International Labour Organization

▶ SWJMC/2021/6

# Subcommittee on Wages of Seafarers of the Joint Maritime Commission

**Final report: Updating of the minimum monthly basic pay or wage figure for able seafarers: Maritime Labour Convention, 2006, as amended, Guideline B2.2.4 – Minimum monthly basic pay or wage figure for able seafarers**
(Online, 26–27 April and 8 September 2021)

**Sectoral Policies Department**
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## Appendices

# ▶ Introduction

**1.** The Subcommittee on Wages of Seafarers of the Joint Maritime Commission (JMC) met from 26 to 27 April 2021, in accordance with a decision taken by the Governing Body of the International Labour Office at its 338th Session (March 2020). Due to the restrictions imposed by the COVID-19 pandemic, the Officers of the Governing Body decided that the meeting be held virtually.

# ▶ Composition of the Subcommittee

**2.** The Subcommittee was attended by six Shipowner representatives and their 15 advisers, and 5 Seafarer representatives and their 6 advisers.

**3.** In keeping with the practice followed since 2003, the Subcommittee did not have a Chairperson.

**4.** The elected Vice-Chairpersons were:

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| **Shipowners:** | Mr Charles Darr (Shipowner member, Switzerland) |
| **Seafarers:** | Mr Mark Dickinson (Seafarer member, the United Kingdom of Great Britain and Northern Ireland) |

**5.** The Director of the Sectoral Policies Department, Ms A. Van Leur, convened the Subcommittee.

# ▶ Opening and general discussions

**6.** The Convener welcomed the participants to the first ever virtual meeting of the Subcommittee on Wages of Seafarers of the Joint Maritime Commission (JMC), which was the only bipartite body of the Organization. The year 2021 marked the 75th anniversary of the minimum basic wage figure for able seafarers, which had been included in 1946 in the Wages, Hours of Work and Manning (Sea) Convention (No. 76), and subsequently incorporated into the Maritime Labour Convention, 2006, as amended (MLC, 2006). The mandate of the Subcommittee was to discuss the updating of the minimum monthly basic wage figure for able seafarers referred to in the MLC, 2006, and to make the appropriate recommendation to the Governing Body of the ILO. The Office had published on the dedicated ILO website the report for discussion (SWJMC/2021) as well as document SWJMC/2021/1, which contained an updated calculation based on the most recently available information prior to the meeting.

**7.** The Shipowner spokesperson thanked the Office for the preparatory work and for convening the meeting and made an opening statement (see Appendix I).

**8.** The Seafarer spokesperson also conveyed his thanks to the Office and made an opening statement on behalf of the Seafarers (see Appendix II).

**9.** Representatives of the Office introduced the report for discussion (SWJMC/2021), which contained calculations using the methodology adopted by the JMC in 1991. These calculations were provided as a guide and were based on the resolution concerning the ILO minimum monthly basic pay or wage for able seafarers, adopted by the JMC Subcommittee on Wages of Seafarers in November 2018. The report drew upon the information available to the Office on 1 December 2020. Subsequently, the Office had prepared an update of the calculation based on information available up to 1 March 2021 (SWJMC/2021/1). The documents used two median figures as a basis for calculation, in line with a decision taken by the Subcommittee in 2018 due to a unique situation when the meeting had been delayed by five months. The Office recommended to henceforth return to the usual practice of using only one median figure as a basis for calculation.

**10.** The Shipowners and Seafarers held both private group meetings and joint negotiations before returning to plenary.

**11.** Following bipartite negotiations, the JMC Subcommittee was not able to reach agreement on 27 April to update the ILO minimum monthly basic wage figure for an able seafarer.

**12.** Both the Shipowner and the Seafarer spokespersons thanked the Office for its support throughout the discussion of the last two days and made statements leaving the door open to further bipartite discussions among the groups (see Appendices III and IV).

## ▶ Adoption of the resolution

**13.** On 8 September 2021, the meeting was briefly resumed, again virtually, with the same composition and agenda.

**14.** The JMC Subcommittee reached consensus and agreed: (i) that the current mechanism, including the formula, as provided for in the resolution concerning the ILO minimum wage for able seamen, adopted at the 26th Session of the Joint Maritime Commission (October 1991) (JMC 26), needed to be maintained until such time as an alternative was agreed, but that a review of the formula should now be carried out; (ii) that an interim adjustment should be made to update the current ILO minimum basic wage for an able seafarer to US$648 as of 1 July 2022; (iii) that the figure of US$661 as of 1 March 2021 should be used as the basis for recalculation purposes and for discussion at the next meeting of the Subcommittee; and (iv) to invite the Governing Body to convene a meeting of the Subcommittee in the first half of 2022 for the purpose of updating the minimum monthly basic wage figure to take effect as of 1 January 2023, and every two years thereafter, and to request the Subcommittee to report directly to the Governing Body.

**15.** The JMC Subcommittee adopted the resolution. The final text is found in Appendix V of this report.

## ▶ Closing statements

**16.** The Shipowner spokesperson conveyed his thanks to the Office and made a closing statement on behalf of the Shipowners (see Appendix VI).

**17.** The Seafarer spokesperson also commended the Office and made a closing statement on behalf of the Seafarers (see Appendix VII).

**18.** The Convener thanked both groups for their relentless efforts during the last months and their ongoing commitment to this truly exceptional JMC Subcommittee process, which had a direct impact on seafarers and shipowners in the sector. She concluded that the virtual setting of the Subcommittee had been challenging for all involved. The resolution would be submitted to the Governing Body at its November 2021 session, together with a point for decision to authorize the Director-General to notify, in accordance with Guideline B2.2.4 of the MLC, 2006, the revised amount of the minimum monthly basic pay or wage figure for able seafarers to the Members of the ILO; and to approve the convening of the Subcommittee on Wages of Seafarers of the JMC in the first half of 2022. On behalf of the Director-General, she thanked all the participants for their time and engagement, and closed the meeting.

# ▶ Appendix I

## Opening statement of the Shipowner spokesperson

I wish to start by thanking you and the Office for the preparations you have made to convene this virtual session of the Subcommittee on Wages of Seafarers of the Joint Maritime Commission.

We all agreed to meet now when we last sat together in 2018. We are glad that so many global representatives are joining these important discussions virtually. I have been nominated to speak for the Shipowners' group and to explain the current and expected challenges facing our industry. However, I could not do this without the preparations made by your team and the ILO Statistics Department, and the efforts made to provide us with two sets of data to consider during this meeting.

I would like to begin by recognizing the considerable achievements the social partners of the shipping industry have reached together, particularly over the last 15 months. An element of the trust built between the social partners, is the recommended minimum wage. Shipping is the only industry with a recommended global minimum wage, which was first negotiated in its current form in 1996 but which has existed since 1958.

There is no doubt that jointly, we have substantially improved the working and living conditions, including the financial stability of seafarers, something we believe no other industry can claim to do at the global level.

Before we start our discussions, I would ask that we recall our areas of common ground. For example, we both believe in two key things:

1. Social advancement does not harm the industry if applied globally, as the well-being of seafarers, is a source of economic well-being.
2. We trust each other. Our long journey of building trust has mostly paid off with benefits for our entire community.

The world has fundamentally changed since we last met in Geneva. We spent most of last week discussing the unprecedented challenges experienced over the course of the pandemic for both seafarers and shipowners. Even before the COVID-19 pandemic hit, hundreds of millions of workers worldwide were paid less than the minimum wage. The ILO Global Wage Report 2020/21 found that monthly wages fell or grew more slowly in the first six months of 2020, due to COVID-19, in two thirds of countries where data was available, and the crisis is likely to inflict massive downward pressure on wages in the near future.

Furthermore, while average wages in one third of the countries providing data appeared to increase, this is largely due to many lower-paid workers losing their jobs and therefore no longer being included in wage data. In countries which took strong measures to preserve employment, effects of the crisis were felt mostly as falls in wages rather than massive job losses. The report shows that not all workers were equally affected by the crisis with the impact on women being worse than on men. Estimates for 28 European countries find that, without wage subsidies, women would have lost 8.1 per cent of their wages in the second quarter of 2020, and 5.4 per cent for men.

The crisis has also severely affected lower-paid workers with those in lower-skilled occupations losing more working hours than higher-paying managerial or professional jobs. Data from 28 European Union countries shows that, without temporary subsidies, the lowest paid 50 per cent of workers would have lost an estimated 17.3 per cent of their wages. Without subsidies, the average amount of wages lost across all groups would have been 6.5 per cent with wage subsidies compensating for 40 per cent of this amount.

According to Mr Guy Ryder, growth in inequality created by COVID-19 threatens to leave behind a legacy of poverty and social and economic instability that would be devastating. We need adequate wage policies recognizing sustainability of jobs and enterprises, addressing inequalities and sustaining demand. We agree and believe this is also true for the maritime sector.

The ILO report analyses minimum wage systems, which could be important to build a sustainable, equitable recovery. Minimum wages currently exist in some form in 90 per cent of ILO Member States. But even before the COVID-19 pandemic, globally, 266 million people, 15 per cent of all wage earners worldwide, earned less than the minimum wage, either because of non-compliance or as they were legally excluded from such schemes.

We are proud that we are the only global sector to have respected the concept of the minimum wage which we believe is an essential tool to ensure decent work.

We agree with Ms Vazquez-Alvarez, one of the report authors, that adequate minimum wages can protect workers against low pay and reduce inequality, but ensuring minimum wage policies are effective requires a comprehensive and inclusive package of measures. Better compliance, extending coverage, and setting minimum wages at an adequate, up-to-date level that allows people to build a better life for themselves and their families. We have also tried over the years to ensure that this is the case whenever possible.

The world has been profoundly affected by the pandemic. Over three million lives have been lost, social and economic activity has been disrupted, and the livelihoods and well-being of millions of people worldwide are threatened, with the ILO estimating that the equivalent of 345 million full-time jobs were lost in the third quarter of 2020.

Despite the promising development of vaccines, the crisis continues with no clear end in the immediate future. The ILO Global Wage Report presents empirical evidence of the effects of the crisis on wages. Part I documents a downward trend in the level and/or growth rate of average wages in two thirds of countries where data was available.

Referencing an ILO report issued ten years ago, relating to wage policies during the global financial and economic crisis, the current report noted that this time around governments have taken varied actions to try to counteract the economic and labour market impact, including through temporary wage subsidies, expansionary monetary policies, extending social protection and providing support to keep businesses afloat. Despite these measures, economic and employment consequences of the pandemic will exert further downward pressure on wages. Hence, to return to a path of sustained and balanced economic growth, wage developments must consider the need both for incomes and aggregate demand to be supported and for enterprises to remain successful and sustainable. The report explains constructive social dialogue will be key to achieve this goal.

The 2019 ILO Centenary Declaration for the Future of Work, human-centred agenda, called for an adequate minimum wage, statutory or negotiated. It provides an empirically based description of global minimum wage policies and shows how minimum wages, when well-designed and applied, can be an effective tool to protect workers from unduly low wages while also reducing inequality.

The COVID-19 pandemic had major health consequences and also seriously threatened the existence of countless businesses and livelihoods of workers, increasing vulnerabilities, imperilling recent socio-economic progress, and exacerbating inequalities. As the global economy collapsed in 2020, impacts of both businesses and workers were immense. Businesses suffered precipitous falls in revenues, deteriorating productivity and many bankruptcies. With unprecedented increases in unemployment and reduced working time, workers' jobs and earnings have experienced impacts more serious and faster than ever before. The pandemic has increased poverty over 1998 levels. Many of those who retained their jobs had pay frozen or cut, even if temporary wage subsidies replaced part of their wages. Even many of us fortunate enough to take part in these discussions today likely also felt impacts directly.

Although average wages rose in some countries, studies and estimates by national statistical offices, and anecdotal evidence, showed downward pressure on wages in early 2020, which will continue unless adequate governmental policies are swiftly implemented. Employees at the lower end of the wage scale and the most vulnerable workers are among the hardest hit, deepening existing inequalities.

In adopting short-term responses, particular attention should be devoted to protect those most adversely affected. Adequate balanced wage policies need to be adopted and implemented in the interim, through strong and inclusive social dialogue. In future years adequately balanced wage adjustments, considering relevant social and economic factors, will be required to safeguard jobs while sustaining demand and avoiding deflation. Wage cuts or reductions in working time may be necessary in some enterprises or sectors to avoid lay-offs and bankruptcies, particularly when temporary wage subsidies are phased out or eligibility criteria for accessing them are made more restrictive. Social dialogue and collective bargaining, noting the circumstances of specific enterprises or sectors, should strike a balance in deciding upon appropriate action. Consideration of current adjustments to minimum wages should be carefully balanced and calibrated, using evidence-based social dialogue.

Criteria for adjusting minimum wages should take due account not only of the needs of workers and their families, but also of economic factors. Thus, while it may be essential to ensure low-paid workers and their families can maintain their living standards by adjusting rates to compensate for price inflation, in some countries it may be difficult or risky to implement larger increases. This is particularly so where minimum wages are already relatively high with respect to median wages, and where employment and labour productivity were severely affected by the economic crisis triggered by the pandemic.

The current recession, the duration and extent of which are profoundly uncertain, will impede labour productivity growth. Building on lessons learned from past recessions, the World Bank advocates urgent policy actions to avoid further falls in labour productivity and the consequent additional damage to employment and earnings prospects. Therefore, reinvigorating productivity has become a central and urgent priority, to contain the impacts of the crisis and for a global development agenda. During this crisis, it is essential to adopt and implement short-term adequate and balanced wage policies via strong inclusive social dialogue.

The evolution of wages in the next few months or years will not depend exclusively or even primarily on wage policies. Indeed, in an environment of collapsing aggregate demand, enterprises are unlikely to be able to pay increasing wages and may have no other option than to cut wages or dismiss workers. The extent to which countries decide and can stimulate the economy through fiscal and monetary policy will be essential to sustain wages and employment. Such decisions will affect wages in the years ahead.

Throughout the crisis, both during and after lockdowns, workers, including seafarers were on the front line, providing populations with healthcare supplies and ensuring continued access to food and basic goods, risking their lives and those of their families for which we are extremely proud and thankful. Wage subsidies, which in some cases mitigated the impact of the crisis by protecting workers' jobs and incomes, will need to be prolonged to support economic recovery. Many countries have introduced wage subsidies, or extended and strengthened their coverage, to help businesses to retain their workforces and workers to keep their jobs. Wage subsidies have not only supported millions of workers livelihoods by maintaining a large portion of their earnings, helping to protect aggregate demand and mitigate the recession; but have also enabled some businesses to retain employees with the necessary skills for their jobs, to minimize time, cost and effort to search for and train new talent post recovery.

With growing underemployment of labour and high levels of unemployment, massive state intervention may be required to avoid deflation. Wage subsidies, initially mitigated the impact of COVID-19 protecting jobs and incomes and may need extension to support recovery of the economy.

The ILO Centenary Declaration for the Future of Work emphasizes the importance of adequate minimum wages, statutory or negotiated. The Declaration calls for institutions of work to be strengthened to ensure adequate protection of all workers, and reaffirms the continued relevance of the employment relationship, while recognizing the extent of informality and the need to achieve transition to formality. In this context, all workers should enjoy adequate protections, considering respect for their fundamental rights.

Wages are a key dimension of the well-being of workers and their families, and adequate minimum wages are essential for a human-centred approach to work. The ILO Minimum Wage Policy Guide 2016 states consultations can be effective only if conducted openly and held prior to decisions taken. It also requires minimum wages to be adequate relative to national circumstances.

Social dialogue recognizes a common interest in the well-being of businesses, workers and their families, despite divergent views and an opportunity to obtain useful information. It is also crucial to minimize misunderstandings and tensions, and to contribute towards strengthening social and industrial harmony.

Technological progress, capital accumulation and a combination of other factors are expected to continue to spur reallocation of employment across other sectors.

Pre-pandemic, an ever-increasing number of workers were expected to be employed in the service sector which has probably been worst hit during the pandemic. Manufacturing employment is predicted to continue to fall confirming a trend of premature deindustrialization so employment outside of shipping is far from positive.

Please allow me to focus our view now on the shipping industry. UNCTAD reported in November 2020 that the pandemic has cut global maritime trade, while transforming the maritime industry. COVID-19 has sent shockwaves through global maritime transport and laid foundations for a transformed industry and associated supply chains.

The UNCTAD Review of Maritime Transport 2020 expected global maritime trade to plunge by 4.1 per cent in 2020 due to unprecedented disruption caused by the pandemic. It warns that new waves of the pandemic may further disrupt supply chains and economies and might cause a steeper decline. The pandemic has sent shockwaves through supply chains, shipping networks and ports, leading to plummeting, and then unpredictable, cargo volumes and foiling growth prospects. The short-term upcycle in some specific shipping segments will be transitory and short-lived. Accordingly, the short-term outlook for maritime trade is quite negative.

I can testify this is correct as a shipping company executive of a company trying to juggle many balls to keep up with new challenges every day. Predicting the longer-term impact and timing and scale of the industry's recovery is fraught with uncertainty. As the UNCTAD Secretary-General Mr Mukhisa Kituyi said: "The global shipping industry will be at the forefront of efforts towards a sustainable recovery, as a vital enabler of the smooth functioning of international supply chains the industry must be a key stakeholder adapting 'just-in-time efficiency' logistics to 'just-in-case' preparedness."

Maritime trade growth was expected to return to positive territory and expand by a year-on-year 4.8 per cent during 2021, assuming world economic recovery, but this highlights a need for our sector to brace for change and be prepared for a transformed post-pandemic world.

At the peak, when cargo volume contraction brought an additional challenge to structural market imbalance, the container shipping industry adopted more discipline, cut capacity and reduced costs to maintain economic viability rather than market share. Also, some government agencies adopted reforms to maintain trade flow while trying to keep people safe which were sometimes positive but often causing problems.

The pandemic brought into sharp focus supply chain shortening, including nearshoring and reshoring, with less dependence on just-in-time and lean inventory models. It also highlighted debate over diversifying production and manufacturing sites and suppliers. It has also exposed how unprepared the world seemed to be in the face of such a crisis, the report observes, underscoring the urgent need to invest in risk management and emergency response preparedness in transport and logistics. Future-proofing the maritime supply chain and managing risks requires greater visibility and agility of complete transport operations. The pandemic should not defer action to combat climate change in shipping, and post-COVID-19 recovery policies should support further progress towards green solutions and sustainability. However, this invokes enormous financial cost. The pandemic has also strengthened needs for digitalization and eliminating unnecessary paperwork, and reinforced a need for standards and interoperable electronic documentation. Trade facilitation measures taken during the pandemic require further major investment by employers in digitalization and automation. This will be essential for shipping to remain viable and competitive.

The report decries the recent humanitarian and safety crisis with over 300,000 seafarers stranded at sea for months after the end of their contracts, through no fault of shipowners, unsustainable for both seafarer safety as well as for well-being and safe ship operation. We fully applaud UNCTADs call to authorities to designate seafarers as key workers. However, without doubt introduction of measures to assist seafarers to keep safe while awaiting governmental permission to facilitate repatriation has substantially cost the sector alongside other significant financial challenges.

The report identified in-depth and detailed coverage on global maritime trade in 2019. It says COVID-19 hit world trade after an already weak 2019, in which global maritime trade lost further momentum as trade tensions and other fundamental economic dynamics continued to bite. They included China-US tensions, uncertainties around Brexit, complaints from several countries against Indian tariffs, the Japan-Korea trade dispute and general moves towards protectionism. It is estimated that additional tariffs arising from the China-US tensions cut maritime trade volume by 0.5 per cent in 2019.

Other notable facts and figures on global maritime trade in 2019 include the following:

- Iron ore trade fell for the first time in 20 years.
- Brazil overtook the United States as the world's largest seaborne grain exporter.
- As of March 2020, an estimated 20 per cent of global trade in manufacturing intermediate products originated in China, up from 4 per cent in 2002.
- Capacity of the largest container vessel increased by 10.9 per cent.

- Ports wish to strengthen trade route connections with their localities.
- China, Greece and Japan remain the top three ship-owning countries.
- Liberia, the Marshall Islands and Panama remain the three leading flags.
- Islamic Republic of Iran, Taiwan and Thailand registered the highest deadweight tonnage increases.

Moving to less environmentally impactful shipping will significantly affect corporate profitability. Such investments typically do not enhance profits, with the exception of those focused on energy efficiency. At best, customers will eventually pay for them but this is something our industry must now handle responsibly not to suffer the consequences later. The IMO has ambitious goals to reduce total greenhouse gas emissions by at least 50 per cent by 2050 compared with 2008. Some, including the United States are now calling for full decarbonization of the sector by 2050. The related costs for this energy transition will be enormous.

According to a new analysis from Drewry, vessel operating costs rose in 2020 at their fastest pace in over a decade. They attribute the sharp increases to the expenses of higher insurance premiums and COVID-19 related expenses, while forecasting ship operating costs will moderate beginning in 2021. Like many aspects of merchant shipping, vessel operating costs were severely impacted by the pandemic. Its effects cut OPEX spend through the first half of 2021 as economic lockdowns and social distancing restrictions closed dry-docking and repair yards, while owners' resultant trade postponed anything except essential spend. However, costs jumped during the second half of 2020 as repair facilities reopened, unleashing pent-up demand, while manning costs escalated due to disruption to crew repatriation arrangements. Drewry estimated a 4.5 per cent jump in 2020 average daily operating costs across 47 different ship types and sizes. This compares with underlying increases of 2 and 2.5 per cent in 2018 and 2019. Prior to that OPEX spending stagnated or contracted by 8 per cent between 2015 and 2017.

Manning costs rose by 6.2 per cent in 2020 with underlying rises of 1.3 per cent, while hull and machinery (H&M) and protection and indemnity (P&I) cover costs jumped 4.5 per cent on a hardening insurance market. Meanwhile, disruption to supplies and labour availability caused by COVID-19 pushed stores and spares and repair and maintenance cost inflation to around 3 per cent, while dry-docking spend jumped 5 per cent. Cost increases rose across all the main cargo carrying sectors for the third consecutive year, as all ship types took a hit from COVID-19. The latest assessments include vessels in the container, chemical, dry bulk, oil tanker, LNG, LPG, general cargo, reefer, roro and car carriers' sectors. Looking ahead, ship operating costs should moderate in 2021, as some one-off COVID-19 related costs unwind in response to containment, offsetting inflationary pressures elsewhere; OPEX inflation is expected to return, rising below the general price inflation rate representing cost stagnation in real terms, although costs will vary. While trading conditions should remain challenging, dominated by COVID-19 induced trade uncertainties and continued overcapacity in many sectors, Drewry forecast costs to moderate this year as COVID-19 spend unwinds, but this now appears unlikely.

The effect on shipping has been profound and 2020 has permanent effects both positive and negative. When the pandemic started and countries started to close borders in mid-March of 2020, there were many question marks. After volume decreases in April, the markets started to rebound from the worst time in the pandemic, yet there are still too many unknowns to plan far ahead.

The latest vaccine news is positive but will test supply chains once more as some vaccines require low temperatures to be effective, which is a huge challenge for developing countries. Trade tensions still cast a shadow on commerce, and more is to be expected in the short term.

At the start of 2020, there was a big difference between liner carriers in managing capacity compared to past years. An increase in capacity management and efficiency also resulted from industry consolidation and there are now only a handful of carriers that can substantially impact the market. In 2020, at the height of the pandemic, when container volumes dropped dramatically, this did not happen with freight rates, thanks to carriers managing capacity through blank sailings, reducing costs, optimizing fuel costs and focusing on margins instead of market share. Spot rates remained stable even at the peak of COVID-19 when there was less cargo. These working strategies will continue in 2021. Those ocean carriers, representing around 15 per cent of the industry, published significant profits in 2020 after many years of poor results. However, such an extraordinary improvement is not sustainable and will not continue. Further, that was a rare exception in the industry, even in the short-term. Many sectors within the industry remain quite devastated economically, including the cruise, offshore, bulk, and tanker trades, although the tanker trades have seen some upward cycles during the crisis.

A positive effect of the pandemic was the push to embrace technology in ocean shipping just like many other industries. Technological developments will accelerate further in 2021. Digitalization of the supply chain and increased and more reliable platforms where real-time tracking and tracing is offered are almost a current given. Smaller-size companies that cannot maintain this trend will lose their competitive edge. As well as widespread usage of shipping platforms, there will be further discussions on blockchain implementation, Big Data and AI. However, as mentioned previously, there are immediate substantial costs associated with this.

Let me finally address an elephant in the room. And that is interest rates. The current world fleet is being financed and refinanced in a decade of ultra-low interest rates. As many of you will know, interest rates in ship finance are not fixed. Rising interest rates are immediately applied. Such rising rates will significantly affect CAPEX while there is no reason to expect freight rates to rise similarly. Shipping thrives on facts requiring good management, judgement, research, advice and luck to remain profitable. And, as Benjamin Franklin said, “Beware little expenses; a small leak will sink a great ship.”

The minimum wage aims to bring and keep people in decent employment. Wage levels must be balanced with the maximum number of seafarers that can be employed. The world is changing daily. We jointly need to consider what the market can bear and what is currently sustainable. Due to all of these factors we acknowledge we should consider whether it is appropriate at this time to change the minimum wage for an able seafarer, so we have considered the figures given by the Office and other available data. We noted that the video shown by the Office at the beginning of this session stated that this group would “probably” or “possibly” update the minimum wage, whereas we would point out this is a decision of course reserved for the actual participation and their deliberations.

We would also like to stress that we have both agreed that the purpose of the ILO minimum wage for an able seafarer is to have a safety net to ensure seafarers can sufficiently support themselves in a global economy. We cannot stress enough the real difficulties our member shipping companies continue to have to remain in business and the difficult challenges ahead. If companies cease to exist, the safety net is also gone. Thus, due to the current pandemic and market situation and an even worse outlook it appears reasonable to stabilize the safety net. We look forward to a constructive and pragmatic discussion to ensure maintenance of the true safety net, both for today and the future.

Thank you.

# Appendix II

## Opening statement of the Seafarer spokesperson

May I begin by joining the Shipowners in thanking you Madam Convenor and the ILO Office for the preparations made for this session of the JMC Subcommittee on the Wages of Seafarers. I am sure that they were doubly difficult given the changes to the way that we all work that have taken place over the past year.

When we last met, my opposite number highlighted some of the many ”unknowns” faced by our industry. Back then, he called up a worrying cast of uncertainties: Brexit, US protectionism, and declining Chinese output, among them. All could potentially unbalance the global equilibrium, he predicted.

I mention this because it is extraordinary how trifling they all now seem. We have come through 14 months of turmoil during which nearly all reasonable expectations have been upended to the extent that a post-pandemic world has, at times, been hard to envisage. This has been the greatest global upheaval since the second world war, for shipping and pretty much every other aspect of life.

After a period of such profound disruption, it is worthwhile taking stock of what has survived, what elements of our society and of our industry have demonstrated the endurance and robustness to get through such a storm.

Well, clearly, the global shipping industry is still with us. None of the major players have tied up their ships for good and trade volumes remain at levels that even 20 years ago would have been hard to imagine. The vital factor that has got us through – the characteristic that makes our industry unique – is the depth our social dialogue and the trust that unites seafarers and shipowners that delivered effective partnership and collaboration throughout this pandemic.

You can see this in some of the milestones of the year just gone. When the terrible effects of the crew change crisis struck, the reaction was a joint one from employers and unions. We responded together to press for a response for the crew change and then for vaccines for those at sea and at home.

I say this because I believe that the spirit of building on our collective interests should inform our discussions today. Let me first, however, turn to the economic circumstances before us.

To the casual observer the emergence from the pandemic appears remarkable. In April, the World Trade Organization’s Director-General told us that: “Trade recovered more quickly than expected in the second half of 2020. This rebound has continued, and the WTO’s baseline trade forecast foresees an 8 per cent increase in the volume of world merchandise trade for 2021.”

She is not alone. The *Economist* predicts that: “Operators of ships ferrying containers, packed with consumer goods or components, are set fair for a banner year.” Maersk predicts profits of US$6 billion–7 billion, up from a pre-pandemic estimate of US$5.5 billion. And the Baltic Dry Index is at its highest point for a decade.

We do have some insight into why this might be. The cumulative effect of lockdowns around the world mean that domestic savings are at an all-time high, so people are buying goods with what they might have spent on a holiday, or meals and entertainment. Authoritative industry observers tell us, however, that this is unlikely to be a short-lived moment of market energy. Drewry’s latest *Container Forecaster*, for example argues that: “carriers are set up nicely for at least another two very profitable years”. The OECD concurs. Its report from March 2021 said: “global

GDP growth is projected to be 5.5 per cent in 2021 and 4.2 per cent in 2022, with global output rising above the pre-pandemic level by mid-2021”.

Happily, the issues that were worrying the employer’s side two years ago have also receded. Chinese GDP is staging a significant recovery, recording its highest growth rate ever in the results posted on 16 April. Eswar Prasad, a China finance expert at Cornell University, told the *Financial Times* that even after considering the “phantom effect” of the low-base comparison from last year, the first-quarter figure was “clear confirmation of the resilience and momentum of the Chinese economy”.

The IMF now forecasts that the United States economy will stage the strongest come back of any of the advanced economies.

I am also conscious that optimism about shipping’s future is not confined to this side of the table. We know from BIMCO and Clarksons that in March more commercial shipping was ordered in a month than in the entire previous year, breaking a decades-old annual record for container ship orders. That is a huge vote of confidence, not to mention demonstration of liquidity, on the part of shipowners.

It is not just the container trade either. As we all know, leisure cruising took an incredible knock because of the pandemic. But according to the *Financial Times* in March, the bounce back has been astonishing. “A round-the-world trip on Oceania Cruises Insignia sold out in a day, with prices starting at £38,000. Silversea Cruises announced it had ‘shattered its bookings records’, and Royal Caribbean, reported a 30 per cent uptick in new bookings since the start of the year.”

The Seafarers’ group has prepared two briefing notes which we would like to share with the Subcommittee and for the contents to be appended to these opening comments in the report of this meeting. They provide a fuller economic context for these discussions and look also at the performance of the cruise sector.

Against this backdrop, we have a cohort of seafarers who made unique sacrifices during the pandemic. The crew change crisis saw nearly a quarter of the entire workforce stuck at sea for protracted periods, and a similar proportion marooned on dry land, often without financial support.

Incidentally, may I share with you the preliminary results of the ITF Survey of Seafarers and their experience during the pandemic – of 2,000 seafarers who replied 25 per cent said they are actively looking for shore-based employment. This chimes with my own unions research that revealed that a staggering 52 per cent of our members are rethinking their choice of career due to the impact of COVID-19. That should be food for thought for this Subcommittee.

So, we have a buoyant industry with all the indications are that we are set for a run of good years, a workforce much of which is either exhausted or struggling to make ends meet and actively thinking of leaving this industry.

That brings me back to my observations about what really distinguishes our industry – the unique bonds and shared objectives built during careers where both life and livelihoods depend upon trust shared.

That is why this is the time for a step change in the way we pay those who crew the ships. Pandemic aside, the demands on them are growing – to work with leaner crews, to deliver the digital revolution, and to make global logistics fit for a carbon-neutral future. As our talks progress we will establish that a daily rate of US$21 falls significantly short of the wage that we believe is appropriate for such demanding roles in a modern, forward-looking industry like ours.

I am hopeful that the settlement we will come to during this session will be one that we will all be able to reflect on with pride: pride that our response to the pandemic will reflect well on our industry's values; pride that we recognized that this was a moment where change was achievable and desirable; and pride that we rewarded seafarers appropriately for the steadfast approach they brought and bring to their work.

In conclusion, last week we had a successful Special Tripartite Committee meeting and adopted two important resolutions. Some very fine words were spoken including by the Shipowners about our key workers – the seafarers. I hope we do not choke on those words in this Subcommittee meeting.

Let us deliver for seafarers now on the important issue of their wages, as they delivered, and continue to deliver 90 per cent of everything, for us!

Thank you.

## Information note 1. Economic performance of the industry

### Overview

After the initial disruption, last year ended better than expected for global shipping. In the second half of 2020, dry bulk rates recovered and exceeded 10-year averages. As the main industrial regions worldwide return to growth, 2021 is expected to offer widespread recovery in dry bulk markets.

Soaring freight rates in container shipping are expected to ease over the course of the year. However, with increased volumes meeting delays and stretched supply chains due to congestion, container shortage and reduced air freight capacity, rates will remain high.

However, passenger shipping is among the hardest hit by the pandemic. Also tanker spot earnings dropped to the lowest levels in decades, hitting 30-year lows in February 2021.

### Dry bulk

- Dry bulk had exceptional year as Chinese steel production hit an all-time high with a positive impact on trade with iron ore and coal.
- China's continued growth provided positive additions to the demand for several key seaborne commodities. The steel production in China reached all-time highs after the summer to the benefit for the shipment of iron ore from Australia and Brazil. This was also positive for the demand for coal, but political tensions blocked exports out of Australia. Suppliers in Indonesia and Malaysia made up for much of the difference.
- Some of the drivers behind this exceptional growth right in the middle of the pandemic are found in the strive to build up the inland infrastructure and industry, and the shift towards a higher share of domestic demand. This partly ties in with the long-term OBOR/BRI, which will increase China's connectivity with neighbouring countries all the way to Europe via both land and sea.
- The Belt and Road Initiative (BRI) known formerly as One Belt One Road (OBOR) is a global infrastructure development strategy adopted by the Chinese Government in 2013 to invest in nearly 70 countries and international organizations. The project is often described as a twenty-first century silk road, made up of a "belt" of overland corridors and a maritime "road" of shipping lanes. China is carrying out or planning construction projects in more than 60 countries along these routes.

- The Baltic Dry Index was around 1,500 throughout the third quarter of 2020 which is high in a historical context. Less than 3 per cent of the global fleet was inactive in 2020.

### Containers

- Container traffic recovered relatively quickly as China opened, though challenges in Europe and North America disturbed supply chains.
- Delays and container shortages led to sharp rate increases.
- Generally, this trade is expected to bounce back to the 2019 level in 2021, due to the diversity of the commodities that are transported. Even though consumption of some commodities and products has come down this year, others have risen during the pandemic.
- Soaring freight rates in container shipping are expected to ease over the course of the year. However, with increased volumes meeting delays and stretched supply chains due to congestion, container shortage and reduced air freight capacity, rates will remain high.

### Tankers

- Tankers faced a year with significant ups and downs on the back of oil and gas price fluctuations.
- In March 2021, the struggling crude oil tanker shipping market is unlikely to get a respite anytime soon, according to the latest reports by the International Energy Agency and the OPEC.
- LNG shipping rates during the winter of 2020–21 experienced a hefty peak but dropped in January. Going forward in the summer rates will continue to be low.
- 2019 was a good year for LPG tankers. The good times continued into the beginning of 2020 before COVID-19 affected all markets around the globe. In the last quarter of 2020, the market became markedly better though. At year-end high export volumes coupled with inefficiencies in the VLGC markets helped spot freight rates to soar to multi-year highs in early January 2021. However, by the end of the month, rates collapsed, with plenty of available spot vessels on both east and west markets.
- The benchmark Baltic Liquefied Petroleum Gas Index was 1,997 on 15 February, compared with 2,692 a week earlier, a drop of 26 per cent, with little to suggest any significant improvement in earnings.

### Looking ahead

The IMF forecasts the global economy to grow 5.5 per cent in 2021 and 4.2 per cent in 2022. The estimate for global growth in 2020 is 0.9 per cent higher than projected in the October World Economic Outlook forecast. The 2021 growth forecast is more positive due to the increased support in a few large economies and higher expectations of a vaccine-powered strengthening of activity later in the year. This is considered by the IMF to outweigh the drag on near-term momentum resulting from a third wave of COVID-19 infections – even if they themselves highlight this and new variants of the virus as the largest concern for the economic outlook.

## Information note 2. Cruise ship industry profits and dividends

The last year has obviously been a terrible one for the cruise ship industry. However, the leading operators have made very substantial profits in the years proceeding COVID-19.

We set out below some information on pre-pandemic profits, and recent dividend payouts. You will note the profit margins for the leading players in the industry are very high, comfortably outperforming leading companies in other industries:

| Company | Revenue (US$) | Net profit (US$) | Profit margin |
|---|---|---|---|
| Carnival Corporation – 2018 | 18.88 billion | 3.15 billion | 17% |
| Carnival Corporation – 2019 | 20.82 billion | 2.99 billion | 14% |
| Royal Caribbean – 2018 | 9.49 billion | 1.81 billion | 19% |
| Royal Caribbean – 2019 | 10.95 billion | 1.87 billion | 17% |
| Norwegian Cruise Lines – 2018 | 6.05 billion | 955 million | 16% |
| Norwegian Cruise Lines –2019 | 6.46 billion | 930 million | 14% |

### Dividends paid during the pandemic (2020)

All cruise ship companies lost significant amounts of money last year but both Carnival and Royal Caribbean still paid out hundreds of millions in dividends to their shareholders:

- Carnival Corporation – US$689 million
- Royal Caribbean – US$326 million

# Appendix III

## Opening statement of the Shipowner spokesperson on 27 April

Thank you Madam Convener, first of all, I want to recognize that these are extraordinary times for all of us and I appreciate that we could find a way to come together to address this important topic. Despite the situation, analogous to force majeure in many of its aspects, the Shipowners very much wanted to have this meeting and to approach it positively, to the best of our ability. We in fact did agree to meet without reservation, despite the ongoing conditions and tried to find a mutually agreeable solution.

Although we are disappointed to say that in the end we could not come to agreement at this session between the social partners, we do respect the professionalism that was displayed by all. I also want to specifically thank the Office for the excellent support that they have given us to facilitate a robust and meaningful set of deliberations. The failure to reach an agreement should not take away from either of those important aspects.

Considering the highly uncertain state of the global economy, and the very fragile condition of many employers in our community, I want to be clear that the Shipowners did in fact make a good faith offer that included a substantial increase in the Minimum Wage.

While I appreciate that the Seafarers take a different view of those uncertainties, and their confidence in the ability of Shipowners overall to continue to provide livelihoods in the shipping sector is not aligned with our own, we certainly respect their decision to reject our offer. This will leave subsequent discussions for a future time.

I do reiterate our view that future calculations by the Office in support of future session of this Subcommittee should be based on actual agreed minimum wage amounts, and not on some other basis.

I would kindly ask that these comments be appended to the report and I sincerely thank the Office, the Seafarers, and my colleagues on the Shipowners bench for their efforts over these last two days.

# ▶ Appendix IV

## Opening statement of the Seafarer spokesperson on 27 April

Madam Convener, it is with regret that for only the second time in the history of ILO seafarers minimum wage setting we have failed to secure an increase. The last time was in 2009 following the financial crisis. Who can forget the Shipowners brandishing photographs of the anchorages in Singapore choc-a-bloc with idle ships? No such photographs this time. And no idle ships, only buoyant shipping markets.

Apparently, we should be ever so grateful that the Shipowners did not, as they have in the past, demand that the ILO minimum wage should decrease despite that being a patent nonsense and in contradiction with the non-regression provision provided for in the ILO Constitution.

We were told that it would be far better and fairer to the world's seafarers if we keep the ILO minimum safety net low so that it is gradually includes more of world's seafarers despite that being contrary to the ILO formula agreed at the 26th Session of the Joint Maritime Commission.

That formula has been used at every round of discussions ever since. A formula that seeks to maintain the purchase power of the ILO Minimum wage to maintain that safety net. Despite that meeting and every meeting since considering additional increases to reflect "productivity" – or a real increase in that so called safety net.

The ILO minimum wage for an able seafarer should be rising from 1 January 2022 by a minimum of US$42, from the current rate of US$641 to US$683 – that is a daily rate of US$21.36 to a rate of $22.76 for a maximum of 8 hours per day – a $1.40 per day increase – less than the price of a skinny latte in any major capital around the world.

Instead, we were offered a pay cut. And we are not in the business of agreeing pay cuts especially not after that last 12 months and the sacrifices that seafarers have made and continue to make to deliver 90 per cent of everything, we need to sustain our lives.

In 2009, the Shipowners group walked away clutching their photographs. In 2021 let the record show that the Shipowners, after 14 months of very fine words about the key workers of the global supply chains offered too little and too late. I still have those words from last week's Special Tripartite Committee ringing in my ears. I said at the opening of this meeting I hoped we would not have to choke on those words. Unfortunately, we do.

So, sadly it is the Seafarers' group who must declare that we are not willing to come to an agreement, to agree some nice words about how tough it has been for shipowners, how beastly governments have been to them, and agree a resolution from this meeting.

For only the second time in history we will have failed and both times this is down to the Shipowners. This time as every other time frankly they come with dire warnings of the uncertainty that the global economic picture presents. Never mind what evidence there is for that because they always have a sector here and there that is going through difficult times. This time it is the cruise sector – a sector which passes significant parts of its wage bill onto the passengers through gratuity payment systems. The only problem now is they have no passengers to pass the costs onto.

We heard that running costs rose 6 per cent last year. Insurance costs are up, ship financing costs could rise. Repatriation costs rose due to the crew change crisis (never mind that they did not have to do as many crew changes because for every seafarer stuck at sea another was stuck at home off pay or for many being laid off or having their pay and conditions cut).

In fact, the only costs that cannot be allowed to rise it would seem (and bear in mind we are not talking principally about a real increase at all as the ILO formula merely seeks to maintain the value of the minimum wage) is the costs of employing the key workers who kept the global supply chains moving throughout 14 months of a global pandemic and continue to do so to this very day. We will be sure to advise the Seafarers of the value the Shipowners have placed on their sacrifice.

This failure of social dialogue is going to have profound implications for the partnership between Shipowners and Seafarers. Failure to agree a minimum wage increase creates a vacuum – a vacuum that will have an impact on negotiations elsewhere – nationally and internationally. We will declare our own ILO Minimum Wage and we will rely on the ILO Office report to justify that.

Madam Convener, may I recall that the MLC, 2006, provides in Guideline B2.2.4(1) that the JMC or another body authorized by the Governing Body of the ILO' shall set the minimum wage payable to an able seafarer. Perhaps it is time that we reconsider this mechanism and the mandate to the JMC because there are other seafarer wage setting mechanisms that can fill the vacuum created by the failure to agree here. Not least the ITF Fair Practices Committee.

In the meantime, we remain willing and ready to reconvene talks in the future should the Shipowners see value in doing so.

We thank you Madam Convener for overseeing this meeting, to the ILO Office for and the Statistics Branch for the excellent reports that were provided to facilitate our discussions. I also thank the Shipowners group for their efforts to seek agreement and the Seafarers' group for their support over the past two days.

Thank you, safe journey home and please stay safe.

# Appendix V

## Resolution concerning the ILO minimum monthly basic pay or wage for able seafarers

The Subcommittee on Wages of Seafarers of the Joint Maritime Commission,

Having met virtually from 26 to 27 April and on 8 September 2021,

Having considered the reports prepared by the International Labour Office on the updating of the minimum monthly basic wage figure for able seafarers,

Recalling the Maritime Labour Convention, 2006, as amended, Guideline B2.2 and in particular, Guideline B2.2.4,

Noting that the Convention states that the number of normal hours per week covered by the minimum monthly basic wage figure should not exceed 48 hours per week,

Noting that the agreed sum achieved at previous meetings has often exceeded the figure indicated by the formula since the process took into account other factors,

Reaffirming that the main aim of the minimum monthly basic wage figure for the able seafarer as agreed by the Joint Maritime Commission Subcommittee is to satisfy the requirements of the Convention in establishing international minimum standards and to contribute to the provision of decent work for seafarers,

Reaffirming support for the role of the Joint Maritime Commission and believing that its role and importance as the agenda-setting mechanism for the maritime industry remains relevant,

Recalling the resolution concerning the ILO minimum wage for able seamen, adopted at the 26th Session of the Joint Maritime Commission (October 1991) (JMC 26),

1. Affirms that the current mechanism, including the formula, as provided for in the resolution concerning the ILO minimum wage for able seamen, adopted at JMC 26, needs to be maintained until such time as an alternative is agreed but agrees that a review of the formula should now be carried out;

2. Agrees to an interim adjustment to be made to update the current ILO minimum basic wage for an Able Seafarer to US$648 as of 1 July 2022;

3. Agrees that the figure of US$661 as of 1 March 2021 should be used as the basis for recalculation purposes and for discussion at the next meeting of the Subcommittee;

4. Acknowledges that the agreed minimum monthly basic wage figure in no way prejudices collective bargaining or the adoption of higher levels in other international wage-setting mechanisms; and

5. Invites the Governing Body to convene a meeting of the Subcommittee in the first half of 2022 for the purpose of updating the minimum monthly basic wage figure to take effect as of 1 January 2023, and every two years thereafter, and to request the Subcommittee to report directly to the Governing Body.

# ▶ Appendix VI

## Closing statement of the Shipowner spokesperson

Thank you Madam Convener,

The Shipowners' group was initially quite disappointed that we were unable to find consensus during the April meeting on an adjustment to the ILO minimum wage for seafarers. However, my esteemed counterpart from the Seafarers' group and I both made clear in our closing statements in April that our doors remained opened to continuing to try and find a mutually agreeable solution, despite this initial result. We were both quite sincere in those commitments and we (and those we represent) both lived into those words.

Facilitated by extremely constructive assistance from Mr Stephen Cotton (the ITF General Secretary) and Mr Guy Platten (the ICS Secretary-General), I am very pleased that my counterpart and I were indeed able to find a constructive way forward that included an interim adjustment to the Minimum Wage. We were encouraged to find such a solution in recognition of the extraordinary cooperation between the social partners during the COVID-19 pandemic, and the strong desire to continue to work together to solve challenges of many kinds which may lie ahead. I personally could not agree more with that point of view, and in this spirit we proceeded to find a path ahead as reflected in the agreed resolution for this session.

Seafarers are absolutely critical to serving society's needs, and this has never been more evident to us who recognize that than in a crisis of the kind of scale we have been living through since early 2020. I cannot express my gratitude enough to those seafarers worldwide, and the essential role they played in the shipping community being able to keep the global supply chains moving while many other aspects of what we considered part of our normal ecosystem and daily lives came to a screeching halt.

As part of our agreement, the social partners requested that a single value of US$661 be used for further recalculations by the Office to help inform our future discussions at our next meeting of this Subcommittee in 2022. Our Group believed this was important to ensure there is continuity in the process of those calculations made to date, and that no gaps were inadvertently created in the sequence of calculations over time.

I welcome the opportunity to work closely with my colleague, the spokesperson for the Seafarers' group, as we further advance our work consistent with our discussions and the resolution from this session. Even when our Groups take divergent views, and the conversations are difficult ones to have, it is greatly appreciated to have a counterpart that maintains a spirit of mutual respect and trust. I specifically thank Mr Mark Dickinson for being such a counterpart.

I further thank you personally and your colleagues from the ILO Office, as well as my fellow delegates from the Shipowners' group. Your support was essential and also greatly appreciated.

Thank you very much.

# Appendix VII

## Closing statement of the Seafarer spokesperson

Thank you Madam Convener,

In April this year we were unfortunately unable to achieve a consensus on the adjustment needed to maintain the purchasing parity of the ILO minimum wage for seafarers. However, both myself and my esteemed colleague opposite stated clearly, at the end of that first session, that we would leave our doors open in the hope of resuming these talks.

I want to place on record my thanks to Stephen Cotton, General Secretary of the ITF and Mr Guy Platten, Secretary-General of the ICS, for their efforts over the summer months to take us at our word and reignite that dialogue. They did this in recognition that the cooperation and collaboration that underpinned the industry response to the COVID-19 pandemic should not be squandered. Our social partnership was crucial to the delivery of practical solutions to the crew change crisis, and it must be cherished and preserved.

Both the Seafarers' and the Shipowners' groups know that the shipping industry is crucial to the maintenance of global supply chains. We appreciate that seafarers are key workers, and that they deserve recognition. This is not something we disagree on.

I am therefore delighted that we have reached a consensus today and that seafarers will get some recognition by way of an increase in the minimum wage, that the integrity of the ILO process has been maintained, and that we will meet again in 2022 to continue our dialogue.

I look forward to engaging with my colleague, the spokesperson for the Shipowners' group, as we consider improvements to the ILO formula. In the meantime, I thank him for his willingness to engage and for his integrity.

I thank you Madam Convener and your colleagues from the ILO Office. Your support for our work is deeply appreciated.

Finally, to my fellow delegates on the Seafarers' group – thank you for your support.

Thank you.