy official explained:

The budget is overstretched and has been for a long time now. It is difficult to meet all the financial demands on the treasury from all the departments. The government can therefore not pledge to the industry, any industry for that matter, more than it can afford to give. Delicate balancing and prioritisation is called for and those calling for the subsidisation of officer employment must understand this [Government Interview]

Their argument is that this is a period of squeezed government spending during which the government cannot afford any more financial support for the industry because, apart from the lack of funds:

There is no rational justification for paying companies to employ UK officers when the government is already incurring huge expenses in support of training for the industry on top of all the tax and investment related support that they already get [Government Interview].

Considering that the UK is operating within a neoliberal economic paradigm, this argument about 'no rational justification' is understandable considering the commitment to promote free competition and free markets. The argument ties in with yet another of the factors restricting government response in this direction; the EU State Aid Guidelines and the rules on anti-competitive practices as set out in the treaty of Rome. These rules have been introduced in recognition of the fact that the consequence of state subsidies is distortion of free markets and therefore strictly regulate the amount of support that a government can give to private companies (Haralambides, 2006). The tax measures introduced for shipping companies, under the tonnage tax, were, however, approved by the EC (DETR, 1998) because they were in line with the EU's policy for the recovery of the EU shipping.

To introduce employment subsidies, just in the UK, would give British officers 'unfair' advantage over, officers, in the rest of the EU member countries which would lead to market distortion. In the absence of all the other obstacles, the only way employment subsidies can be successfully introduced is if European Commission included them as an EU policy for skills development so that all member states can introduce the same. Unfortunately it is unlikely that the other obstacles, such as budgetary constraints within individual states and public policy issues, will be easily overcome. The same argument can be made for employment legislation. It is not just the state's commitment to the neoliberal paradigm that limits the government's 'hand' in this direction. As the government official quoted earlier explained, there are regional policy considerations involved; it would be against the general EU commitment to free movement and participation of labour within the region if individual states introduced legislation that would effectively lock out other EU nationals from participation in their local shipping job market. A possible radical step would have been to break away from this EU regulatory framework and proceed to introduce subsidies but the fact that the

government did not do this makes a strong statement about its commitment to regional economic integration and the impact of such commitment on the national policy framework.

This assessment strongly indicates a situation whereby the government's 'hands' are tied and its options are greatly limited, so that there is no possible way that the pool of qualified merchant navy officers can be recovered because, clearly, the government is unable to break its neoliberal commitments or unwilling to challenge the 'threat of tonnage flight'. At the same time, however, the state is also bound by its commitment to regional integration and must therefore operate within the EU policy framework.

There are, therefore, no easy answers on how the response could have been more effective, if at all. The Minimum Training Obligation was an inadequate 'half-measure' which could not address the problem from all necessary angles, that is, the demand and supply angles. The forces against the kind of response which would effectively address the problems and increase the supply of junior officers are many and complex. Mainly, however, the ability of the state to effectively respond is, clearly, limited because of the international nature of the problem and the localised scope of the strategy. This does not necessarily mean that the state is unable to respond or that it has no options, it only points to a complex question of choice. To return to Beck's (2005) argument, how effective the state is in managing globalisation and its associated economic and social implication on local labour depends on the choices that the state makes. In the case of the response via the tonnage tax the state clearly chose to give more consideration to the plight of 'tonnage flight' than the loss of national seafarer labour. An effective solution to the problem facing UK shipping labour (as, indeed, many other industries) would mean a conscious choice to reassess state commitment to neo-liberal project and a break with cross-border EU policy commitments on state aid guidelines. However, both these options, in the current highly globalised economic setting, are difficult as explained in the next, conclusion chapter.

## CHAPTER NINE

### Conclusions

In this thesis I have explored and tried to understand the role of the state in the management of domestic economies within the currently highly globalised context. The aim has been to assess the effectiveness of the state in responding to the growing influence of global corporate capital within a neoliberal paradigm and to determine whether or not national governments retain their capacity as relevant actors in the management of domestic economies for the benefit of local industries in the new globalised economic order. Most importantly, I wanted to understand whether states are able to effectively protect local labour from the erosive impact of globalisation and corporate exploitation.

Using the highly globalised, complex and dynamic, shipping industry, as an example, I have highlighted and discussed some of the negative impacts of globalisation on local labour markets and tried to address the question of whether national governments have an adequate answer to the challenges presented by globalisation. Shipping is an appropriate industry to study in this regard because, as Lillie (2006:4) has observed, it is “the archetype of unbridled free-market capitalism”. It is one of those industries whose companies have effectively broken through state economic barriers and attained an unequalled level of ‘footlooseness’ in their transborder economic activities. It is also an important example because, in no other industry is labour as internationally organised as shipping. It is for this reason that the extent of globalisation in the shipping industry is unequalled by any other. It therefore presents a good illustration of the impact of globalisation on states and their response to its impacts on domestic economies.

Specifically, UK shipping provides an excellent illustration in this assessment because of a number of reasons. First, as one of the major Traditional Maritime Nations of Europe, Britain has a long history of shipping and seafaring. It has a history of commanding a large trading fleet for many years and maintaining an equally large and highly qualified merchant navy labour force. Second, the UK shipping industry, including both the fleet and the seafaring labour force, went through a period of drastic and steady decline between the mid-1970s and late 1990s which left behind a depleted

merchant fleet and a shrunken pool of seafarers. Third, as one of the countries that have actively cultivated and promoted neoliberal economic politics and the concept of free capital markets, it is both interesting and revealing to examine its response to the growing strength and influence of global corporate capital and assess the adequacy and effectiveness of its attempt to protect local seafarer labour from decline.

This concluding chapter applies the findings of the study to try and answer the umbrella research question introduced in chapter one, relating to the capacity of the state as an important actor in economic management in the era of globalisation, from the following specific angles:

- (i) The paradox presented by the strategy's effectiveness in addressing capital decline and the failure on the side of seafaring labour.
- (ii) The ability of the state to design effective demand-side strategies within a neoliberal paradigm.

The general conclusion arising from the assessment of the adequacy of UK tonnage tax as the state's main response strategy is that whereas governments are able to promote and enhance the interests of global corporate capital, their capacity to protect and promote local labour is highly limited by their commitment to neoliberalism and the concept of free markets. As explained in the next section, the British government finds itself in a dilemma with regard to protecting the local seafarer labour by making UK-based shipping companies commit to mandatory employment for junior officers. The reason for this dilemma is that whilst they want to stimulate seafarer employment and protect the maritime skills base, they are fearful of capital flight on the one hand and opposed to state subsidy on the other. As noted in chapter two, the problem of declining labour markets as a result of companies seeking cheaper sources of production factors is not unique to the maritime sector. Labour in many other sectors including manufacturing and banking has faced similar problems over the past three decades (Chomsky, 1999; Turok and Edge, 1999). Governments have allowed this as part of a wider neoliberal project in the belief that encouraging growth and expansion in the corporate sector and increasing capital accumulation, through liberalisation and free market policies, will lead to increased economic growth (see Chomsky, 1999; Jessop, 2002; Harvey, 2005; Clarke *et al*, 2006; Fairbrother and Rainnie, 2006).



## **9.1 Ambiguities and Complexities in the State's Neoliberal Commitment**

This thesis has demonstrated that the state is unable to design and implement demand-side strategies, partly because of its commitment to the neoliberal economic paradigm and partly because of the fear of capital flight. A review of the literature, in chapter two, and the subsequent assessment of the data, in chapter eight, demonstrates that since the late 1970s, the UK government has actively promoted the neoliberal project and supported the growth of a free global capital market. Consequently, the government is in a dilemma with regard to responding to, and dealing with, the negative impact of unregulated capital markets, on local seafaring labour. The shape of the UK tonnage tax, and the fact that it contains a training commitment but omits the employment element, is testimony to this dilemma. In the White Paper, *Charting a New Course*, the government clearly recognises the necessity of increasing employment opportunities for British junior officers, on-board UK ships, in order to encourage cadet retention and thus increase the number of qualified junior officers in the UK.

One way that the government could have achieved an increase in officer numbers was through the introduction of employment legislation which could have forced UK-based ship-owners and operators to employ more British junior officers and fewer foreigners. The other was to introduce employment subsidies, whereby, ship-owners and operators would be reimbursed the cost of the difference between employing more expensive British junior officers instead of less costly foreign counterparts (see chapter eight for more discussion). Both of these options were proposed by the unions, who have consistently called for the introduction of an 'employment link', and, while companies were strongly opposed to any employment legislation, they were more receptive to the idea of employment subsidies. If the government felt unable to introduce employment legislation for the fear of tonnage flight, why did they not introduce employment subsidies, which were acceptable to all stakeholders and could have been effective? The answer to this question, as explained in chapter eight is the state's commitment to the EU policy framework which strictly regulates government aide to individual private companies in order to maintain a free regional market and the resolute commitment to a free market economy.

Having tolerated and, in part (through relaxation of protective seafarer employment legislation) encouraged British ship-owners to employ foreign seafarers for a long time, it is difficult to suddenly turn round and ask them to start employing British seafarers. The main task for the government, therefore, is how to convince UK-based shipping companies to, not only train UK cadets but also, offer employment to more British junior officers. The analysis of company recruitment policies, in chapter six shows that the companies are not interested in British junior officers. The companies' foremost consideration is the cost of crewing and the data indicate that they are prepared to keep it low by recruiting seafarers from low-wage countries irrespective of the impact on local skills. For this reason, they will not agree to any attempt by government to introduce employment regulations which could bind them to a mandatory employment commitment. Instead they are prepared to relocate their operations to other less costly and less regulated flag-regimes. The data, however, also show that, in addition to low cost, the companies want good quality officers but, instead of looking to their traditional 'home' supply where quality of training and examination is assured, they would rather establish 'tailored' training programmes based in low-cost labour supply countries. This raises important questions about the power relations between nation states and capital markets with regard to the ability of the state to introduce policies that are not influenced by the fear of capital flight (Beck, 2005).

From the discussion on states and markets in chapter two, it seems as if the relationship between national governments, especially in developed countries, and global corporate capital is one of constant and continuous power struggle (Beck, 2005). It is a highly complex relationship involving constant negotiations and reconfiguration. Seemingly, it has evolved, over the past three decades, from one of symbiotic partnership in national economic development, for the state, and profitable enterprise for corporate capital, to one whereby many national governments are held 'hostage' by the giant multinational corporations using the threat of capital flight. The 'ransom' demands include lower taxes, reduced and lax economic regulations and no employment laws which might prevent easy exploitation of labour globally.

The picture, however, is not simple, especially considering that many developed countries have actively promoted, and still continue to promote, partnership with global corporate capital in pursuance of the neo-liberal economic project. The case of the UK shipping industry, its decline and the introduction of the tonnage tax, provides an

excellent illustration. Seemingly the corporate threat of capital flight is preventing the British government from enacting legislation which would effectively achieve policy in relation to employment. Considering the government's neoliberal commitment and the strong desire to attract tonnage and rebuild the UK merchant fleet, it is easy to see why it has actively sought to create (through the tonnage tax) an atmosphere conducive for corporate shipping businesses rather than promote seafaring labour interests. In other words, there are elements of state-capital 'conspiracy', in the design of the tonnage tax, whereby the state deliberately avoids the discussion on employment opportunities for British junior officers. The inclusion of the training element, supposedly designed to increase cadet recruitment and training, seems calculated to pacify labour, as suggested in chapter eight. Ironically, labour is also afraid of 'tonnage flight' and is therefore somehow collusive in the wider capital orchestrated scheme.

Judging from the tonnage tax example, therefore, the government's response to globalisation and the decline in local labour is ineffective, partly because of corporate pressure but also because of a conscious decision, on the part of the state, to work in partnership with corporate capital rather than take any steps to regulate its activities and protect labour. This, as Chomsky (1999) suggests, is because neoliberal governments believe in this kind of partnership as the key to economic growth. The tonnage tax example also illustrates the point that, in relations between labour and capital, labour carries no decisive influence with governments. What appears to be the government's commitment to the neoliberal paradigm and dependence on the wealth generating activities of capital, as the means to national economic development, means that labour interests and any desire to protect employment markets, on the part of the state, are secondary.

This conclusion is based on the fact that, having acknowledged that creating more employment opportunities for UK junior officers was key to effectively encouraging growth in the pool of officers (DETR, 1998), the government could have introduced two possible measures into the tonnage tax to address the lack of such opportunities, as demonstrated in chapter eight. An analysis of the process of strategy design, in chapter five, clearly indicates that the government knew, from the outset, that the declining number of British junior officers was directly linked with declining demand for their services by UK-based employers and their declining attractiveness to employers internationally, mainly because of their high prices. Furthermore, the shipping policy

paper *Charting a New Course* clearly spells out the need to boost employment for British junior officers as a way of encouraging growth in the pool of UK officers.

The overall conclusion, therefore, is that the tonnage tax, in its present shape, does not constitute an adequate response to the negative impact of globalisation on the British pool of seafarer labour. This is because, as demonstrated throughout the thesis, the state seems unable to respond with effective supply-side strategies because of its commitment to the neoliberal paradigm and the concept of free markets. At the same time, the state's capacity to pursue alternative response options is limited by its commitment to the EU regulatory framework which, as demonstrated in chapter eight, constrains the extent to which an individual state may explore and experiment with economic policy strategies. In this era of economic globalisation, and growing corporate influence, individual states' capacity to design effective strategies for the protection of labour markets is highly compromised. Whereas it is not correct to pronounce that states have become irrelevant as economic regulators, their role has been transformed significantly over the past forty years. The capacity to manage domestic economies and protect them as individual localised entities has declined as a result of globalisation which has rendered national borders highly porous and eliminated most economic and social barriers. The study therefore indicates that, far from Beck's argument that 'the state has the potential capacity to act and transform itself' (2005:9) in this era of globalisation, the ability and/or will to realise this potential is limited by the fact that states have been placed in the precarious position of having to compete for favourable consideration by global capital as the key to wealth generation and economic growth.

## **9.2 The Research Process: Deficiencies and Mitigation**

As already indicated in the methods chapter (Chapter four), my research methods and the research process were relatively straightforward and did not present many problems. The limited nature of time due to the fixed nature of the funding for the project, however, put the study under considerable time pressure although with proper planning and meticulous organisation of my work schedule I was able to successfully and productively manage the limited time. It is possible that with more time I might have interviewed more people and expanded the scope of the research to include more organisations and interviewee groups but the depth and quality of the data collected

within the given space and time was excellent and sufficiently mitigated any shortcomings arising from time pressure.

There are, however, a number of deficiencies in the research design and conduct which might have undermined the strength of the data. However, conscious steps to address any gaps, during the research process, ensured that the study generated valid, rich data. One major deficiency was the failure to include cadets as one of the target interviewee group in the original research design. As it turned out, interviews with company managers and training staff raised issues which called for interviews with ex-cadets. An earlier inclusion might have enabled me to contact and interview many more ex-cadets but, nevertheless, the few that I interviewed generated rich qualitative data which provided useful first-person accounts on cadet training experiences.

As a researcher with no prior seafaring experience, it would have been enlightening to go on one voyage on a merchant vessel in order to experience, first-hand, life at sea. This would have given me the opportunity to mix with, and talk to, seafarers at work and learn about the living and working conditions at sea. However, to mitigate this shortcoming I held discussions with many former mariners, some of who were fellow students and colleagues and managed to a relatively good understanding of the structures and lifestyle on-board ship. Furthermore, during the research process and data analysis I constantly consulted with these ex-seafarers on matters, concerning living and working at sea, on which I needed more understanding.

It would also have been useful to interview a few of the cadets who stayed on the programme and successfully completed their training. This could have provided the other side of the 'drop-out' story by exploring some of the reasons why they remained and completed. Some of the questions would have included whether they too faced some of the challenges described by those who left and how they overcame them. It would have provided an opportunity to explore further the cadet-sponsor relationship. Considering, however, that the interviews with ex-cadets were very deep and comprehensive and the fact that I conducted many interviews with training administrators and staff in colleges, training personnel in both shipping companies and training agencies, the conclusions would not have been different.

The conclusions arrived at in this chapter and chapter eight are therefore based on rich data which was collected through a research process which, though not completely free from deficiencies, was well designed and executed.

### **9.3 Future Research Agenda**

Following the review of the literature and the analysis of the data in which the conclusion points towards the inability of the state to effectively respond to globalisation and protect local industries and labour, the study has opened new avenues for further research. There is room here for further consideration of the role of trade unions and their capacity to promote and protect local labour. Although the study seems to suggest that the seafarers' unions were not able to effectively push for an employment element for British officers in the tonnage tax, it is important to examine their strategy, since then, given that the tonnage tax has been found wanting in its representation of seafarers' interests and protection of the local labour market from further decline. Projections by the UK Seafarers Analysis (Glen, 2006) indicate that the number of officers in the UK will have halved over the next decade. The important questions for further investigation include:

1. Can unions provide an answer to the decline in local seafarers labour markets?
2. What is the union strategy for doing this?
3. Can unions influence a favourable government policy response for seafaring labour?

This investigation would involve a critical analysis of the declining capacity of unions over the past three and a half decades and their ability to consolidate and rejuvenate their capacity to influence state policy.

Another avenue for further research is the study of an EU 'answer' to the decline in the seafarer pools of member-states. So far the idea of harmonised EU strategy for the recovery of EU shipping, which was initiated in the mid 1990s and forms the basis for the tonnage tax strategy adopted in various EU states, seems to have succeeded in promoting recovery in the national registered fleets of some of the member states including the UK and the Netherlands. However, this has clearly not resulted in the recovery of local seafaring labour. Considering the finding in this thesis that the EU

regulatory framework for state aid is one of the obstacles to effective state response to the decline in local seafaring labour markets, the important question is whether or not this framework can be redefined to form part of the solution rather than the obstacle. The thesis opens up an interesting debate about labour markets with regard to general arguments about globalisation; an area which has not been explored in the literature and is overdue.

One area which this thesis has considered but not explored in detail is the possibility of separating seafarer skills development from the replenishment of essential shore-side maritime skills. From the arguments of a large number of managers participating in the study there is an indication that many companies are beginning to think that many of the shore-side positions do not necessarily require extensive seafaring training and experience. There is therefore room for further research into the coordination of industry needs and training programmes in order to investigate whether training institutions and maritime authorities have, in any way, attempted to adjust their training approaches to the needs of the industry in the 21<sup>st</sup> century.

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# APPENDICES

## Appendix One: Research Access Letter

Victor Oyaró Gekara  
C/o The Seafarers' International Research Centre  
52 Park Place  
Cardiff  
CF10 3AT  
Tel: +44 (0)29 2087 4620  
Fax: +44 (0)29 2087 4619  
[www.sirc.cf.ac.uk](http://www.sirc.cf.ac.uk)

Dear Sir/Madam,

### RE: REQUEST FOR ASSISTANCE

I am writing to request your kind assistance with a research project I am engaged in as part of my PhD at the Seafarers International Research centre in Cardiff University.

The Study is on the impact of globalisation on the shipping industry, especially seafaring labour, and the government's response to the decline in the number of qualified British officers.

In order to undertake the research I am carrying out a series of confidential and anonymous interviews with .....and would be very grateful if you could spare an hour of your valuable time to help me. The kinds of things I am interested in discussing with you include:

- 
- 
- 

As one of (the)..... in the UK I feel your participation is essential and central to my research. I would therefore be very grateful if you could possibly manage to meet with me. My data collection is scheduled for the period between January and June of 2006. An appointment for any time during this period would be highly appreciated.

I hope to hear from you soon and let me take this opportunity to wish you a merry Christmas and a happy new year.

With very many thanks.

**Victor Gekara**

## **Appendix Two: Research Participant Information Form**

***Project title: Globalisation and the Transformation of Shipping Labour; a UK case study of state response***

The main objective of this project is to analyse and examine the international demand and supply of seafarers, especially officer, and to look at how the changing patterns of demand and supply globally have affected the pool of British merchant navy officers in the past few decades. One of the problems facing the UK in its attempt to rebuild and retain a significant pool of well trained, qualified and experienced officers for its shipping industry is the high drop-out rates of cadets in the cadet training colleges.

In order to understand why this is the case I am holding a series of strictly confidential and anonymous interviews with a few cadets who have dropped out of training in the past few years with the purpose of exploring the reasons for their abandoning training. Hopefully this will help inform future government and industry strategies towards increased and sustainable recruitment and training of cadets in the UK and hence preserve significant core British maritime skills for both the deep sea and shore side maritime industries.

Thank you very much for agreeing to participate.



## **Appendix Three: Research Informed Consent Form**

***Project title: Globalisation and the Transformation of Shipping Labour; a UK case study of state response***

I..... (Name)

of ..... (Company) have agreed to participate in this research project voluntarily and of my own accord.

I have / have not agreed to a voice recording of this interview between me and the researcher.

The objectives and purpose of the exercise have been clearly explained to me and I have been assured of the confidentiality and anonymity of the interviews. I therefore give permission for any appropriate use of the information I give in any subsequent writings and publications.

Signed ..... Dated .....

## Appendix Four: Ethics Committee Approval Letter

Cardiff School of Social Sciences  
Director Professor Huw Beynon

*Ysgol Gwyddorau Cymdeithasol Caerdydd*  
*Cyfarwyddwr Yr Athro Huw Beynon*



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13<sup>th</sup> March 2006

Our ref: SREC/60

Victor Gekara  
SOCSI

Dear Victor

Your project entitled "*Globalisation, the transformation of shipping labour, and British maritime skills attrition*" has been approved by the School of Social Sciences Research Ethics Committee of Cardiff University at its meeting on 8<sup>th</sup> March 2006 and you can now commence the project.

If you make any substantial changes with ethical implications to the project as it progresses you need to inform the SREC about the nature of these changes. Such changes could be: 1) changes in the type of participants recruited (e.g. inclusion of a group of potentially vulnerable participants), 2) changes to questionnaires, interview guides etc. (e.g. including new questions on sensitive issues), 3) changes to the way data are handled (e.g. sharing of non-anonymised data with other researchers).

All ongoing projects will be monitored every 12 months and it is a condition of continued approval that you complete the monitoring form.

Please inform the SREC when the project has ended.

Please use the SREC's project reference number above in any future correspondence.

Yours sincerely

Professor Søren Holm  
Chair of the School of Social Sciences Research Ethics Committee

cc: E Renton  
Supervisors: H Sampson & P Fairbrother

## Appendix Five: Interview Guides

### I

#### CADET TRAINING INSTITUTIONS

##### Training Administrators/Teachers

###### Key Topics:

- Part One: Biographical Details
- Part Two: Cadet Recruitment
- Part Three: The Training Process
- Part Four: The Training Programme
- Part Five: Training Facilities
- Part Six: Cadet Enrolment and Training Trends
- Part Seven: Cadet Drop-out
- Part Eight: Cadet Sponsorship Arrangements
- Part Nine: The Tonnage Tax Training Obligation
- Part Ten: Career Prospects for Graduating Junior Officers
- Part Eleven: State Support
- Part Twelve: Concluding Remarks

II

EX-CADETS

- Part One: Biographical
- Part Two: Motivation to Join Seafaring
- Part Three: Expectations from the Training Programme
- Part Four: Application. Recruitment and Admission Process
- Part Five: Sponsorship Arrangement
- Part Six: Views on the Training Programme in College
- Part Seven: Views on the Training Programme at Sea
- Part Eight: Reasons for Withdrawing from Training
- Part Nine: Concluding Remarks

III

SHIPPING COMPANY HRMS

- Part One: Personal Biographical Details
- Part Two: Company Profile and Vessels Details
- Part Three: Crewing for Company Vessels
- Part Four: Officer Shortage in the UK
- Part Five: Company Training Structures for Officers
- Part Six: Cadet Recruitment and Training
- Part Seven: Low Training Levels in the UK
- Part Eight: Cadet Training Sponsorship Arrangements
- Part Nine: Views on the Tonnage Tax and the MTO
- Part Ten: State Support
- Part Eleven: Views on UK Officers
- Part Twelve: Future Sources of Officers
- Part Thirteen: Concluding Remarks

IV

GOVERNMENT POLICY OFFICIALS

- Part One: Biographical Details
- Part Two: Government's Interpretation of the Decline in the Industry
- Part Three: The Impact of Declining British Seafarers
- Part Four: Government Response to the Decline
- Part Five: Motivation for Government Response
- Part Six: Impact of Government Response
- Part Seven: Constraints to Government Response
- Part Eight: Future Plans for British Maritime Skills
- Part Nine: Concluding Remarks

V

UNIONS

- Part One: Biographical Details
- Part Two: Unions' Interpretation of the Decline in the Industry
- Part Three: The Impact of Declining British Seafarers
- Part Four: Unions' Intervention
- Part Five: Constraints to Union Intervention
- Part Six: Views on Government Response to the Decline
- Part Seven: Impact of Government Response
- Part Eight: Future Plans for the Future of British Officers
- Part Nine: Concluding Remarks

## Appendix Six: Cadet Training Course Outlines

### Deck HND Programme Structure

Phase	Location	Duration	Phase Objective
Phase 1	At College	6/8 weeks	Introduction, safety, general ship knowledge, and underpinning knowledge for N/SVQ (Level 2).
Phase 2	At Sea	24 weeks	Introduction to life at sea. Practical training and collection of performance evidence for N/SVQ (Level 2).
Phase 3	At College	23 weeks	Review of progress, assessment for N/SVQ (Level 2). HND Part 1 studies and underpinning knowledge for N/SVQ (Level 3).
Phase 4	At Sea	32 weeks	Practical training and collection of performance evidence for N/SVQ (Level 3). Navigational bridge watchkeeping.
Phase 5	At College	13 weeks	Interim review and assessment and completion of underpinning knowledge of N/SVQ (Level 3).
Phase 6	At Sea	32 weeks	Completion of N/SVQ performance evidence. Completion of bridge watchkeeping.
Phase 7	At College	28 weeks	Final assessment of N/SVQ (Level 3), completion of HND Part 2, and preparation for MCA OOW Oral Examination.

Source: Ship Safe Training Group <http://www.sstg.org/>



Engineering HND Programme Structure

Phase Location	Duration	Phase Objective
Phase 1 At College	15/26 weeks	Introduction, safety, general ship knowledge, and initial underpinning knowledge for N/SVQ (Level 3) and workshop training.
Phase 2 At Sea	24 weeks	Introduction to life at sea. Practical training and collection of performance evidence for N/SVQ (Level 3).
Phase 3 At College	40 weeks	Review of progress, and further underpinning knowledge for N/SVQ (Level 3).
Phase 4 At Sea	24 weeks	Practical training and completion of performance evidence for N/SVQ (Level 3). Engineering watchkeeping.
Phase 5 At College	24 weeks	Final assessment of N/SVQ (Level 3), completion of HND Part 2, and preparation for MCA OOW Oral Examination.

Source: Ship Safe Training Group <http://www.sstg.org/>

Deck FD Programme Structure

Phase Location	Duration	Phase Objective
Introduction At College	3 weeks	Introduction to foundation degree, safety, general ship knowledge.
Phase 1 At College	15 weeks	Foundation degree studies.
Phase 2 At Sea	35 weeks	Introduction to life at sea. Work based learning (Operational Level). mntb deck record book.
Phase 3 At College	30 weeks	Further Foundation Degree studies.
Phase 4 At Sea	47 weeks	Work based learning (Management Level) and completion of mntb deck record book.
Phase 5 At College	15 weeks	Completion of N/SVQ performance evidence. Completion of bridge watchkeeping.

<b>** Phase 6 At College</b>	12 weeks	Additional B.Sc units.
<b>**Phase 7 At College</b>	36 weeks	Completion of self-study, usually at sea and dissertation.

Source: Ship Safe Training Group <http://www.sstg.org/>

*On completion of the FD certificate at phase five the cadet can upgrade it to a B.Sc (Hons) by completing phases six and seven.*

### Engineering FD Programme Structure

<b>Phase Location</b>	<b>Duration</b>	<b>Phase Objective</b>
Introduction <i>At College</i>	3 weeks	Introduction to foundation degree, safety and general ship knowledge
Phase 1 <i>At College</i>	25 weeks	Foundation degree studies
Phase 2 <i>At Sea</i>	24 weeks	Introduction to life at sea. Work based learning (Operational Level). MNTB engineer training record book.
Phase 3 <i>At College</i>	30 weeks	Further Foundation Degree studies.
Phase 4 <i>At Sea</i>	24 weeks	Work based learning (Management Level) and completion of mntb engineer training record book.
Phase 5 <i>At College</i>	25 weeks	Completion of N/SVQ performance evidence. Completion of bridge watchkeeping
<b>**Phase 6 <i>At Sea</i></b>	12 weeks	Additional B.Sc units.
<b>**Phase 7 <i>At College</i></b>	36 weeks	Completion of self-study, usually at sea and dissertation

Source: Ship Safe Training Group <http://www.sstg.org/>

*On completion of the FD certificate at phase five the cadet can upgrade it to a B.Sc (Hons) by completing phases six and seven*

Deck B.Sc (Hons) Programme Structure

Phase Location	Duration	Phase Objective
Year 1 At College	39 weeks	Introduction, safety, general ship knowledge, and underpinning knowledge for N/SVQ (Level 2) and degree studies.
Phase 1 At College	25 weeks	Foundation degree studies
Summer Vacation At Sea	12 weeks	Introduction to life at sea. Practical training and collection of performance evidence for N/SVQ (Level 2/3).
Year 2 At College	39 weeks	Review of progress, assessment for N/SVQ (Level 2) and further degree studies.
Year Out At Sea	56 weeks	Practical training and completion of N/SVQ performance evidence. Bridge watchkeeping.
Year 3 At College	39 weeks	Final assessment of N/SVQ (Level 3), completion of degree studies, and preparation for MCA OOW Oral Examination

Source: Ship Safe Training Group <http://www.sstg.org/>

Engineering B.Sc (Hons) Programme Structure

Phase Location	Duration	Phase Objective
Year 1 At College	39 weeks	Introduction, safety, general ship knowledge, and underpinning knowledge for N/SVQ (Level 3) and degree studies.
Summer Vacation At Sea	12 weeks	Introduction to life at sea. Practical training and collection of performance evidence for N/SVQ (Level 3).
Year 2 At College	39 weeks	review of progress and further degree studies
Year Out At Sea	56 weeks	Practical training and completion of N/SVQ performance evidence. Engineer room watchkeeping.
Year 3 At College	39 weeks	Final assessment of N/SVQ (Level 3), completion of degree studies, and preparation for MCA OOW Oral Examination.

Source: Ship Safe Training Group <http://www.sstg.org/>

