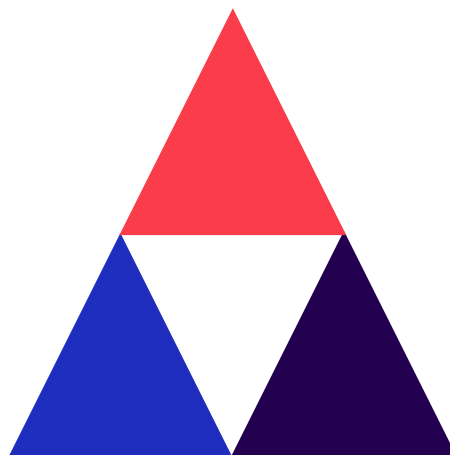




▶ Subcommittee on Wages of Seafarers of the Joint Maritime Commission

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 (Geneva, 16–17 May 2022)



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▶ Introduction

1. The Subcommittee on Wages of Seafarers of the Joint Maritime Commission (JMC) met in Geneva from 16 to 17 May 2022, in accordance with a decision taken by the Governing Body of the International Labour Office at its 343rd Session (November 2021).

▶ Composition of the Subcommittee

2. The Subcommittee was attended by 6 Shipowner representatives and their 17 advisers, and 5 Seafarer representatives and their 2 advisers.
3. In keeping with the practice followed since 2003, the Subcommittee did not have a Chairperson.
4. The elected Vice-Chairpersons and spokespersons were:
Shipowners: Mr Charles Darr (Shipowner member, Switzerland)
Seafarers: Mr Mark Dickinson (Seafarer member, 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 of the Subcommittee on Wages of Seafarers of the Joint Maritime Commission (JMC), which was the only standing bipartite body of the Organization. The mandate of the Subcommittee was to discuss the updating of the minimum monthly basic wage figure for able seafarers referred to in the Maritime Labour Convention, 2006, as amended (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/2022) as well as document SWJMC/2022/1, 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' group (see Appendix II).
9. Representatives of the Office introduced the report for discussion (SWJMC/2022), 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 September 2021. The report drew upon the information available to the Office on 1 November 2021. Subsequently, the Office had prepared an update of the calculation based on information available up to 1 March 2022 (SWJMC/2022/1).
10. Following a query raised by the Shipowner spokesperson with regard to the sources of data relating to consumer prices and exchange rates, a representative of the Office indicated that the

main source constituted the database of the International Monetary Fund (IMF). In the event that a country had not reported to the IMF, or that the relevant information contained in the IMF database was not recent, the Office consulted the database or websites of the governments concerned.

11. The Shipowners' and Seafarers' groups held both private group meetings and joint negotiations before returning to plenary.
12. Following bipartite negotiations, the JMC Subcommittee agreed to an adjustment to be made to update the current ILO minimum monthly basic wage for an able seafarer to US\$658 as of 1 January 2023, US\$666 as of 1 January 2024 and US\$673 as of 1 January 2025. The Subcommittee also agreed that the figure of US\$673 as of 1 March 2022 should be used as the basis for recalculation purposes, and that, subject to the Governing Body's decision, the next meeting should take place in the first half of 2025 for the purpose of discussing the update of the minimum monthly basic wage figure to take effect as of 1 January 2026, and every two years thereafter.

► Adoption of the resolution

13. A draft resolution was prepared by a small bipartite informal group consisting of Subcommittee participants, based on the joint negotiations.
14. The Subcommittee reviewed the draft resolution.
15. Following a query raised by the Shipowner spokesperson with regard to the start date being used for recalculation purposes, a representative of the Office indicated that, according to the formula and past practice, the date of the latest Office update was used as the start date for recalculation, in order to capture the evolution of consumer prices and exchange rates during the full period of time between calculations.
16. The Subcommittee adopted the draft resolution. The final text is found in Appendix III of this report.

► Closing statements

17. The Shipowner spokesperson conveyed his thanks to the Office, in particular to the Convener (Ms Alette Van Leur, Director of the Sectoral Policies Department (SECTOR)), the SECTOR expert (Mr Brandt Wagner, Head of the Maritime and Transport Unit) and the expert from the Department of Statistics (Ms Andonirina Rakotonarivo, Microdata Analyst), for their tremendous efforts to this bipartite undertaking. He thanked the Shipowners' and Seafarers' groups for their pragmatism, flexibility and readiness to find middle ground and meet halfway so as to find a mutually satisfactory solution for the future, albeit full of unknowns in terms of economics and livelihoods. Fourteen per cent of the world's seafarers were deeply affected by the conflict in Ukraine, and his thoughts were with them and their families. He was proud of the success of the process and welcomed the result of this collective effort to advance the safety net for seafarers and give recognition, not only in words but also in monetary compensation, to those unsung heroes who had kept the world moving during the pandemic. Society's expectations in terms of energy transition could only be fulfilled if the workforce needed was available and could be retained. This was a fruitful area for future bipartite collaboration since timely solutions were needed.

- 18.** The Seafarer spokesperson thanked the Convener, the staff, the Seafarers' group, the Bureau for Workers' Activities (ACTRAV) and the International Trade Union Confederation (ITUC), and commended the Shipowners' group for the progressive way of engaging in the Subcommittee's discussions. He welcomed the real increase in the salaries of seafarers who currently felt the pinch from inflation stoked by government actions disrupting global supply chains during the pandemic. Pragmatism was a two-way process of assessing what was both desirable and realistic for the industry to achieve together. The COVID-19 pandemic had a silver lining: whereas the crew change crisis was not yet over, the maritime industry and workforce had been in the spotlight, and the planet had eventually understood how crucial shipping and seafarers were to keep the world moving, and had acknowledged the status of seafarers as key workers. The partnership between the International Chamber of Shipping (ICS) and the International Transport Workers' Federation (ITF) had pre-existed the pandemic and had been enhanced through the common efforts undertaken to maintain functioning supply chains, while somewhat letting governments off the hook. He was pleased to end on a high note as a genuine reflection of this continued partnership. The social partners would now have to seize the unique opportunity of a just transition by taking up the challenge to decarbonize, revolutionize the skills agenda, and adopt a human-centred approach to digitalization and technological innovation. To duly celebrate the maritime industry and its people, it was appropriate to conclude with such an agreement.
- 19.** The Convener congratulated the Subcommittee for this impressive demonstration of mature and constructive social dialogue and thanked both groups for their ongoing commitment to this truly exceptional process, which had a direct impact on seafarers and shipowners. The resolution would be submitted to the Governing Body at its 346th Session in October–November 2022, together with a point for decision to authorize the Director-General to notify, in accordance with Guideline B2.2.4 of the Maritime Labour Convention, 2006, as amended (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 2025, and every two years thereafter. On behalf of the Director-General, she thanked all the participants for their time and engagement, and closed the meeting.

► Appendix I

Shipowner spokesperson opening statement

Thank you, Madam Convener and a very good morning, good afternoon and good evening to all, depending on where you are in the world. I am very optimistic about the prospects for a good result from this meeting.

I should start by expressing my sincere appreciation to the Office for the excellent arrangements made to convene this session of the Subcommittee on Wages of Seafarers of the Joint Maritime Commission. I, for one, am especially glad that some of us are finally able to meet in person after such a long time. But let me also express a heartfelt virtual welcome to those who could not join us in person today but have taken advantage of the hybrid format.

When we last met, in September 2021, we agreed to meet again this year to review the ILO minimum wage and I am pleased to have been nominated to speak on behalf of the Shipowners' group during these important discussions, to shed light on some of the current and future challenges and potential solutions that lie ahead for our industry in the mid- to long-term.

However, I must emphasize that this would not be possible without the excellent preparations made by your team and the ILO Statistics Department, and the efforts made to provide us with the sets of data that will serve to inform our discussions throughout the meeting.

For this particular meeting, I believe there are three basic items that I hope we as the social partners can focus on for decision points: any agreed change in the minimum wage value and an associated timeline; how to enhance the value of the data provided through the work of the Office to evaluate buying power; and establishing the basis for the next set of calculations by the Office.

The global seafarer workforce is central to the safe and efficient flow of world trade, and COVID-19 brought their essential role to the forefront of the outside world's attention. In our previous meeting, I listed some of the considerable achievements the social partners of the shipping industry had reached together over the past few years, and I am quite pleased that during the Special Tripartite Committee meeting last week, we were able to add to that list of accomplishments, with agreement on a record number of new ambitious proposals.

I have no doubt that once they enter into effect in 2024, these new global provisions will strengthen the MLC, 2006, support seafarers and put into practice some of the practical lessons that must be learned from the pandemic. We are particularly proud that our social partnership continues to deliver collective achievements to support the lives, well-being and livelihoods of seafarers. Thanks to this close partnership, over the years we have achieved considerable improvements to working and living conditions, strengthened financial stability for seafarers, to name only a few. No other industry can legitimately claim to have achieved as much as we have collectively. Certainly not at the global level.

Our cooperation throughout the crew change crisis has been nothing short of exceptional. We have come a long way since 400,000 seafarers were stranded at sea and ashore at the height of the pandemic, but rest assured that as employers we will not rest until the effects of this pandemic-induced humanitarian emergency are fully behind us, and challenges in this space do still remain. For example, until all seafarers have equitable access to vaccines and are designated "key workers", we have much to do so that we are much better prepared for similar global emergencies in future.

Our industry has been a staunch advocate of inclusive employment; "Diversity, Equity and Inclusion" is much more than a slogan and is at the forefront of our work, as a driver for better

collaboration, innovation and paving the way to more socio-economic benefits, far beyond the optics. The 2021 ICS/BIMCO *Seafarer Workforce Report* provides a bird's-eye view analysis on a range of demographic data, such as age, nationality and gender, revealing an encouraging trend in terms of gender balance, with an estimated 24,000 women serving as seafarers, a percentage increase of 45.8 per cent compared with the previous 2015 report. But we recognize that this still only represents less than 2 per cent of the total global seafarer workforce and more must continue to be done to showcase the broad roles women can fulfil in the maritime sector, from cadet, able seafarer, to CEO.

Shipping is also unique in the sense that we are the only industry with a recommended global minimum wage, which has been in place for nearly 65 years. This long-standing arrangement has helped to build upon an element of collaboration built between the social partners and I hope that it may long continue. It is driven by the two pillars of common ground that shape our unique industrial relations: trust and social advancement.

- We trust each other and our long journey of building trust has paid off frequent returns, with mutual benefits for employers and employees that make up our global shipping community.
- The principles of social advancement are fundamental and do not harm the industry if applied globally. We recognize that the overall well-being of seafarers is inextricably linked to economic well-being.

Experts suggest that the worst of the health effects from COVID-19 are now behind us, but they have been wrong before. It is still too soon to say with full certainty, even if there is some very cautious optimism. From an economic standpoint, the impact of the pandemic will be felt for many years to come, with the IMF predicting that "COVID-19's economic fallout may be with us for decades", not years. That being said, at least in the short term we have not to date witnessed the type of broad global economic collapse that many had feared when the pandemic began to take hold.

In my opening remarks, during our meeting last year, I quoted from the ILO *Global Wage Report 2020–21*, which 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 that the crisis is likely to inflict massive downward pressure on wages in the near future.

More recently, the ILO *World Employment and Social Outlook: Trends 2022* report sheds light on how a modest and uneven global labour market recovery lost momentum in the second half of 2021 and downgrades the labour market recovery forecast for this year. Global employment and social outlook remain uncertain and fragile, as a result. The ILO report concludes that "in many countries it will take years to repair this [COVID-19 induced] damage, with long-term consequences for labour force participation, household income, and social – and possibly political – cohesion".

That same report also shows that global unemployment will remain above pre-COVID-19 levels until at least 2023. Some 207 million people are forecast to be unemployed in 2022, compared to 186 million in 2019.

In a global maritime transport context, the latest maritime trade data from UNCTAD's latest Review of Maritime Transport, appears to support the IMF predictions of the long-lasting effects of COVID-19. The report indicates that although maritime trade might appear to have weathered the COVID-19 storm, our industry faces far-reaching knock-on effects. UNCTAD predicts that "annual growth in maritime trade between 2022 and 2026 will slow to 2.4 per cent, compared to 2.9 per cent over the past two decades", due in large part to "mounting risks and uncertainties", such as the protracted unprecedented pressures our industry has been under. It is important to note that, although some segments of the shipping industry have done well financially during the crisis, this has been far from uniform and some segments continue to operate at large losses.

In 2009, China replaced Germany as the largest exporting country in the world. Today, China is among the biggest, if not the biggest, trading nation in terms of both imports and exports. It will therefore come as no surprise that the economic fortunes of this trade titan are intricately linked to the fortunes of the shipping industry. Shanghai's seven-week lockdown has had a crippling effect on all players within the supply chains, fuelling inflation, and shipping has been directly affected by the strictest COVID-19 lockdown in China since the pandemic began.

With respect to climate change, our industry continues to play a leading role in bringing together national governments and other external partners, to respond to what is arguably the biggest challenge of our era. The current emphasis of both the United Nations Framework Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC) is on achieving net zero carbon emissions over the coming decades and we are broadly behind the ambition of achieving net zero CO₂ emissions in shipping by 2050. But for this to be achieved, a substantial injection of capital is needed. The related costs of this energy transition will be unprecedented.

Notwithstanding these considerable challenges, we are extremely pleased with our ongoing dialogue in the context of what the transition to a decarbonized shipping industry would mean for the global seafarer workforce of the future, in terms of training, retraining, education and skills. We hope that the "Just Transition Maritime Taskforce", a joint initiative by the ICS and the (ITF, alongside the ILO and the International Maritime Organization (IMO), will shed some light onto these important issues and what costs this might entail. I am personally involved in this effort, and I believe we will not succeed in our climate-related ambitions unless seafarers are put in a position to make it all work in practice – that will not happen without commitment and effort.

According to the latest analysis from Drewry, vessel operating costs rose once again in 2021, having risen at their fastest pace in over a decade up to 2020. There are other variable factors that impact shipping's economic resilience, beyond the industry's control and which are very difficult to predict, such as the performance of oil markets, since energy is a considerable aspect of the operating costs of shipping companies, which is ultimately reflected in the market.

The global economic effects of a potentially prolonged conflict in Ukraine is another unpredictable factor that could affect shipping market fundamentals substantially, including the sanctions set in place as a result. The latest ICS estimates indicate that out of the nearly 2 million seafarers currently operating over 74,000 ships in the global merchant fleet, just over 10 per cent are Russian and 4 per cent are Ukrainian, with a combined total of nearly over 14 per cent. So there are legitimate concerns that the current supply chain disruptions are being compounded by a lack of Ukrainian and Russian seafarers.

Our member shipping companies continue to face significant challenges to remain sustainable and commercially viable in light of the many challenges we are currently facing and those that lie ahead.

The world is constantly changing, and our industry is changing along with it. We appreciate our mutual recognition that the minimum wage is a safety net, which aims to ensure that seafarers can sufficiently support themselves and their families in a global economy through decent employment and that wage levels must be balanced with the maximum number of seafarers that can be employed. Having considered the figures kindly provided by the Office and other available data and analysis, I am quite hopeful that over the next two days we will be able to jointly come to an agreement on what the market can bear and what is currently sustainable, as far as any potential adjustments to the recommended minimum wage for an able seafarer is concerned.

We sincerely look forward to a constructive and pragmatic discussion and result to ensure maintenance of the true safety net, both for today and the future.

Thank you.

▶ Appendix II

Seafarer spokesperson opening statement

Thank you, Madam Convener.

I would like to extend my thanks to the Office for convening this meeting, for the preparations and the excellent reports that have been provided to assist our deliberations.

In April 2021, when we met following STC 4 Part I, when we had undertaken an assessment of the impact of the pandemic on seafarers and shipowners, we had an expectation that we would secure an agreement with the shipowners for a substantial increase in the ILO minimum wage. The formula suggested that an increase was necessary, but we wanted more. However, we failed to agree and for us that was essentially because the ILO process and the formula was not respected. We came close but ultimately failed to reach agreement. We both said the door was still open for further discussions.

Over the summer, there was a period of reflection and a realization that the strong partnership that had been enhanced during COVID-19 could not be allowed to falter. We got back around the table and held informal talks such that we were able to request the Office that the online meeting be reconvened. In September 2021, we were able to agree on a resolution with an increase of US\$7 on the minimum wage for an able seafarer.

Now we are here again, and that spirit of cooperation is still with us. We enter this round of discussion with no set demands – merely that we discuss an increase informed by the ILO process and the formula – this is after all an agreed process adopted by the Joint Maritime Commission and the ILO Governing Body. Until we agree a change, and we are open to considering what options there are or improvements that could be made, we must respect the ILO process and we hope the Shipowners' group will also do so in good faith.

Madam Convener, I will also pass up the opportunity to dazzle the Shipowner spokesperson with my economic or market analysis to justify the need for an increase in seafarers' wages as I feel he will most surely do likewise, and we ultimately get nowhere. There is though the impact from the current inflationary spike to consider – it is important to reflect on that.

We should perhaps better use our time to discuss the Office reports and see if we can quickly agree the quantum of an increase and over what time period this can be introduced. We are ready to do that.

Thank you, Madam Convener.

► Appendix III

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 in Geneva from 16 to 17 May 2022,

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 to examine the formula and its methodology to consider whether the process is optimized and invites the Office to support this effort;

2. Agrees to an adjustment to be made to update the current ILO minimum basic wage for an able seafarer to US\$658 as of 1 January 2023, US\$666 as of 1 January 2024 and US\$673 as of 1 January 2025;

3. Agrees that the figure of US\$673 as of 1 March 2022 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 2025 for the purpose of updating the minimum monthly basic wage figure to take effect as of 1 January 2026, and every two years thereafter, and to request the Subcommittee to report directly to the Governing Body.