

# Impediments to free movement of Chinese seafarers in the maritime labour market

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## Abstract

With economic reform, in China, labour turnover of seafarers became more possible. However, little attention has been paid to its consequences. A limited literature indicates that Chinese seafarers may leave state-owned enterprises to become freelance seafarers, working in the global labour market for better wages and employment conditions. There have been predictions of a substantial increase in seafarer export, with China becoming the top labour supplier to the global maritime industry. However, such expectations have been largely unmet. Through 157 qualitative interviews with seafarers and managers in Chinese ship crewing agencies, we explore some reasons why this may be so. The findings suggest that Chinese seafarers are in fact limited in their willingness and ability to leave their companies. This is due to a complex mixture of organisational, regulatory, infrastructural and personal contexts that are their everyday experience of work in China. Analysis further suggests that the underdevelopment of a national regulatory infrastructure and welfare support mechanism for seafarers, along with poor implementation of the Maritime Labour Convention 2006, combine to limit the extent of the reform of the Chinese seafaring labour market. Together, these

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factors help to explain why China's seafaring labour export has been far lower than anticipated.

**JEL Codes:** D40, E24, F66, J61, J83

### **Keywords**

Chinese seafarers, labour turnover, seafaring labour export, seafaring labour market reform

## **Introduction**

During the period of the 'planned economy' in China, the labour market was heavily controlled by the centralised planning of the State. Employment was characterised by life tenure and stability (known colloquially as the 'iron rice bowl': Warner and Zhu, 2000).<sup>1</sup> The economic reforms that began in China, in 1979, and especially, the reform of the employment system from 1995, acted to liberalise this market and in theory, made the nature and terms of employment more subject to transactions between employers and their prospective employees, such as is more the norm in free market economies (Cooney, 2007). While this suggested a potential of greater freedoms to choose employment within a more liberalised economy and even beyond it, research across a number of sectors suggested that, in fact, such choice was heavily circumscribed by labour market practices that remained dominated by the State. It led some writers to suggest that during the process of marketisation, privatisation and reform of enterprises in China, generally, workers were confronted with the hegemonic power of the Government and employers with their interests sacrificed for China's economic development (see, for instance, Chan, 2011; Lee, 2007).

The freedoms that the reforms may have granted to Chinese seafarers to choose their employers have considerable potential impact on the maritime sector labour market, both within China and beyond it globally. Some researchers have suggested that the attractions of working on board foreign ships would cause substantial and increasing numbers of Chinese seafarers to leave their employment in state-owned enterprises (SOEs) and become freelance seafarers, working in the global labour market (Wu, 2004; Wu et al., 2007). Others, reflecting on the ongoing shortages of seafarers – perceived by the international shipping industry to be of major concern (Baltic and International Maritime Council (BIMCO) and International Chamber of Shipping (ICS), 2015; BIMCO and International Shipping Federation (ISF), 2010) – have argued that the globalising of the Chinese maritime labour market as a consequence of the economic reforms would lead to China becoming the foremost source of labour globally (BIMCO and ICS, 2015; Li and Wonham, 1999; Zhao, 2017). Reasons for this anticipated outcome could be found in China's possession of the largest maritime labour force in the world (BIMCO and ICS, 2015); an oversupply of seafarers to its domestic market (Fei and Lu, 2015); the comparatively low cost of Chinese labour (Gekara and Bhattacharya, 2018); and less stringent employment standards than in developed economies (Gekara et al., 2013); However, evidence indicates that neither the large-scale shift of seafarers' turnover to freelancers

nor China supplanting the Philippines as the lead supplier in the global labour market has occurred as anticipated. Moreover, state-owned ship crewing agencies still control the vast majority of seafaring labour and dominate the seafaring labour market (Feng, 2016).

This article seeks to explore some of the reasons for this. It considers what factors deter Chinese seafarers from leaving state-owned crewing agencies (SCAs) and becoming freelancers. Using evidence from interviews with Chinese seafarers and managers in four Chinese SCAs, the article seeks to understand how, after 40 years of economic reforms, institutional, economic and social factors in the working lives of seafarers, along with organisational ones on the part of state employers, continue to act together to limit their free movement into global markets.

The article explores management strategies applied by Chinese SCAs to retain their seafarers and the consequences for seafarers. It further explores the effects of regulatory and social welfare support mechanisms, such as demonstrated in a recent study of the seafaring labour market (Tang and Zhang, 2019), by seeking to understand their impact on labour turnover decisions of seafarers. Finally, it considers how the personal background and experiences of seafarers in different age groups influence their employment preferences. By addressing these questions, it contributes to understanding the extent to which economic reforms in China, have actually led to a modernised, free, Chinese seafarer labour market.

## **Labour turnover, the reform of Chinese seafaring labour market and turnover of Chinese workers**

Labour turnover can represent a significant challenge for an organisation because it may not only decrease organisational profit performance, but also increase the costs of replacement associated with selection, recruitment and training (He et al., 2015). Retaining labour is, therefore, an important organisational task and companies develop various strategies to control labour mobility (e.g. technical and bureaucratic controls, neo-normative controls and computer controls – Elliott and Long, 2016). Such control is further facilitated by influences outside the workplace, such as may be delivered by the political, social and economic contexts of labour markets and mobilities. Researchers have, thus, developed understanding of different forms of labour control regimes to explain brakes on labour turnover (see, for example, Anner, 2015; Jonas, 1996).

Anticipation that market reforms in China would create a group of freelance seafarers, and contribute a substantial increase in labour export, is based on economic migration theories emphasising the economic benefits of motivating labour migration (Wu, 2004). However, this article argues that such theories do not explain the labour migration patterns of Chinese seafarers. Instead it suggests that other regulatory, economic and social controls evident in the context of the Chinese maritime labour market influence the extent of Chinese seafarer participation in the global labour market.

The Chinese shipping industry is one of the fastest developing sectors in the Chinese economy. However, few studies have explored how the changes within it, affect its seafarers. As elsewhere in labour supply countries, employment in the industry is largely facilitated by crewing agencies that provide labour to ship operators. In China, there are mainly two types of crewing agencies that differ in terms of ownership: state owned

(SCAs) – which have developed since the 1970s and private owned crewing agencies (PCAs), established since the late 1990s.

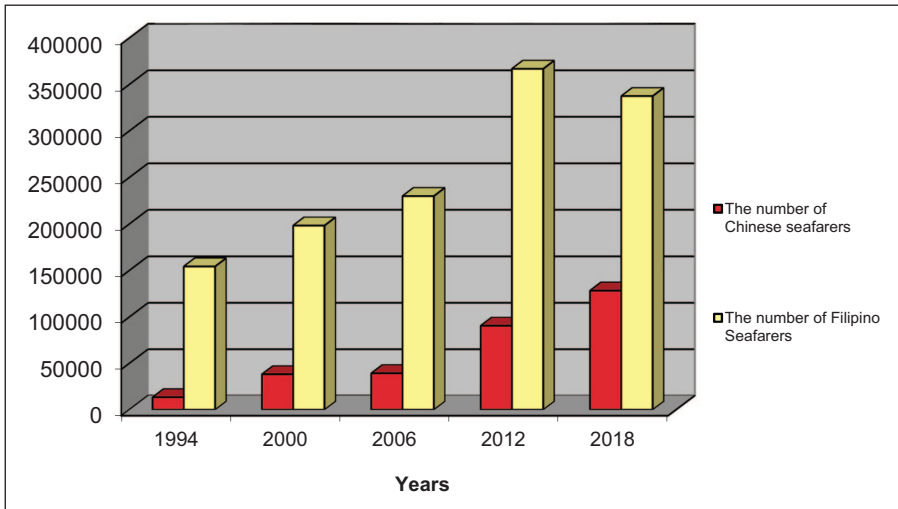
Following the reforms of 1979 and 1995, a seafaring labour market began to emerge. Attracted by their low costs, foreign shipping companies also became interested in recruiting skilled seafarers from this market through Chinese crewing agencies. To facilitate this, hundreds of new crewing agencies were established to provide crewing services for ship-owners. However, only those granted foreign manning qualifications by the Chinese government were allowed to serve foreign ships. Foreign-owned crewing agencies are still not allowed to establish themselves in mainland China (Feng, 2016) and, therefore, the interests of foreign ship operators continue to be represented through Chinese owned enterprises.

Such crewing agencies as are granted foreign manning qualifications by the Chinese government serve to facilitate the participation of Chinese seafarers in the global labour market. In the manning process, seafarers sign an *employment contract* with a Chinese crewing agency which decides all employment issues, for example, wages, working-hours, holidays and so on, according to the conditions of the Chinese seafaring labour market and, therefore, only rely on the agencies for employment. The crewing agency then signs a *dispatching contract* with the foreign ship-owner, which includes the terms of the amount of service fee paid to the crewing agency and the salary package for the dispatched seafarers. The seafarers have no influence on the contents of this dispatching contract.

Among crewing agencies, SCAs control a large majority of the seafaring labour resources in China. They dominate the labour market and foreign manning business as a result of the support they receive through the government and their parent shipping companies, – such as the granting of foreign manning qualifications and financial subsidies (Zhao et al., 2016).

There are two types of SCAs, differing mainly on the basis of their establishment. One is established by municipal governments or SOEs in businesses not related to shipping (often referred to as independent state-owned crewing agencies (ISCAs)). The other type comprises crewing agencies established by state-owned shipping companies (often referred to as subsidiary state-owned crewing agency (SSCA)). This second type has a shorter history than ISCA because they were set up through the reform of ‘separating the management of the seafaring labour resource from the management of ships’ (*Ren Chuan Fen Li*), based on policies proposed at the 14th Party Congress in October 1992. SSCAs also, often developed from the human resource management departments of their parent shipping companies. Their aim was to improve the professionalism of seafaring labour management in SOEs, thus providing more job opportunities and improving shipping companies’ profits by reducing labour costs.

Both ISCA and SSCA offer registered seafarers long-term and permanent contracts, social insurance, regular training, and a basic salary while on leave. The wages of registered seafarers may be lower than the market average owing to the high costs of provision of social insurance. Seafarers, thus employed, have no freedom to choose the ships on which they work as such decisions are made by the SCAs. Some ISCA employ freelancers, mainly freelance ratings. These freelancers are not provided with social insurance or regular training and they do not receive an income when they are on leave.



**Figure 1.** Numbers of Filipino seafarers and Chinese seafarers working in the global labour market.

Sources: Bao and Liu (2008); MSA (2012, 2019); Philippine Overseas Employment Administration (2018).

The wages of freelancers are, therefore, likely to be higher compared to that of registered seafarers employed by SCAs (Tang and Zhang, 2019). In theory, freelancers can freely choose the crewing agencies or the shipping companies for which they work.

Unlike ISCA, SSCAs receive both control and financial support from their state-owned parent shipping companies. Because of this, they are larger and control more seafarers than ISCA. Also, as a result of the business support from their parent company, SSCAs have less need to be concerned about their independent profitability and are often required by their parent shipping companies to dispatch their best seafarers to the ships of these companies, keeping a surplus pool of officers and ratings who also receive better material supports than the seafarers in ISCA. However, the maintenance of such surplus labour also means that the SSCA seafarers have fewer promotion and job opportunities.

At the end of 2018, Chinese crewing agencies supplied 220,000 seafarers to work on board ships, including around 90,000 seafarers working on board 2251 ocean-going ships and 10,000 onboard coastal trading vessels flying a Chinese national flag. Around 120,000 seafarers were dispatched on foreign flagged ships (including Chinese owned but foreign flagged ships), the majority of whom were state employees dispatched by SCAs (Maritime Safety Administration of China (MSA), 2019). Although this is a considerable proportion, it is lower than the numbers required for China to supplant the Philippines and become the top supplier of seafaring labour (Figure 1). What should also be noticed here is that in 2018 there were 545,877 seafarers in China qualified to work on board ocean-going cargo ships in unrestricted navigation areas. While around 220,000 were dispatched as indicated, about 325,000 qualified seafarers were redundant. Although there is no report about how these redundant seafarers are economically active, an

oversupply of Chinese seafarers has been suggested (see for instance, Fei and Lu, 2015). Therefore, despite a potential for China to dispatch greater numbers of seafarers to the global labour market this has not occurred. This leads us to inquire what are the obstacles preventing this.

Researchers scrutinising labour turnover occurring in other sectors since the economic reforms suggest broadly similar influences. Thus, researchers are likely to include personal factors (such as attitudes and expectations), organisational factors (such as salary incentives, training and promotion, interpersonal relations and job-related factors) and external environment factors (Xu and Yang, 2011). Research in other sectors, mainly in manufacturing (Zhu et al., 2007), but also in the IT industry (Zhang and Zhang, 2003), and among university staff (Yang et al., 2005 for instance), suggested that there was a tendency for Chinese workers to move from SOEs to non-state-owned companies, because workers perceived foreign companies/joint ventures to be more likely to have attractive human resource practices, providing employees with fairer procedures in allocating salaries, socio-emotional rewards, good working conditions, advanced training courses and so on (Zhu and Warner, 2004).

In this respect, however, as pointed out, research on workers mobility in the transport sector overall is limited and this is, especially, so in relation to human resources in the maritime sector (Fei and Lu, 2015; Tang and Zhang, 2019). As already indicated, in the early 2000s, Wu and others were estimating that China would become the top seafaring labour supply country globally ((BIMCO and ICS, 2015; Li and Wonham, 1999; Wu, 2004). The benefits claimed for Chinese seafarers as a result of the economic reform and globalisation, explored by Wu, may have some basis in relation to prospects for higher wages, more equal management and better employment conditions. However, as Figure 1 shows, seafarers employed by SCAs still represent the greater majority of Chinese seafaring labour and, seafarer labour export represented less than one-third of seafarer export from the Philippines. Thus, the quantitative evidence of Chinese seafarer movement into the global maritime labour force suggests that their labour turnover decisions may be influenced by more complex factors than monetary gains.

## **Research methods**

This article is based on a qualitative study in which 125 seafarers and 32 crew managers and trade union (TU) officials in 4 Chinese SCAs were interviewed. The findings from these interviews were supplemented by documentary research on national and company regulations. The study received ethical approval from the Psychology Ethics Committee of Dalian Maritime University and Cardiff University.

The SCAs in the case studies were among the largest examples of the two types of SCAs referred to previously. They had reformed to different degrees with respect to the details of their dependence on higher institutions and state, market relations (domestic and foreign), and management. The SCAs were also located in different parts of China and within different social, economic and historical contexts.

The first and second SCAs we will look at in the case study (hereinafter referred to as SCA1 and SCA2) are ISCA. SCA1 was set up in the autumn of 1985 by a local municipal government, located in a coastal city in the North-East of China. SCA1 is among the oldest

**Table 1.** The four crewing agencies in the case studies.

Company name	SCA1	SCA2	SCA3	SCA4
Year established	1985	1987	1995	2004
Clients' ship types	Deep-sea ships	Deep-sea ships	Deep-sea and coastal ships	Deep-sea and coastal ships
Total ships crewed	34	41	48	39
Foreign ships crewed	34	41	10	15
The number and ranks of registered seafarers on agency's book	704 officers	816 officers	3109 (surplus) officers and ratings	2825 (surplus) officers and ratings
Number of freelance seafarers temporarily employed	298 (mainly ratings)	406 (mainly ratings)	0	0

SCA: state-owned crewing agencies.

Sources: Data were collected in 2016 from the four crewing agencies.

of the crewing agencies in China. SCA2 is a subsidiary company of a state-owned labour service enterprise, located in the South-East of China, founded in 1987. SCA1 and SCA2 are well-known and recognised nationally for their professional manning services. They employ a moderate number of registered officer seafarers on fixed-term contracts with a general length of 5–8 years. The registered seafarers are offered social insurance, regular training, and a basic salary while on leave. SCA1 and SCA2 also employ some freelance ratings from the labour market, on a per-voyage contract. The freelance ratings are not offered the material supports provided to the registered seafarers. The core business includes crew recruitment, training, certification and crew manning on domestic and foreign vessels.

The third and fourth crewing agencies in the case study (hereinafter referred to as SCA3 and SCA4) are subsidiary crewing agencies of two state-owned shipping companies (SSCAs). Their core business is to manage and dispatch seafaring labour for the parent shipping companies. SCA3 registered in 1995 and is located in Middle-East China. It is a constituent part of what has been the largest operator in the entire Chinese shipping industry. SCA4 was established by its parent shipping company in 2004. It is located in South-East China. It is one of the most influential crewing agencies in the province. Both SCA3 and SCA4 employ surplus officers and ratings on long-term (more than 8 years) and permanent contracts. The seafarers in SCA3 and SCA4 enjoy better material supports than seafarers in SCA1 and SCA2. But they may have fewer promotion and job opportunities than those in SCA1 and SCA2 because of the labour surplus in SCA3 and SCA4. Information on the four crewing agencies is summarised in Table 1.

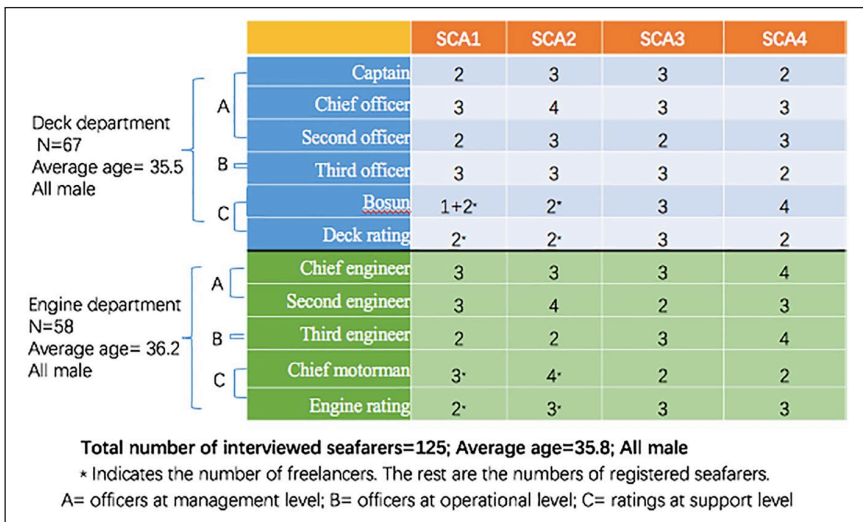
The interviews sought information on the following:

1. What strategies were adopted by the crew agencies in order to retain their seafarers?
2. What was the impact of these strategies on seafarers?
3. What were the most important influences on seafarers' decision to leave their companies to become freelancers?

**Table 2.** Interviewed managers and Trade Union officials in the four crewing agencies.

	SCA1	SCA2	SCA3	SCA4
Director of the crewing agency	1	1	1	1
Managers at HRM department	1	2	2	1
Manning department	2	1	1	2
Training department	1	1	1	1
Business department	2	1		
Director of the parent shipping company			1	1
Chair of Trade Union	1	1	1	1
Vice Director of head office			1	1
Ex-director			1	

HRM: Human Resource Management; SCA: state-owned crewing agencies. Total number = 32; Average age = 46; Male = 30; Female = 2.



**Figure 2.** The interviewed seafarers from the four crewing agencies. Total number of interviewed seafarers = 125; Average age = 35.8 years; All male. \*Number of freelancers. The rest are the number of registered seafarers. A = officers at management level; B = officers at operational level; C = ratings at support level.

The interviews with seafarers, managers and TU officials were carried out in Chinese, based on different interview schedules. In total, 32 managers in different positions and TU officials whose work was related to seafarers' work at sea were interviewed (Table 2). In total, 125 seafarers of all ranks were interviewed, including some registered seafarers who had the experiences of working for PCAs and some freelancers (Figure 2). Interviews with managers and TU officials were conducted at their offices. Some of the seafarer interviewees were recommended by their managers, and interviews were conducted at the meeting rooms of the crewing agencies. Others were arranged



independently and undertaken outside company premises, such as in cafés, tearooms and interviewees' homes. Seafarer interviewees tended to talk more about their experiences in the interview venues outside the companies' premises. All interviews were audio recorded and transcribed. All information provided by the participants was anonymised so as to protect their privacy. Analyses were carried out with the assistance of NVivo software and organised around key emerging themes including, training, wages, social welfare, job security, occupational health and safety, personal skills, families' opinions and companies' strategies for retaining seafarers.

## **Retention strategies of state-owned crew agencies**

The SCAs applied several controlling strategies to retain seafarers. Seafarers' experiences of these practices, reported in the study, are outlined below.

### *Retaining seafarers' certificates*

Seafarers have a shore leave period between duty voyages, ranging from several months to a year (Zhang, 2016). During this period, seafarers of SCAs receive a basic salary (several US\$100 per month) that hardly covers their living costs. To obtain additional income, some SCA seafarers may take temporary jobs from domestic shipping companies. However, SCAs tend to control the movement of seafarers to the labour market by retaining their certificates of competency. While this is illegal according to the *Labour Contract Law* (2006), it prevents seafarers being able to show the evidence required for employment on other ships. A Captain said,

Other companies, like x and y, have each called me at least once a month to ask me whether I can work for them. But my certificates have been retained by my company, so I cannot work for these companies.

Some SCAs also hold back proportions of wages as a 'financial security' to force seafarers to surrender their certificates when they sign off from duties at sea. The retained percentage varied by rank: 20% for ordinary and able seamen and 50% for captains. This is because high-ranking seafarers are highly skilled and the loss of these seafarers would cause significant loss for the crew agencies. If seafarers refuse to surrender their certificates, the retained wages are not paid. In addition, travel expenses from seafarers' homes and the ports where they sign on to ships are not reimbursed, and promotions may also be delayed. A Chief Engineer explained the problem:

To get my whole wages, my certificates are kept by the agency during my leave, not in my hands. So I do not work for other agencies, but stay at home and rest.

### *Financial penalties*

Another strategy adopted by SCAs is to impose financial penalties if seafarers quit before the end of their contracts. The financial penalties are intended to recoup training fees,

including those paid by crewing agencies to maritime colleges, and cadet training fees. The *Labour Contract Law* (2006) is intended to protect workers from being penalised by employers when they resign. However, considering that SCAs have usually contributed significantly to training costs, they are entitled to claim these training costs back (fully or partially) if seafarers fail to fulfil their obligations over the service periods. A crew manager explains this management practice:

Although the law forbids us to charge the breach of contract fee now, to train our seafarers we have paid training fees to marine colleges. We consulted the lawyer, and he suggested that we could ask our seafarers to sign independent training agreements with us, which can be used as evidence to claim the training fee back if our seafarers resign.

Seafarers complain about such penalties. Although the agency asks for certain amounts of compensation, it does not give a breakdown of these amounts to the seafarers. A Third Officer in SCA1 said that

When I first discussed the penalty with the manager, he asked me to pay 4,000. The second time I visited him, it had become 6,000, then 13,000 for the third time. This is unacceptable. I asked the Manager how he had calculated the sum and why he changed the amount every time. But they did not give me any explanation.

According to the President of the TU in SCA1 this ambiguity occurs because,

The contract is out of date and the terms are rather general and ambiguous. There are no clear calculation rules for financial penalties. In addition, some penalties, such as training fees, should be based on receipts. But because our training centre is not qualified to issue such receipts, many compensation items are hard to clarify.

High financial penalties imposed on resignation make it difficult for some seafarers to move to subsequent jobs. A Second Officer said that

The financial penalty is too high for me. It is difficult for me to afford. But if you do not pay, you cannot get your certificates. Whenever I think about resigning, I feel that this is a big obstacle.

### *Lack of union support*

Although there are TUs in the SCAs, few of them protect their seafarers from these illegal management practices. One Second Officer gave the following account:

You see the TU did not represent workers' interests. It actually helped the government and the managers to resolve their problems. It is not a workers' union, but the Party's . . . The TU is not independent but depends on the management.

Seafarers' participation in crewing agency affairs is not supported by their TUs. Therefore, they do not believe that they can influence the policy-making of the company. A Chief Officer said,

Policy-making is not the business of seafarers. Nobody asks our opinions. The Trade Union Congress is just formalistic. No one cares about the interests of seafarers.

In the four SCAs, the TUs organised entertainment activities and provided welfare for workers. The Presidents of these TUs believed that unions should facilitate management. The Chair of the TU in SCA2 said, ‘We perform a “logistics service” for the management’.

To understand this situation, we need to take the Chinese political framework into account. By law, all TUs in China should operate under the leadership of the All-China Federation of Trade Unions (ACFTU) which in turn falls under the leadership of the Chinese Communist Party. The ACFTU and its affiliated unions, therefore, largely function as a transmission belt to convey government policies to workers and enforce these policies through labour discipline (Metcalf and Li, 2005). The Chinese ACFTU is, therefore, not an autonomous union in the Western sense, but an organ of the state (Taylor and Li, 2007). In China, workers do not have the freedom to strike and independent unions are suppressed. China’s ACFTU has no bargaining power (Warner, 2008).

These bureaucratic barriers to the mobility of seafarers, such as retaining certificates and imposing financial penalties, are largely illegal, but since seafarers do not have the resources or support from organised labour to challenge them, they constrain seafarers from leaving their crewing agencies (see also Tang and Zhang, 2019).

## Risks in the labour market

In addition to evidence of retention controls operated by state crewing agencies, the study also showed that seafarers were aware that resigning from their SCAs and becoming freelancers, raised other uncertainties and risks, such as those of loss of welfare provision, job security, wage security, and safe working conditions.

### *Loss of welfare provision*

As described previously, in China, seafarers depend on their crewing agencies for social insurance and non-wage benefits. SCAs must comply with the *Social Insurance Law* (2011), which means they are obliged to pay seafarers’ social insurance premiums. Taking SCA1 as an example, an additional 57% of wages are contributed by the company to cover social security insurance, including pensions (20%), medical insurance (14%), work-related injury insurance (0.8%), maternity coverage (0.2%), unemployment insurance (2%), housing funds (10%) and other non-wage benefits (10%) such as free nursery services, winter subsidies and free physical examinations. However, non-state-owned crewing agencies, especially the small PCAs, are perceived to be unable to maintain an equivalent level welfare programmes to those of the SCAs (Chen and Hao, 2012). A Second Engineer said that

I dare not quit, because of my social welfare. If I quit now, a large part of the social insurance that was paid by the shipping company would be confiscated by the government. Then when I retired, I would receive little pension and benefits. I am very worried about this.

The ratings in the four SCAs also received social insurance and material supports at a comparatively high level, while freelance ratings did not and are, therefore, often obliged to take on other work when not at sea (Zhang, 2016). Providing ratings with high wages, permanent contracts and social insurance was explained by the Vice-Director of the Head Office of SCA3 as follows:

Ratings receive rather high wages and welfare. This is not market-oriented. We do this because we want to take care of our elder comrades. This is the tradition of the State Owned Enterprises.

A weak social security system in China, with low pensions and expensive medical services (Sander, 2010), further explains why the welfare provided by the SCAs is important, especially for low-skilled workers (ratings). These values and practices of SOEs, supported by government and the parent shipping companies of SCAs, therefore, provide further strong barriers to the movement of seafarers to the open labour market.

### *Job security*

The SCAs avoid dismissing employed seafarers. Although there is a surplus of employees, SCA3 still recruits 100–200 seafarers each year to fulfil its ‘social responsibility’. Sponsored by the parent shipping company, this additional manpower is regarded as a ‘strategic reserve’. Even though SCA1 had around 200 surplus seafarers in the early 2000s, no seafarers were dismissed. The Director of SCA1 said that ‘enlarging employment is the social responsibility of state-owned enterprises’.

But if seafarers work as freelancers in the labour market, job security is not ensured. Their employment opportunities are influenced by the fluctuations in the economy. As Zhao and Amante (2003) found, in China, transparent channels to provide information about job opportunities are not available to seafarers. Consequently, it is not easy for freelancers to find jobs, which contributes further to the perception of job insecurity. In this study, a Second Officer said that

I do not want to resign from the company. I feel my job is secure. But in the market, nothing is secure for freelancers – especially job opportunities – so I won’t quit.

Job security is obviously important for workers, and especially for those with their own social and family responsibilities – who must take care of their parents and children at the same time. This breadwinner role further discourages them from leaving the SCAs and becoming freelancers. As one Chief Officer put it,

Now I have parents in their 60s and 70s and children to take care of, so I cannot afford the risk of having no stable income in the market.

Low-skilled seafarers/ratings in the study also indicated a preference for the stability of SCAs compared with working on the market as freelancers. As an Ordinary Seaman said,

Now at least I have a stable job. I cannot give it up. It is very difficult to work in the market because there have already been 'redundant ratings'. At least I can earn 6,000 yuan per month now. What if I cannot find this sort of income outside the state-owned enterprises?

### *Low-wage security*

Some PCAs, especially those operate without registering with the governmental institutions, have a reputation for paying the wages of seafarers in arrears. Such relatively small operators have no stable crew teams but recruit a large number of freelancers. The interviewees express their distrust of these crewing agencies. A Chief Officer said,

The SCAs won't pay the wages of seafarers in arrears. That is guaranteed. However, many private crewing agencies often delay wage payment. When we ask for wages, some private agencies often only give half, or nothing.

A Third Engineer reported,

I once worked for the private crewing agencies. I know their credibility is low and I was very worried. Although the agencies give higher wages than the state-owned ones, you never know whether you will actually get your wages or not.

### *Occupational health and safety concerns*

Extending these limitations further are perceptions that private crewing agencies may collaborate with operators of vessels in poor condition, under flags of convenience (FOC), recruiting seafarers to work on ships, where safety management is poor. A Chief Engineer said that

If you go to some private agencies for job opportunities on foreign ships, you are very likely to have work arranged aboard smaller FOC ships in poor condition. Normally, the formal, large shipping companies do not cooperate with these private agencies. When I worked on board these ships, I found not only that the workload was huge, but also that it was very dangerous. So I don't think working in the market as a freelancer or depending on the private agencies is a long-term plan for me.

Seafarers who had worked on board FOC ships also complained about the lack of medicine on board. A Second Engineer said that

They have no medicine on board, and the (private) company just leaves us like this. The private companies have no regulations and they use flags of convenience. In my previous state-owned shipping company we had [a] doctor on board, but now you cannot have a doctor on board a privately-owned ship.

Some PCAs were believed to employ unqualified seafarers, and this was seen to threaten the safety of navigation. A Chief Engineer said that

If you work for the private agencies, you know nothing about your workmates – their skills or quality. This is very bad for work at sea, which should be team work. I had the experience of being dispatched by a private agency and working at sea for four to five months. During these months, ten to fifteen seafarers were replaced and the turnover rate was as high as 50% to 70% . . . I met some seafarers who worked on board the ships for two months and then prepared to work as construction workers for the following two months. It can be very dangerous to work with these people at sea.

In short, the findings reported in this section reflect a perception of weak social support, deficient employment and protection of legal rights found in the free labour market. Consequently, if seafarers left SCAs and worked as freelancers, they would have to face risks and uncertainty that they do not have to worry about quite so much in SCAs. This represents a significant and understandable impediment to their movement towards becoming freelancers.

### **Personal factors: Education, skills and family concerns**

In addition to organisational factors restricting movement of seafarers into more open labour markets, evidence from the study suggests a number of personal factors at play.

#### *Educational backgrounds*

The majority of the SCAs' seafarers were in their 40s and 50s and high-school graduates or veterans. Due to the upheaval of the Cultural Revolution, many did not have opportunities to further their education. Few had higher education diplomas and this served to reduce their confidence in the labour market. The stability offered by employment through a SCA was, therefore, important to them. A 50-year-old Second Officer with high-school qualification said that

I never think about resigning. Working in the market is too complicated for me. With no high qualifications – in addition to my age – I have no advantages in the labour market. Having worked in the SCA for my whole life, I just want to wait for a safe retirement.

Younger seafarers without university diplomas also preferred to stay with the SCAs because the labour market was perceived not to offer opportunities to low-skilled seafarers. A young officer seafarer with a secondary school education said,

It would not be easy for me to find better working opportunities in the market. Without a high educational background, I have limited choices in my career. So I think I need to cherish my secure job here and work hard in the SCAs.

#### *Lack of skills*

Even with university diplomas, some young seafarers were concerned about moving to the labour market as freelancers. A common theme reported by interviewees was their absent or limited skills – in particular skill in the English language – which is important

for seafarers to work on board foreign ships. Unlike Filipinos, for whom English is an official language, Chinese seafarers' English skills are usually limited (Tang et al., 2016). The director of SCA1 was concerned about this and said,

English is still the major problem for many seafarers . . . And there is also a lack of a self-motivated learning atmosphere among seafarers.

In addition, seafarers were not confident of their professional skills, and complained about the quality of training. A Second Officer said,

. . . land-based training does not emphasize improving seafaring skills. We only watch videos and see how some operations should be done. But we never do any hands-on training ourselves.

### **Family concerns**

Family members' attitudes play a strong role in seafarers' decision to stay with SCAs. A Chief Officer said,

I have to consider whether my resignation from SCA1 is acceptable for my parents. They are old. They both worked for SOEs for their entire working lives. They would be very worried if I leave the SOE.

Parental objection to their offspring resigning from SCAs is understandable, if their own experience is considered. Born in the 1930s and 1940s, and once the 'working class' and 'masters of enterprises and the state' within the planned economy, socialist ideology persists in their attitudes (Chen, 2006). In addition, they were taken care of during the period of the 'iron rice bowl' by the state. With little experience of working in the open labour market, the idea of their offspring losing their job security and working as freelancers is challenging. Therefore, they usually discourage them from becoming freelancers.

In sum, there are a host of personal factors that support the relative immobility of seafarers and work against their willingness to become freelancers, including the lack of confidence in their education background, limited skills and family objections. It further implies a perception of limited social support and public protection – including a lack of effective training, career planning, social insurance and economic security.

### **Conclusion**

Our research suggests that predictions of Chinese market reforms leading to an increasing predominance of freelance seafarers, and subsequently, a substantial increase in seafarer export to the global maritime industry – rivalling major maritime labour supply countries like the Philippines – are both simplistic and largely unrealised. Instead our findings suggest that capacity to leave state-owned companies and become freelance is constrained by a host of organisational, structural and personal factors which encourage a belief that the traditional form of employment in state-owned companies has less risk

than seeking employment in an open labour market. In addition, a closer look at some of these factors – when measured against the personal features of the seafarers themselves – reveals that while they may act in different ways on different groups of seafarers, the end result is much the same, as such factors tend towards supporting decisions to stay within the employment of State controlled organisations of one form or another. In addition, while the personal characteristics of seafarers may vary, the impact of organisational and structural factors is much the same, militating towards supporting decisions to stay within the employment of State controlled organisations of one form or another. For example, low ranking seafarers, with poor educational qualifications (such as ratings), along with older seafarers with family responsibilities indicate a strong dependence on their SCAs largely for reasons of job security and concern for the continuation of social welfare benefits. While younger, urban born and better educated officers may be confronted by high economic penalties levelled by SCAs should they try to resign and move towards a free labour market.

The decisions of seafarers and the actions of their crewing agencies also need to be understood in a wider regulatory context. The illegal management strategies applied by SCAs, such as retaining certificates and delivering financial penalties, along with the risks that freelancers perceive they may face, such as loss of job security, good welfare support, wage security and healthy and safe working conditions, all result from weak regulation and limited infrastructural support in China. The perceptions of seafarers concerning limited external inspection and control over the management arrangements of crewing agencies and limited provision of social insurance, training opportunities, career plans, job information and economic security for freelancers further suggests an experience of a weak social welfare and support system (see also Zhang, 2016).

Indeed, such findings more broadly indicate that despite China's adoption of the *2006 ILO Maritime Labour Convention* in 2016 – which is intended to bring together international minimum standards that ensure decent work for seafarers and is acclaimed as the 'Seafarers Bill of Rights' – its operation in China may be quite limited given the underdevelopment of a national regulatory infrastructure and welfare support mechanism for seafarers such as demonstrated by the experiences reported in this article. In such social, economic and regulatory contexts, with little government support and protection, seafarers appear to have little option but to choose to remain in SCAs because overall they provide better conditions.

As a result, SCAs with the support and control of the Chinese government, manage to control a large proportion of the Chinese seafaring labour force. Arguably, a strategic reason for supporting this may be that keeping such a large number of seafarers registered with SCAs helps to maintain the appearance of a good employment rate and hence aid social stability (even though many who are registered may not be actually working on board ships at any one given time or receiving full wages for doing so). In addition, this is in good part a function of the Government's protection of China's shipping industry which is important for the Chinese economy, through supporting SCAs to dominate the control of seafaring labour and, therefore, access to the best human resources. Such strong influence of the Government, in turn, may also be a residual effect of its centralisation during the period of the planned economy. Such practices may have been so deeply embedded in the maritime sector that approaches to human resource management around



recruitment and retention were never effectively challenged by the economic reforms in the shipping industry in ways that they were in other sectors – such as manufacturing for example (Chan, 2011; Lee, 2007). Although Chinese economic reform has been dramatic in many ways, the conclusion we draw from the testimonies of seafarers and crewing agents in this study, is that its impact on human resource management and labour turnover in the shipping industry has not been anywhere nearly as significant as reported in other sectors.

Such a national strategy, with the Government supporting SCAs controlling a large proportion of seafaring labour in order to meet the labour force requirements of the domestic shipping industry, has served to limit the development of crewing agencies of other types. Since many PSCs are uncompetitive with SCAs in the provision of welfare and job security, they can only recruit a small proportion of seafaring labour and often are obliged to collaborate with small ship-owners with poor ship conditions in order to survive. In part, it seems that at least some of these small PSCs are further driven to breaching market regulations and impairing the interests of seafarers in order to keep their precarious business afloat. This contributes negatively to labour supply in the global maritime labour market. It also restricts the career opportunities for Chinese seafarers and, it is possible that in the long term, may contribute negatively to the attractiveness of a seafaring career and undermine sustainable development of Chinese seafaring human resources.

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### Note

1. ‘Iron rice bowl’ is a Chinese term used to refer to life-time employment with centrally administered wages and state-controlled appointment and promotion that was widely practised before China’s economic reforms.

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